

NOTE – convenience translation

Only the subscription offer as published in the “Bundesanzeiger” (Federal Gazette of the Federal Republic of Germany) on August 14, 2018 is legally binding.

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SLEEPZ AG

Berlin

ISIN DE000A2E3772/ WKN A2E377

ISIN DE000A2E4L59/ WKN A2E4L5

Offer to shareholders of SLEEPZ AG to subscribe Partial Debentures of the 6% Convertible Bond 2018/2021

(ISIN DE000A2LQSV5/ WKN A2LQSV)

On 27 June 2014, the Annual General Meeting of SLEEPZ AG, Berlin (hereinafter referred to as the “**Company**”), with an amendment resolution adopted on 17 June 2015, authorised the Company’s Executive Board, with the consent of the Supervisory Board, to issue on one or several occasions before 26 June 2019 Convertible and/or Warrant Bonds with or without a limited maturity date for a total Nominal Amount of up to EUR 30 million and to grant certain options to the Warrant Bondholders (creditors) and to grant certain rights of conversion (including an obligation to convert) to the bearers/creditors of Convertible Bonds for up to 8,280,470 non-par value bearer shares of the Company as detailed in the Terms and Conditions for Bonds (the “**Authority**”).

Moreover, the share capital of the company was contingently increased by up to EUR 8,280,470 through the issue of up to 8,280,470 non-par value bearer shares (“**2014 Contingent Capital I**”). The 2014 Contingent Capital I was entered in the Commercial Register at the Local Court of Char-

lottenburg on 2 July 2014, with the amendment by the Annual General Meeting of 17 June 2015 being entered on 24 June 2015.

By partially exercising its Authority, the Executive Board of the Company decided on 9 August 2018, with the consent of the Supervisory Board on the same day, to issue Convertible Bonds with a total Nominal Amount of up to EUR 7,000,000.00, divided into as many as 70 bearer Partial Debentures (the “**Partial Debentures**”, collectively the “**Convertible Bond 2018/2021**”), each with a par value of EUR 100,000.00 (the “**Nominal Amount**”) and a term lasting until 6 September 2021 and a fixed interest rate of 6% per calendar year, payable semi-annually. In accordance with the Terms and Conditions for Bonds, every bond can be converted into shares of the Company, with the initial conversion price being EUR 1.40. The bonds will be offered to shareholders of the Company for subscription at the Issue Price of EUR 100,000.00 per Partial Debenture (the “**Issue Price**”).

Subscription Offer and Period

FinTech Group Bank AG, Frankfurt am Main (the “**Issuing Bank**”), has undertaken on the basis of an issuance agreement (the “**Issuance Agreement**”) concluded between the Company and the Issuing Bank and dated 9 August 2018 to offer the Company’s shareholders the opportunity to subscribe the Partial Debentures by way of indirect subscription rights at a ratio of 177,765:1 (177,765 shares of the Company entitle individuals to subscribe one Partial Debenture) (the “**Subscription Ratio**”) at an Issue Price of 100% (equal to EUR 100,000.00 per Partial Debenture) (the “**Subscription Price**”).

From 15 August 2018, stock exchange trading of the shares of the Company in the regulated Market of the Frankfurt Stock Exchange takes place "ex subscription right". At this time, the subscription rights (ISIN DE000A2LQSW3/ WKN A2LQSW) will be separated from the shareholdings in ISIN DE000A2E3772/ WKN A2E377 and ISIN DE000A2E4L59/ WKN A2E4L5. Calculation of the number of bonds that each shareholder is entitled to subscribe will be determined by the number of shares of SLEEPZ ISIN DE000A2E3772/ WKN A2E377 and ISIN DE000A2E4L59/ WKN A2E4L5 he or she currently holds after the close of trading on 16 August 2018. The subscription rights (DE000A2LQSW3/ WKN A2LQSW) that apply to the shares currently held in the Company will be automatically deposited to the accounts at the respective custodian banks by Clearstream Banking AG, with registered office in Frankfurt am Main, on 17 August 2018 (morning).

To avoid exclusion from exercising their subscription rights we ask our shareholders to exercise their subscription rights to the Partial Debentures (including any oversubscription) through their custodian banks in the period

from 17 August 2018 to 31 August 2018, 12 p.m. noon (CEST)

(the “**Subscription Period**”).

To exercise their subscription rights, we ask our shareholders to place corresponding orders with their custodian banks using the subscription forms provided by their custodian banks.

The custodian banks are asked to relay the collective subscription requests from the shareholders to the Issuing Bank by the end of the Subscription Period and deposit the Subscription Price of EUR 100,000.00 per Partial Debenture in the following account at the Issuing Bank, also no later than the end of the Subscription Deadline:

Account:	SLEEPZ AG
Bank:	FinTech Group Bank AG
Account no.:	9855021235
Routing no.:	101 308 00
IBAN:	DE97 1013 0800 9855 0212 35
BIC:	BIWBDE33XXX

For 177,765 no-par bearer shares, a Partial Debenture of 100% of the nominal amount, i.e. EUR 100,000.00 per Partial Debenture, may be subscribed for in accordance with the subscription ratio of 177,765:1. The normal bank commission will be charged for subscription.

The dates on which the subscription form and Subscription Price are received by the Issuing Bank will determine whether the deadline for subscription has been met. Subscription rights not exercised on time shall lapse without compensation and be derecognised as having no value after the Subscription Period expires. No compensation will be provided for subscription rights that are not exercised.

Right of oversubscription

If and to the extent shareholders have not taken advantage of their statutory subscription rights with respect to the Partial Debentures being offered, then shareholders will be granted the right to subscribe the Partial Debentures in accordance with the provisions below.

All shareholders will be granted the right to place a binding subscription order at the Subscription Price for those Partial Debentures not subscribed by other shareholders based on their statutory right of subscription (“**Oversubscription**”). Any Oversubscription orders must be placed within the Subscription Period using a separate form provided by the custodian banks together with the other documents related to the Subscription Offer. Oversubscription orders can be ac-

cepted only if both the associated notice of Oversubscription from the custodian bank and the full Subscription Price for Oversubscription are received by the Issuing Bank by no later than the end of the Subscription Period. In all other matters, the same terms and conditions that apply to exercising statutory subscription rights also apply to notice of Oversubscription.

Shareholders are not legally entitled to the allotment of such Partial Debentures from the Oversubscription. The Executive Board decides at its own discretion, according to which standard the Partial Debentures not exercised within the scope of the statutory subscription right are distributed. If Oversubscription orders cannot be filled completely or at all, the shareholders affected will be reimbursed immediately, presumably at the same time the allocated Partial Debentures are delivered, for the excess purchase price paid as part of Oversubscription.

Issue price

The Issue Price per subscribed bond is EUR 100,000.00.

No trading of subscription rights on a regulated market

Neither the Company nor the Issuing Bank will issue a request to trade the subscription rights on any securities exchange. Accordingly, it will not be possible to purchase subscription rights or sell them to third parties through the stock market. However, shareholders may freely transfer subscription rights to one another. The Company will not serve, either directly or indirectly, as an intermediary for the buying or selling of subscription rights between shareholders. Subscription rights that are not exercised before the deadline will lapse with no value. No compensation will be provided for subscription rights that are not exercised.

Liquidation of unsubscribed Partial Debentures

The Issuance Agreement does not provide for permanent acquisition of the Partial Debentures by the Issuing Bank. Partial Debentures that are not purchased during the Subscription Offer (statutory right of subscription and Oversubscription) are to be offered to qualified investors for purchase by means of private placement until 5 September 2018, 3 p.m. in Germany and, if need be, other countries of the European Union and Switzerland (“**Private Placements**”).

Announcement of the value of the Convertible Bond

The Company expects to announce the value of the Convertible Bond being placed on 5 September 2018].

Market registration of Convertible Bond 2018/2021

The Company intends to have the Convertible Bond 2018/2021 listed on an open market segment of a German stock exchange.

Select features of Convertible Bond 2018/2021

The bonds that can be subscribed as part of the Subscription Offer are subject to the bond conditions ("**Bond Conditions**") that can be obtained in printed form from the Company (SLEEPZ AG, Schlüterstrasse 38, 10629 Berlin) and are available for download from the Company's website at www.sleepz.com under "Investor Relations > Bonds 2018".

In particular, key features of the Bond Conditions for the Convertible Bond 2018/2021 include the following:

Nominal amount and denomination

The Company's bonds in the total Nominal Amount of up to EUR 7,000,000.00 are divided into 70 bearer bonds, each with a par value of EUR 100,000.00.

Status

The bond debtor's obligations arising from the bonds are all of equal rank and at least the same rank as all the Company's other unsecured and non-subordinated liabilities, unless compelling legal regulations prescribe otherwise.

Securitisation and transferability

The bonds are securitised using a global certificate (the "**Global Certificate**") without any coupons issued to the bearer. The Global Certificate will be deposited with Clearstream Banking AG, Frankfurt am Main ("**Clearstream Banking**") until the bond debtor has fulfilled all of its obligations arising from the bonds. The bonds can be transferred by making appropriate safekeeping account entries in accordance with the applicable terms and conditions of Clearstream Banking and, outside the Federal Republic of Germany, by Clearstream Bank société anonyme, Luxembourg, and Euroclear Bank S.A./N.V. as operators of the Euroclear system.

Term and final maturity subject to conversion or early redemption

The term of the Convertible Bond begins on 7 September 2018 and ends on 6 September 2021. Subject to conversion or early redemption, the bonds will fall due for redemption on 7 September 2021.

Issue price, interest rate

The Issue Price per Partial Debenture is 100% and thus EUR 100,000.00 per Partial Debenture. Beginning 7 September 2018, the Partial Debentures will earn an interest rate of 6% annually of their face value for the entire term unless they have been redeemed in advance or the right of conversion has been legally exercised. The interest is payable in arrears every six months on 7 March and 7 September of each calendar year. In the event of early redemption, the Partial Debentures shall cease to earn interest at the end of the day preceding the date on which repayment is due. If the right of conversion is legally exercised, the bond shall cease to earn interest at the end of the day preceding the date on which the right of conversion is exercised by submitting a valid request for conversion to the conversion agent.

Conversion right, conversion price

The conversion price is the number by which the par value of a Partial Debenture must be divided in order to calculate the number of shares that will be delivered when the right of conversion is exercised. The Conversion Ratio determines how many shares a bondholder receives for one Partial Debenture when exercising the right of conversion. The initial conversion price is EUR 1.40 That means a bondholder in the beginning can convert one Partial Debenture with a par value of EUR 100,000.00 into 71,428 shares of the Company.

If certain events, such as future capital-related measures carried out by the issuer, take place, the conversion price might change and, with it, the Conversion Ratio based on the provisions governing adjustments in the bond conditions. Furthermore please note, once the right of conversion has been exercised, only whole numbers of shares will be delivered. Shareholders are not entitled to receive fractional shares. Remaining fractions of shares delivered will be paid out in cash according to the detailed provisions of the bond conditions.

Protection against dilution

The bondholders will be granted normal protection against dilution in accordance with the detailed provisions of the bond conditions. According to the provisions, the Conversion Ratio is adjusted in certain situations outlined in the bond conditions (e.g., dividend disbursement, stock split, capital reduction, capital increase with subscription rights issue or demerger). This is done to compensate bondholders for the (partial) dilution of the value of the bonds with which they are threatened as a result of the situation.

Rights of termination and early redemption

Bondholders shall have no right of ordinary cancellation of the Convertible Bond. However, bondholders are entitled to cancel the Convertible Bond without notice under certain conditions.

Change in bond conditions by resolution of the bondholders

Pursuant to Sections 5 et seq. of the *Gesetz über Schuldverschreibungen aus Gesamtemissionen* (SchVG – German Act on Bonds from Total Issues) of 31 July 2009 as amended from time to time, and in accordance with the detailed provisions of the bond conditions, the bondholders may, by majority resolution, consent to changes in the bond conditions and appoint a joint representative to protect their rights.

Taxes

All payments on the bonds shall be made by the bond debtor without deducting or withholding current or future taxes, duties or official levies of any kind that are imposed, collected or withheld at the source by or in the Federal Republic of Germany or for its account or by or for the account of a territorial authority or government authority authorised to collect taxes in the country unless such deductions or withholdings are prescribed by law. The bond debtor is not obligated to make any additional payments to the bondholders based on such legally prescribed deductions or withholdings. Nevertheless, the bond debtor is required to issue to bondholders upon reasonable request the necessary confirmation for reimbursement of taxes or to provide bondholders with the necessary assistance for obtaining such confirmation.

Shareholders are advised to read the bond conditions before deciding whether to exercise their right of redemption.

Risk disclosure for our shareholders

This subscription offer is being carried out in the Federal Republic of Germany and Poland in the form of an offer not accompanied by a prospectus in accordance with Section 3, para. 2, no. 3, of the WpPG (*Wertpapierprospektgesetz* – German Securities Prospectus Act) and in accordance with Art. 7, para 4 no. 3 of the Polish Stock Exchange Listing Act. The Company shall therefore not prepare or publish a securities prospectus pertaining to the Convertible Bond 2018/2021 and its associated subscription offer. For that reason, such a securities prospectus is also not available as a reference for subscribing or purchasing Partial Debentures. The Company expressly wishes to make its shareholders aware of this condition. Shareholders are advised to obtain as much in-

formation as possible before exercising their subscription rights – for instance, by reading the Company’s financial reports available on the Company’s website at www.sleepz.com.

Important Note

This disclosure is neither an offer nor a request to purchase or subscribe to securities in the United States of America, Australia, Canada, Japan or other jurisdictions in which an offer is not legally permitted.

This document is neither an offer nor a request to submit an offer for the sale of securities in the United States of America or to US persons. The partial debentures, the shares to be delivered in the case of conversion, as well as subscription rights are not and will not be registered according to the provisions contained in the United States Securities Act of 1933 (in the valid version of the *Securities Act*). They may be sold or offered to be sold or directly or indirectly delivered to the United States of America only with prior registration or without prior registration only as the result of an exception according to the provisions contained in the United States Securities Act. No public offering of the securities named in this disclosure will take place in the United States of America.

Subject to certain exceptions under the Securities Act, the securities named in this disclosure may not be sold or offered to be sold in Australia, Canada or Japan or to or for the account of persons based or residing in Australia, Canada or Japan.

Furthermore, acceptance of this offer outside the Federal Republic of Germany may be subject to restrictions. Persons who want to accept the offer outside the Federal Republic of Germany are urged to obtain information about any restrictions existing outside the Federal Republic of Germany.

August 2018

SLEEPZ AG

The Executive Board