tonies SE

Annual Report 2023

tonies SE – at a glance

	2023	2022
Sales		
Revenue (in EUR m)	360.9	258.3
Revenue growth in % YoY	39.7%	37.4%
Tonieboxes sold (in m units)	1.9	1.4
Tonies sold (in m units)	23.4	17.9
Online revenue share (in % of gross revenue)	45%	37%
Results of operations (adjusted)		
Gross margin (in % of revenue)	61.6%	53.9%
Gross margin after licensing costs (in % of revenue)	51.6%	41.7%
Contribution margin (in % of revenue)	35.3%	27.2%
Adjusted EBITDA margin (in % of revenue)	4.0%	– 2.4%
EBITDA margin (in % of revenue)	2.4%	– 13.5%
Financial position & Assets and liabilities		
Cash (in EUR m)	59.3	54.9
Free cash flow (in EUR m)	– 4.8	– 87.9
Team		
People employed group-wide (as of reporting date)	508	431

tonies SE

Annual Report 2023

One sustainability milestone in 2023:
Change to water-based colors for Tonies figurines

Interview with the tonies Management Board

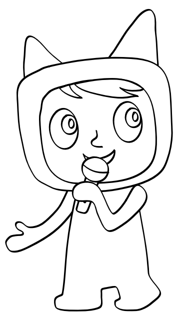
“We’ve turned tonies into a profitable international growth company”

Jan, you were appointed CFO of tonies in May 2023. You are now presenting your first annual report. What is your conclusion?

JM: 2023 has been a great year for tonies. We didn’t just meet our revenue and profitability targets, we exceeded them again, despite challenging global conditions such as high inflation and geopolitical conflicts. In these unpredictable circumstances, companies need much more resilience to execute their plans. The dedication of our team has propelled us forward and solidified our position in the growing category we created. This success is a testament to the hard work of every tonies employee, and these strong results underscore the popularity of ou products around the world. Our accomplishments in 2023 are something we should all be proud of.

What does that mean in numbers?

JM: tonies had a very strong year, with revenue growth in all regions and all product categories. Group revenue increased by +40 %, or more than 100 million euros compared to the previous year and reached 361 million euros – exceeding our guidance of EUR 354 million for the full year 2023. This performance was strongly driven by North America, where revenue more than doubled compared to 2022 to 140 million euros.



Did you achieve the target of a positive adjusted EBITDA margin?

JM: Absolutely, we did. And that’s a significant accomplishment for us. We’ve turned tonies into a profitable international growth company. Our adjusted EBITDA margin reached 4.0 % at the end of the year, marking a significant milestone in our journey. But also on an EBITDA level this company is profitable with 2.4 %. After three years of focused investment in international expansion, it’s rewarding to see our pre-IPO plan materialize, confirming the health and predictability of our business model. It’s been very important for us as a company to increase transparency around the drivers of our profitability, and we’ve therefore introduced segment reporting as of FY 2023 to provide greater insight into our main operating segments: DACH, North America and Rest of World. We’re rolling out our successful DACH model internationally and now for the first time, we are able to show how profitable this blueprint is.

What were the levers for profitability?

JM: These outstanding results were made possible by prudent financial management, operational efficiency, and our relentless focus on customer satisfaction. The increase in profitability was particularly attributable to a substantially higher gross margin, lower marketing costs and lower licensing costs. The fact that we are profitable at group level despite our ambitious international expansion is a strong signal that our business model is working as promised!

Jan Middelhoff (CFO)

Tobias Wann (CEO)

Almost half of the annual revenues are generated in the fourth quarter. How do you feel about this?

JM: It may seem staggering at first, and around 169 million euros in Q4 is an incredible amount, but it's something we're used to and excel at. At tonies, we consistently demonstrate our ability to perform and deliver during the most critical commercial periods of the year. This requires sound demand planning and inventory management, trusted relationships with our retail partners, compelling marketing, and a willingness to go the extra mile to fulfill children's greatest Christmas wish. Around the world, children love to find a Toniebox or new Tonie figures under their Christmas tree – and we delivered.

However, the children's wish list is always determined by the parents' budget. And that's certainly lower in tough economic times, isn't it?

JM: That may be true for the overall budget. But we also know from our own surveys that families are more likely to save money elsewhere than on gifts for their children. Our Q4 results confirm this impression: it was a fantastic quarter. It is great to see the joy we have brought to so many children this holiday season. It was thanks to this strong finish that we have once again overachieved our revenue and profitability targets for the full year.

Tobias, you've been on board as the new CEO since January 1, 2024. How do you see tonies?

TW: tonies is a fantastic company with an extremely competent and motivated team. Taking on the role of CEO and succeeding the founders, Patric and Marcus, is both an honor and a challenge given their remarkable accomplishments in building this successful company from the ground up. However, having navigated similar transitions in the past, I'm excited and confident to lead tonies into its next phase of growth. The foundation is so promising: It is very impressive to see how tonies has managed to create a category of its own, and to see its global popularity, with Tonieboxes already activated in more than 100 countries. Jan has just explained the results for 2023 – they are proof enough of how strong tonies is. At the same time, I see significant untapped potential. Our focus remains on accelerating our international expansion.

In addition, increasing the efficiency and automation of our operations is paramount. Many promising initiatives, such as the integration of fully-owned content into our product line, are just beginning to unfold. I am delighted to be on board as the new CEO of tonies and look forward to continuing this successful development.

What are your first impressions?

TW: It's truly mind-blowing. This applies to both inspiring products and to the great people at tonies, many of whom I have already met and whose expertise and passion for our products I appreciate. Every Toniebox sold is a promise of future Tonies sales – 2023 was another great year in that regard, expanding our customer base. Now it's up to us to inspire them with great new Tonies and generate more sales.

What will be your priorities, will there be a change in strategy?

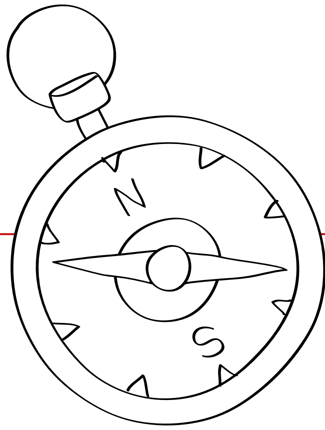
TW: The strong results not only from 2023 but also from previous years and the clear growth path underline that business model and strategy are working and paying off. tonies is undoubtedly on the right track. I will use my experience in internationalization and scaling to lead tonies to new heights in terms of growth and profitability. Priorities will be to foster innovation in product development for next generation products, to automate processes where possible and to develop "market-in-a-box" launch plans for efficiency in our further internationalization.

What is important here?

TW: I see two aspects. First: People – both the Tonies and our current and future customers, as well as the many partners we have around the world in many different fields. That's why it was so important for me to meet as many of them as possible in my first weeks with tonies: I visited all our offices in Germany, I was with our teams in the markets, in London, in Paris, in the US. I went to the London Toy Fair and the even bigger Nuremberg Toy Fair. I spent a lot of time with employees, suppliers, retailers, license partners, shareholders, and investors – and I felt even better after experiencing their enthusiasm in person.

And the second aspect?

TW: Innovation. I firmly believe that innovation is not just a buzzword, but a strategic imperative to maintain our position as a category leader. Whether it's developing technologies like our AI story generator, which we tested in the DACH and UK regions in 2023, or entering untapped markets as we did in 2023 and plan for 2024, innovation creates new revenue streams and expands our market reach. Innovation isn't just limited to product development: By adopting technologies and processes, we streamline operations, increase efficiency, and reduce costs. With an innovation mindset, we ensure sustainable growth for years to come.



How was the handover from the two previous CEOs, the tonies founders Patric Faßbender and Marcus Stahl, to you as the new CEO?

TW: Constructive and pleasant. I had my first onboarding meetings with them back in 2023 and we are still in close contact. It is the third time in my career that I have taken over from founders. Based on these experiences, I know what a significant change a CEO transition can be for a company when the founders leave. I see this as a great responsibility, and I want to emphasize that I am well aware of the change this represents for the company and for many employees personally. I want to ensure continuity through the CEO transition, combined with a fresh start in areas where we can improve and grow.

Jan, what was the CEO change like for you as the other Management Board member?

JM: In terms of our day-to-day operations, the recent leadership transition feels seamless. As we have a functioning, successful and growing business, continuity is important. We initiated a joint and close onboarding for Tobias and me already towards the end of 2023 – today it already feels as a team with him. And although the CEO changes, our established leadership team, which has consistently delivered stellar results, remains on board. I've had the privilege of working closely with Patric and Marcus for years, witnessing their remarkable achievements and what they have created firsthand.

Now, with Tobias at the helm, we benefit from his fresh perspective and expertise in scaling and internationalizing growth companies. What I am particularly pleased about, and what is already clear after just a few weeks: Tobias is not only an outstanding business leader, but also someone who understands our vision, shares our values, and understands the importance of the tonies culture.

What are tonies' priorities for 2024 and beyond?

TW: The priorities remain the same: we want to further increase our international revenue share and improve our profitability. I want to use my extensive experience in scaling growth companies to lead tonies into the next phase of its success story. Central to this endeavor is maintaining a strong focus on our objectives. We must capitalize on existing opportunities by standardizing our processes to enhance efficiency and streamline operations. Additionally, we need to strategically drive our international expansion efforts, ensuring a smart and efficient approach that maximizes our impact in new markets. By prioritizing focus, standardization, and strategic internationalization, I am confident that we can navigate tonies towards continued growth and increased profitability.

These ambitious plans require robust financing to fuel the growth.

JM: Indeed, and we are well-positioned here. In 2023, we further developed our financial structure to capture growth opportunities by successfully closing a new EUR 30 million syndicated loan facility, which replaced previous bilateral credit facilities with a total amount of EUR 26 million. This loan, which was structured in close cooperation with highly regarded banks Commerzbank, Deutsche Bank, DZ Bank and KfW, will help tonies to safeguard seasonal working capital needs for growth. Furthermore, the credit line has a top-up option of another EUR 10 million. The successful raising underlines the confidence of tonies' financing partners in its prospects.

How is the international expansion going?

JM: Excellent, our strategy is working, the results are there. As Tobias said, Tonieboxes are now activated in over 100 countries. The year 2023 marks a milestone in tonies' international expansion, as it is the first year with higher international revenues than in the company's home market DACH: 54% of revenues were generated outside the DACH region, compared to 39% in 2022. This clearly shows that our products are enthusiastically used by children all over the world. In 2023, we added more countries to the EU Webshop and launched an official offering in Canada.

In 2024, we will enter the fourth continent with Australia and New Zealand. However, the focus will remain on our US business, where we want to continue to capitalize on the growth momentum and bring our products to even more children's rooms in North America.

What more is possible in the US?

JM: We expect the U.S. market to be our strongest market in terms of revenue in 2024, even overtaking our home market, DACH, for the first time. At the same time, we are still at the very beginning of our journey, as 2024 will only be our fourth full year in North America. In 2023, we took important steps to lay the foundation for even greater success in the years to come. Retail expansion is particularly noteworthy: While tonies entered Walmart for the first time in 2023, we expanded from 1,100 Target stores in 2022 to all the 1,800 Target stores by Christmas 2023. As a result, the increase in wholesale revenues has been one of the main drivers in doubling our revenues in North America to 140 million euros in 2023. It is great to see how the relationship with our partners are developing and how we have managed to also build trust with them that tonies is a great business and opportunity that these brands can partner with.

After a successful 2023, what are the prospects for 2024?

TW: Extremely positive, we have a tremendous tailwind and a lot of exciting ideas. Of course, we will continue to grow in 2024; our guidance for group revenues is more than EUR 480 million, which would be an increase of at least 33 percent. Our US team is expected to contribute more than EUR 200 million, which would be at least 42 percent more than last year. In terms of profitability, we want to take the next step after reaching the milestone of positive adjusted EBITDA in 2023. In the FY 2024, we expect the adjusted EBITDA margin to increase from 4% in 2023 and be within a range of 6 to 8 per cent. At the same time, free cash flow will turn positive and come in above EUR 10 million.

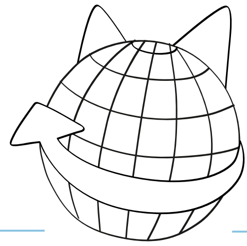
And what are you personally most looking forward to in 2024?

JM: The launch of Clever Tonies has opened a new product category for us and the early success is promising, also in terms of margins. And we expect to be free cash flow positive in 2024, which will also allow us to invest in our business from our own means.

TW: Reaching the milestone of expanding into our fourth continent is exciting. And I'm looking forward to releasing more outstanding content that's already in the pipeline – both from big brands and tonies Originals – although I can't reveal any details just yet.

International expansion

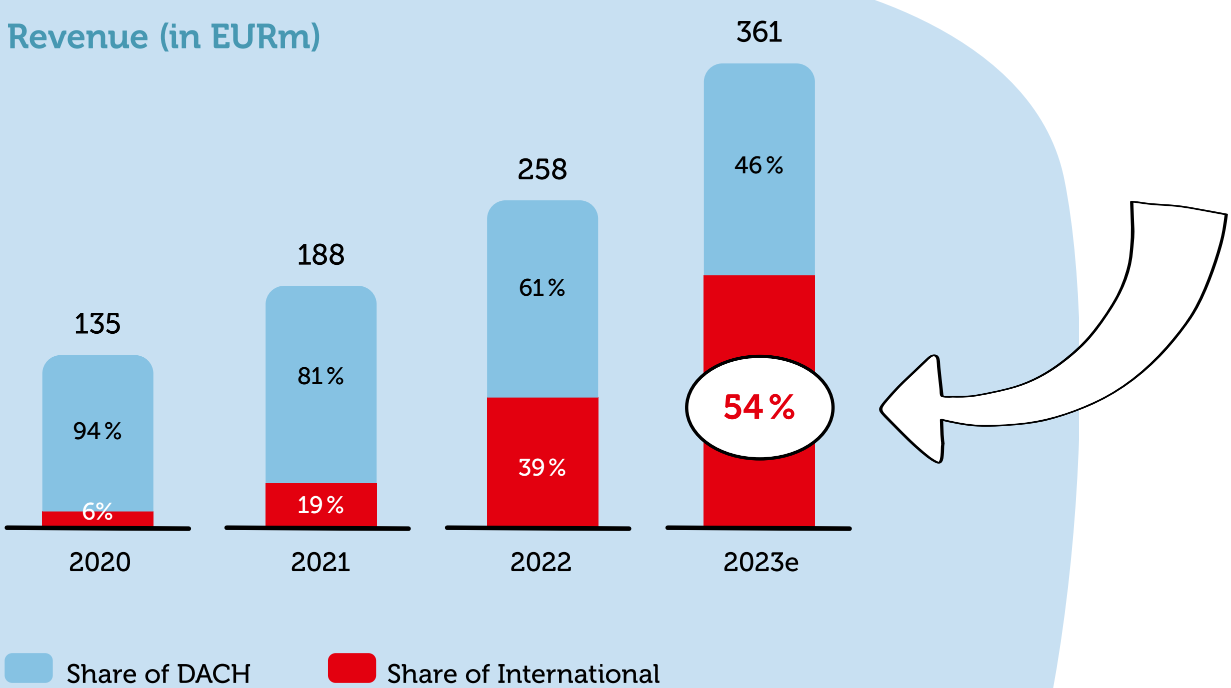
First year with higher revenue outside DACH region

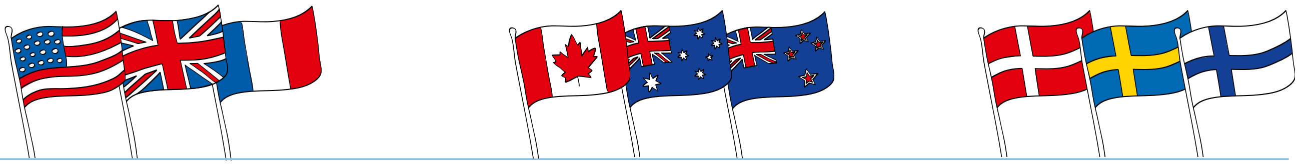


tonies' mission is to bring the Toniebox listening experience to children around the world. Inspired by the tremendous success and profitability in its home market, DACH, where every second child owns a Toniebox, the brand began its international journey: Tonieboxes are now activated in more than 100 countries. The year 2023 marks a milestone in tonies' international expansion, as it is the first year with higher international revenues than in the company's home market DACH: 54 % of revenues were generated outside the DACH region, compared to 39 % in 2022.

Revenue more than doubled in the US

tonies delivered revenue growth in all its markets: The mature DACH market grew by 4.8 % to EUR 166 million. Rest of World revenue increased by 59 % YoY to EUR 55 million, driven by strong growth in the UK and France. In the US, tonies doubled its revenue to EUR 140 million. The growth trajectory in US has been fueled by the expanded wholesale distribution of Tonieboxes and Tonie figurines with partners such as Walmart and Target. Brand building is also paying off, which was supported by a major omni-channel marketing campaign in 2023 with the theme "Discover Imagination" featuring renowned partners such as Disney or Hasbro. This campaign aimed not only to showcase the product, but more importantly, to highlight its positive impact on a child's imagination and spirit.





New markets

In 2023, tonies launched in Canada. With already about 5,000 Tonieboxes activated in Canada before launch, it was time to make it an official tonies market. Canadians can now find Tonieboxes and Tonies in over 130 Indigo and Toys'R'Us stores across the country, as well as on amazon.ca.

Canada is a market full of potential and hungry for innovative and educational toys – just like Australia and New Zealand, where an official tonies launch has already been announced for August 2024. tonies' also made further progress with its EU Webshop by adding the Nordic countries Denmark, Sweden and Finland, which have a fantastic traditional audio play culture. Overall, the Webshop is now shipping to 17 European countries.

Licensing

From renowned brands to tonies Originals

The ease of use of the Toniebox inspires children around the world. But it would be nothing without the great audio content that plays when a Tonies figure is placed on the Toniebox. To provide the best listening experience for young listeners, tonies works with renowned licensing partners and has expanded its own content offering.

In 2023, tonies was awarded "Licensee of the Year" at the Licensing International Germany Awards. "We are delighted to receive this award, as it represents our strong collaboration with over two hundred licensing partners worldwide," says Markus Langer, Chief Content Officer at tonies. "This award also serves as a validation of our commitment to our content and portfolio strategy and motivates us to continue our successful international expansion."

Disney

A major licensing partner is Disney. In 2024, tonies and Disney will celebrate the 5th anniversary of their collaboration, and recently signed an expanded licensing agreement, with multiple new Disney-Tonies planned over the next years. The multiterritory agreement includes franchises from Disney, Pixar, Marvel and National Geographic. All of tonies' current Disney bestsellers will remain in the portfolio and new content and characters will be developed as part of this expanded licensing agreement. One example for the great and mutually beneficial collaboration with Disney in 2023 was the release of new Disney hero Encanto, which was one of the most successful character launches of the year.

New deals with Warner and Marvel

tonies expanded its content portfolio of renowned heroes in 2023 with the addition of Warner and Marvel Entertainment.

In May 2023, tonies announced a new partnership with Warner Bros. Discovery Global Consumer Products, which will bring a range of popular superheroes from the DC Universe to the Toniebox, bringing the characters and their stories to life. Markus Langer celebrates: "We could not be more excited to have DC join the tonies family. Popular characters like Batman and Wonder Woman will be available as Tonies. This is a fantastic addition to our portfolio. I can't wait for all the little ones around the world to hear these great stories."

The new "Spidey and His Amazing Friends" Tonies have been the first Marvel characters to join the Tonies family in November 2023, with more superheroes expected to join the audio action in 2024.

tonies Originals & Night Light premiere

In addition to licensed content from its 200 license partners, tonies is increasingly developing its own content, known as tonies Originals. The first own license brand "Sleepy Friends", launched in September 2022, became a real bestseller in 2023: the figurines consistently ranked top posi-

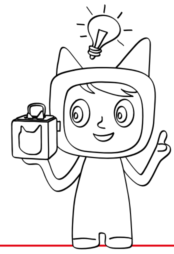
tions in the sales lists. In 2023, the Sleepy Friends product range was expanded with a new category: The Night Light.

By combining beautifully composed melodies and a warm glow, the Sleepy Friends Night Light Tonies helps create a mood of gentle enchantment, perfect for drifting off. Additionally, it features the ability to record and play personalized goodnight messages, allowing families to customize their sleepy time sound machine. It's a comforting presence throughout the night too, helping little ones fall back to sleep on their own if ever their dreams are interrupted. Again, the success was so great that the Night Light was sold out for a few weeks in 2023.

tonies continued its strategy of developing own content and in 2023 launched Leo's Day in Germany, a new series featuring various Tonies depicting children's daily rituals, from brushing their teeth to tidying up and taking a bath. Also, in other markets new tonies Originals have been released in 2023 – some examples: In France, Sergio Lama (a yogi lama) offers a journey in search of well-being, punctuated by yoga sessions that accompany the narration. The US team released the Mindfulness-Tonie Mo who helps children unwind and meditate. The UK team invented tonies' first advent calendar: Little Reindeer's Christmas Wish delighted little listeners by magically playing a new chapter every day from the 1st until the 24th December.

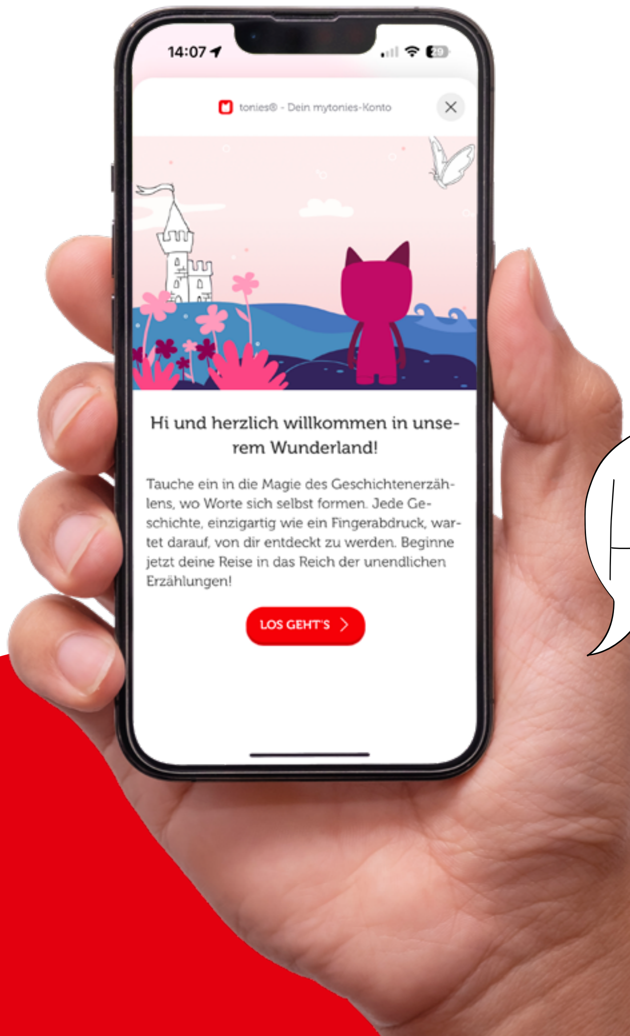
Artificial Intelligence (AI)

How tonies uses AI storytelling to leverage kids' creativity



In 2023, tonies started exploring the potentials of AI storytelling to help develop children's imagination through a test with an AI-based content generator that allows users to create stories in a playful way and listen to the audio file on the Toniebox in an instant. The company's approach reflects both the need for caution and responsibility, as well as curiosity about this new technology.

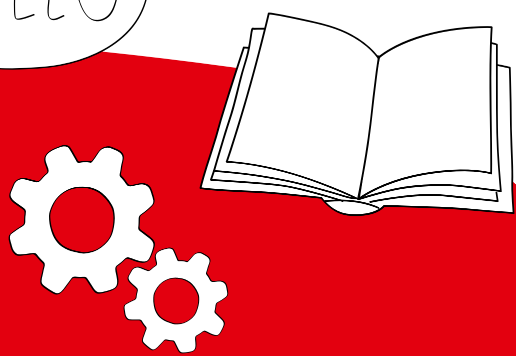
Patric Faßbender, Co-founder of tonies, explained: "With cautious excitement we now dip our toes in the AI water and explore ways how kids – along with their parents – can properly use AI to tap into their unlimited creativity and keen sense of storytelling. At tonies, it has always been our mission to provide kids with access to technology in a responsible and child-friendly way."



Tests with 3,000 users from UK and Germany

In May 2023, tonies started an initial test with 1,000 users in the UK, followed by a second phase starting in November with an enhanced version and the same UK users as well as 2,000 additional test users from Germany.

Feedback from the first round of testing in the UK has been implemented and the tool has been improved: longer stories (about ten minutes instead of about three minutes) and continuing the story with more episodes are now possible, and even small sound effects have been added. Most importantly, story creation has been made much easier with a multi-step process that guides families through the input screen.



Families can choose the age of the child, the names of the heroes, the type of story, and the combination of themes (such as friendship, courage, or adventure).

Very positive feedback

Christan Sprinkmeyer, Chief Product Officer (CPO) at tonies, said: "The feedback from our first test in the UK was overwhelmingly positive: children and parents loved the stories generated with their own children's names as heroes. Families also said that their children's creativity was enhanced, and their understanding of artificial intelligence increased. We have implemented the valuable feedback from the test users and are very excited to share and test the new version."

tonies is accompanying the test with several surveys and usage evaluations and is also examining the quality of the stories generated. One possible scenario is that if the test is successful and the customer feedback is positive, the tool will be released in all markets for the millions of tonies customers worldwide. For this reason, the company is also asking about willingness to pay in the test in order to possibly develop a business model based on the personalized AI stories for the Toniebox.

As a responsible company for children's products, tonies has implemented various restrictions and measures to reduce the risk of inappropriate words and trademark or license infringements. The positive results of the first test phase prove the effectiveness of these measures.

Impact

How tonies serves our planet and children's development

"At tonies, we believe that the greatest gift each generation can pass to another is a blank canvas of imagination, possibility, and wonder. Sustainability begins with our product, but it does not stop there", explains Tobias Wann, CEO at tonies. That's why sustainability at tonies means more than just environmental impact; the company also wants to have a positive impact on the next generation and support the development of its little listeners.

Study proves the benefits of play

In 2023, tonies partnered with FUNdamentally Children, an independent, expert accreditation service for children's products. In a comprehensive 6-month study, they found that regular engagement with Tonies and the Toniebox improves children's attention, reading comprehension and vocabulary.

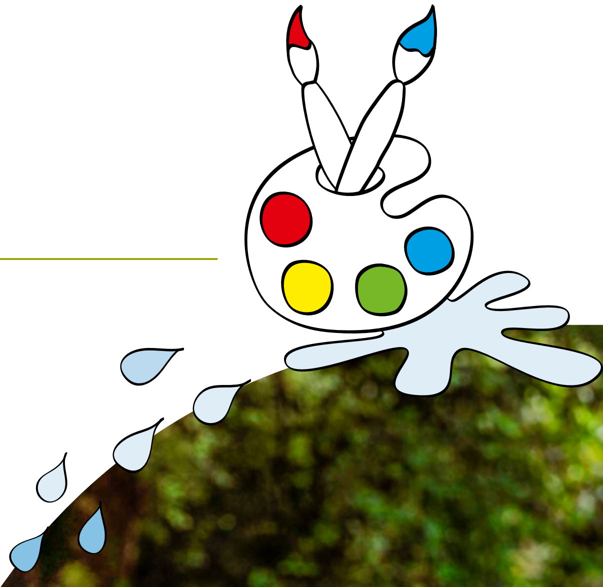
The results of the study, conducted among 100 families with young children in the UK and US, were overwhelmingly positive, with 70 % of parents agreeing that continued engagement with Tonies was beneficial for their children and helped their development. Participating families were surveyed after 12 weeks to assess the effectiveness of daily Toniebox use in the areas of attention and engagement, comprehension and vocabulary. 53 % of children improved their attention scores, 60 % of children improved their comprehension scores, and 66 % of children improved their vocabulary scores.

Dr. Amanda Gummer, CEO of FUNdamentally Children and the Good Play Guide, comments: "Our comprehensive study found that regular engagement with Tonies and the Toniebox not only improves bedtime routines, but also contributes to cognitive growth, reading comprehension, and stronger family bonds. This blend of technology, play and connection has the potential to revolutionize the way families approach storytelling and interactive learning.

tonies at the forefront of sustainability in its category

tonies not only demonstrates profitable growth, but also growth that is becoming increasingly sustainable. Sustainability has always played an important role for tonies and to bring this aspect more into focus a new sustainability vision has been implemented: "For us, a planet worth living on is part of our vision, and so we are committed to leading change in our category toward a more sustainable future."

tonies defines its sustainability goals along four key pillars: Planet, Play, People, Principles. "Planet" comprises the increasing responsibility in reducing the environmental impact of products and operations. On the product side, examples include the launch of "Preloved Tonieboxes" or the transition to Tonies figurines with water-based colors. On the operational side, tonies focuses on the sourcing of materials and packaging, circularity, carbon footprint minimization. With "Play" tonies aims to have a positive impact on the next generation promoting consciousness, minimizing screen time, and encouraging independence. The "People" pillar of tonies' sustainability goals prioritizes strong and long-lasting relationships with employees and

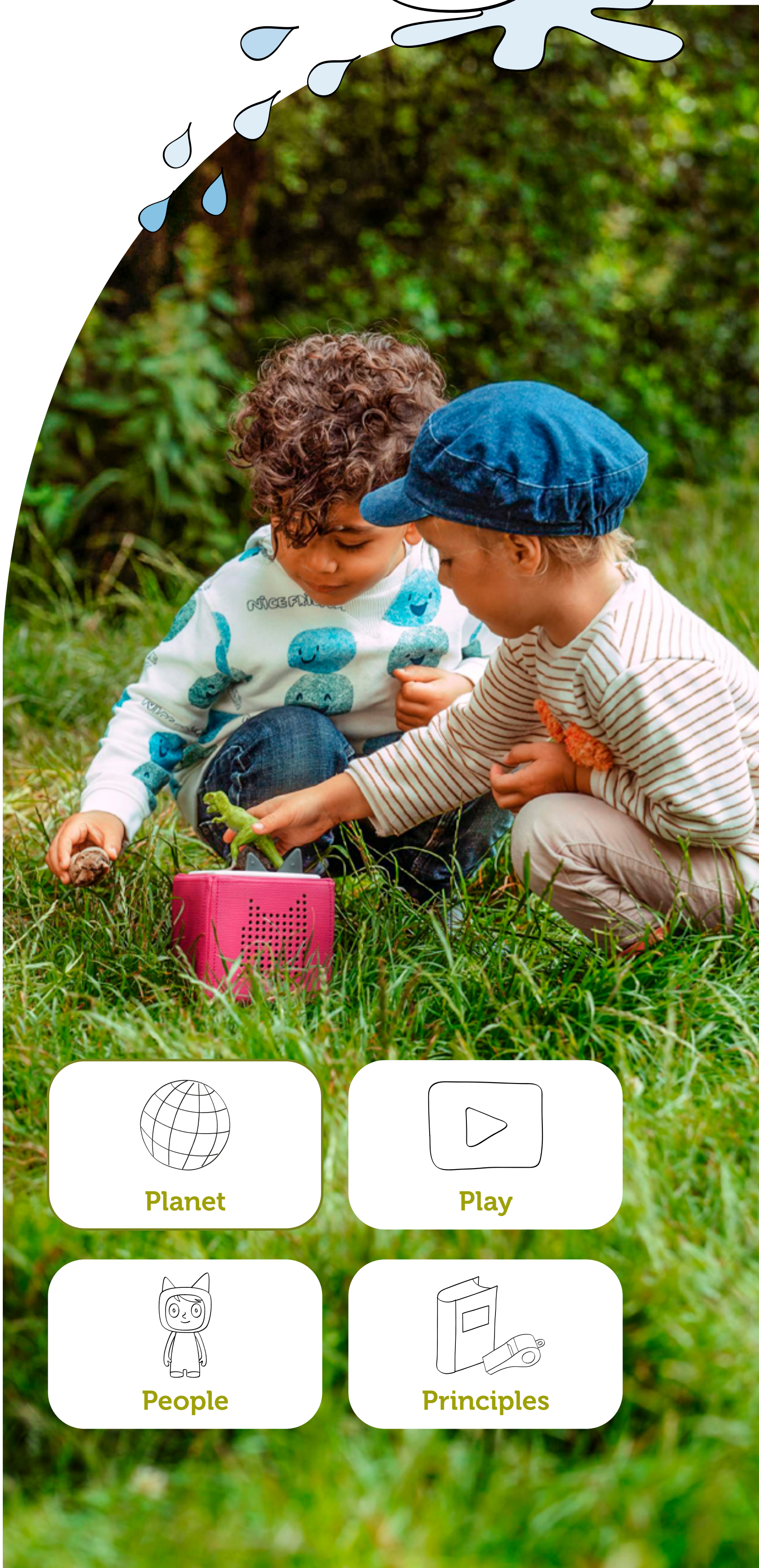


suppliers and on compliance with non-negotiable standards while the "Principles" pillar is about the evaluation of internal systems, processes, and policies.

New sustainability milestones in 2023

tonies has sold more than 82 million Tonies figurines worldwide, partially hand painted. How to make them more sustainable? The answer: with water-based colors. In 2023, tonies announced the elimination of solvent-based colors from (core) Tonies. By the end of 2024, the company will convert up to 200 Tonies to water-based colors. In the summer of 2023, the first set of figurines with water-based colors were released in France: The Conservation Crew, called "Club Écolo" in France. The idea was born out of a desire to educate our young audiences about the environment: The Conservation Crew is designed to help them understand the world they live in. This collection features five heroes, and the adventure begins with Bobby the turtle and Nina the red panda, two endangered animals chosen to symbolize the land and the sea.

Sometimes it is the small steps that count, lead to fundamental change, and can make a big difference: By adjusting and optimizing transport routes directly to the refurbishing partner instead of first to the general warehouse, tonies will save 0.6 tons of CO_2 and an additional 0.3 tons of packaging material per year. This move demonstrates tonies' strong motivation to continuously review its operations and reduce its carbon footprint wherever possible.



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- Remuneration Report
- tonies SE shares in review

Report of the Supervisory Board

Dear Shareholders,

Looking back on 2023 as chairperson (the **"Chairperson"**) of the supervisory board (the **"Supervisory Board"**) of tonies SE (the **"Company"**, the **"Group"**, **"tonies")**, I am pleased to acknowledge the admirable efforts of our colleagues in successfully maneuvering through a challenging environment and bringing happiness to countless children and families. This endeavor remains central to our vision of revolutionizing the way children engage with stories and music.

In 2023, tonies not only fulfilled its commitments but also showcased a very positive business performance, excelling in both revenue and profitability. Turning profitable on an adjusted EBITDA basis while recording extraordinary revenue growth is a significant milestone and a clear testament to the successful business model.

On behalf of the Supervisory Board, I would like to thank all employees at tonies for their dedication, passion and their contribution to the successful further development over the past year. I also want to express my sincere appreciation to our shareholders for maintaining your trust in tonies, its leadership, and its employees. My thanks are equally due to the members of the management board (the **"Management Board"**) of the Company for effectively guiding tonies through 2023, a year also marked by change in leadership.

After ten years, the two co-founders and co-CEOs, Patric Faßbender and Marcus Stahl, stepped back from the operating business. We are deeply grateful to our two founders whose passion and creativity have made tonies the successful brand it is today. Marcus Stahl and Patric Faßbender are true pioneers. They have succeeded in building a strong foundation for tonies that fulfils our mission of bringing joy and adventure to our young listeners, while building on the values of open-mindedness and empathy. We support their decision to set the course for further scalability and an even more international path for tonies. Both remain associated with the company as senior advisors and second-largest shareholders. Retaining the wisdom of our founders and relying on our existing leadership team, while adding the fresh perspective and experience of the new CEO, Tobias Wann, is the best-case scenario for succession planning and will ensure continued success and growth for tonies. With his international experience in successfully scaling digital businesses and as a former founder himself, Tobias brings unique and relevant insights to tonies. In Tobias, we have found not only an outstanding business leader, but also someone who understands tonies' vision, shares our values, and understands the importance of the tonies culture.

In 2023, we also had the pleasure of welcoming Jan Middelhoff to the Management Board as CFO. He joined tonies back in May 2020 and has a very strong track record. Jan knows tonies inside out as he has held several positions including Chief of Staff and MD International, where he played an instrumental role in the successful international expansion of tonies.

I would also like to explain how the Supervisory Board operates and how my colleagues and I oversee and support the management board as well as the broader leadership team. In this way, we strongly promote the long-term success of the Company.

Duties of the Supervisory Board

The Supervisory Board of tonies is in charge of the supervision and control of the Company's management and performed its duties in accordance with the articles of association of the Company, its rules of procedures and applicable laws and regulations. It consulted regularly with the Management Board and the audit committee of the Company (the **"Audit Committee"**). The Supervisory Board closely follows business strategy, key financial developments, investments and was directly involved in all key decisions.

The Supervisory Board was in regular contact with the Management Board. It contributed to the following topics in the financial year ended 31 December 2023.

1. Cooperation between the Supervisory Board and the Management Board

The Supervisory Board does not interfere with the management of the Company, which rests in the hand of the Management Board, prior consent requirements for certain matters notwithstanding. However, the Supervisory Board does have an unlimited right of information regarding all operations of the Company and may inspect any of the Company's documents. It may request the Management Board to provide any information necessary for exercising its functions and may directly or indirectly proceed to all verifications, which it may deem useful in order to carry out its duties.

Over the course of the financial year, the Supervisory Board oversaw and supported the Management Board with strategy, planning, business development, compliance and risk management in a continuous, intensive dialogue.

The Supervisory Board is involved in all decisions of fundamental importance for the Company and cooperates closely in an atmosphere of trust with the other corporate bodies of the Company, in particular with the Management Board, in the best interest of the Company.

In addition to attending meetings, the members of the Supervisory Board have performed the following activities:

- Approval of the financial bank plan for the financial year 2023, including the completion of a syndicated loan agreement for the Company with a consortium of four banks;
- Approval of the cash measures as part of the overall budget for the financial year 2023;
- Approval of the adjusted concept for granting restricted stock units (RSUs) and performance share option units (PSU) for key leaders and key employees of the group;
- Approval of the participation of Patric Faßbender as member of the advisory board of Manti Mant GmbH;
- Approval of proposed guidance regarding revenue target;
- Approval to appoint Dr. Jan Middelhoff as member of the Management Board with effect as of 1 May 2023 and expiring at the end of 30 April, 2026; including approval of the service contract and the remuneration (fixed and performance-dependent);
- Approval of the annual report, including the audited consolidated annual accounts of the Company and its group companies (Konzernabschluss und -lagebericht) and the audited annual accounts of the Company (Einzelabschluss), each for the financial year 2022 which were submitted to the Annual General meeting 2023;
- Approval of the allocation of profits/losses of the Company (Ergebnisverwendung) to carry forward losses of the financial year 2022 which was approved by the Annual General Meeting 2023;
- Approval of the Remuneration Report (Vergütungsbericht) of the Company for the financial year 2022 and the Remuneration Policy (Vergütungssystem) of the Company which were resolved upon by the Annual General Meeting 2023;
- Approval of the re-election of Mazars Luxembourg as the independent auditor (réviseur d'entreprises agréé) for the financial year 2022 which was resolved upon by the Annual General Meeting 2023;
- Approval of the draft documentation for the Annual General Meeting 2023 including discharge to all board members and appointment of Anna Dimitrova, Chairperson of the Supervisory Board, as delegate to approve the final documentation for the Annual General Meeting 2023;
- Approval of the initial directional budget for the financial year 2024 and next steps of its refinement;

- Acknowledgement of the 2023 settlement of the pre-IPO VSP (virtual stock option program);
- Support of the Management proposal to conduct a Capital Markets Day in 2024 following the financial year 2023 results;
- Acknowledgement of the resignation of Dr. Stephanie Caspar as member of the Supervisory Board and resolution to co-opt with Erika Wykes-Sneyd as member of the Supervisory Board with effect as of 1 October 2023 and for a period ending at the next following general meeting of shareholders;
- Approval of the renewal of certain merchandising licensing agreements with major licensors;
- Acknowledgement and approval of the resignation of Patric Faßbender and Marcus Stahl from their respective mandate as member of the Management Board and Co-CEOs of the Company with effect as of the end of 31 December 2023 and the entering into termination agreements;
- Approval of the appointment of Tobias Wann as new member of the Management Board and new CEO of the Company with effect as from 1 January 2024, including remuneration and supporting documents (e.g., service agreement);
- Coordination with the Management Board and approval of all Supervisory Board reserved matters;
- Review of ongoing business performance, including revenue and profitability development, liquidity position, market position, expansion and business strategy of the Company;
- Informal dialogue and consultation with the Management Board and senior executives;
- Additional contracts with third parties as needed, e.g., the Company's external auditors and consultants;
- Ongoing review of regulatory requirements.

The members of the Supervisory Board frequently exchange information among themselves and meet to discuss specific matters and for subcommittee meetings. With one exception the entire Management Board was present at all plenary meetings of the Supervisory Board in fiscal year 2023.

2. Composition of the Supervisory Board and respective changes

Each member of the Supervisory Board must have the required knowledge, abilities and expert experience to fulfil his or her duties properly. At least one member of the Supervisory Board must have knowledge in the field of accounting and auditing. The members of the Supervisory Board must take responsibility for undertaking any training of professional development measures necessary to fulfil their duties.

The Supervisory Board consists of seven members

- Anna Dimitrova (as chairperson and member of the Audit Committee),
- Christian Bailly (as deputy chairperson and member of the Audit Committee),
- Helmut Jeggle (as chairperson of the Audit Committee),
- Alexander Kudlich,
- Alexander Schemann,
- Dr. Thilo Fleck,
- Dr. Stephanie Caspar (until 30 September 2023) and Erika Wykes-Sneyd (from 1 October 2023).

3. Meetings of the Supervisory Board and its committees

The Supervisory Board held seven meetings during the financial year ended 31 December 2023.

All meetings were held via video conference initiated from the Grand Duchy of Luxembourg and adequate numbers of members of the Supervisory Board were present at all meetings to ensure that a quorum was present at all times. On certain occasions, the Supervisory Board appointed a delegate to deliberate upon and determine certain transactions specifics, e.g., appointment of Anna Dimitrova, Chairperson of the Supervisory Board, as delegate to approve the final documentation for the Annual General Meeting 2023.

4. Audit Committee and audit of the separate and consolidated financial statements

The Audit Committee of the Company oversees the accounting and financial reporting processes of the Company, the audits of the standalone and consolidated financial statements (the **"Financial Statements"**) of the Company, internal controls and choice of the Company's independent auditor. The mode of operation as well as the duties and responsibilities are set out in the internal terms of reference of the Audit Committee.

The Supervisory Board has specified the following goals for the composition of the Audit Committee:

- The chairperson of the Audit Committee must have specific knowledge and experience in applying accounting principles and internal control procedures.
- The majority of the Audit Committee must be independent of the Company. The chairperson of the Audit Committee must be designated by the Supervisory Board and must be independent of the Company. Members of the Audit Committee as a whole shall be competent in the business sector of the Company.
- The chairperson of the Supervisory Board may not be appointed as chairperson of the Audit Committee.

The current members of the Audit Committee of the Company are Helmut Jeggle (as chairperson), Anna Dimitrova and Christian Bailly. This composition follows the abovementioned goals for the composition of the Audit Committee. In particular, all members of the Audit Committee have specific knowledge and experience in applying accounting principles and internal control procedures and two of them are independent of the Company.

Mazars Luxembourg, was appointed as the independent auditor of the Company on 24 May 2023 for this financial year. Mazars Luxembourg also performed the audit of the consolidated Financial Statements and the management report as of 31 December 2021, 31 December 2022 and 31 December 2023. The auditors issued an unqualified audit opinion.

The Supervisory Board acknowledged the independence of the auditor and obtained a corresponding declaration of independence. The Financial Statements and associated audit reports were sent to the members of the Supervisory Board. The Supervisory Board reviewed the separate and consolidated Financial Statements and the combined management report of the Company. The result of the preliminary review by the Audit Committee and the result of its own review fully correspond to the result of the audit of the Financial Statements. In view of the final result of its own review, the Supervisory Board raises no objections to the result of the audit by the auditor. The Supervisory Board has therefore approved the separate and consolidated Financial Statements of the Company for the financial year 2023. The annual Financial Statements of the Company are thus approved.

As the Supervisory Board, we are very much looking forward to continuing the tonies success story this year.

Luxembourg, 10 April 2024

For the Supervisory Board

Anna Dimitrova
Chairperson

Remuneration Report

Contents of the remuneration report

This remuneration report has been prepared in accordance with Luxembourg laws. It is a separate report, which contains the main features of the remuneration systems for the management board (the **"Management Board"** or the **"MB Members"** and each member, an **"MB Member"**) and supervisory board (the **"Supervisory Board"**) of tonies SE (**"tonies"**) for the financial year 2023 as well as a statement of the amount and structure of remuneration.

During the financial year 2023, a new CFO of tonies was appointed with effect as from 1 May 2023. The CFO is part of the Management Board, which resulted in the number of Management Board members increasing from two to three for the financial year 2023. The CFO held various roles at tonies prior to this appointment. Any deviations from the remuneration of the other members of the Management Board and/or from the general remuneration system are described in the following sections, if relevant.

1. The remuneration policy for the Management Board

Already in financial year 2021, the Supervisory Board of tonies intensively discussed and reviewed the remuneration policy for its MB Members, which became effective as of 1 January 2022 after having been presented to and approved by the 2022 annual general meeting of tonies.

1.1. Components of the remuneration of the Management Board

The remuneration system of the MB Members comprises fixed and variable components. The fixed components of the remuneration for the MB Members are the fixed annual salary and fringe benefits. For the Co-CEOs, the variable component is the share-based long-term bonus. For the CFO, the variable components are the performance-related bonus and the virtual stock option bonus.

1.2. Fixed non-performance-related remuneration components

The fixed components of the remuneration for the MB Members are the fixed annual salary and fringe benefits. The MB Members receive a fixed annual salary in twelve monthly equal instalments, each to be paid at the end of a month with applicable deductions of taxes and social security. The amount of the fixed annual salary is based on the tasks and the strategic and operative responsibility of the individual MB member.

1.3. Variable performance-related remuneration components

The variable performance-related remuneration component for the CFO is a performance bonus, which depends on the achievement of annual performance targets. The target achievement for the past financial year and the amount of the resulting performance bonus are determined by the Supervisory Board based on the audited and certified annual financial statements.

1.4. Variable performance-related and share-based remuneration components

The variable performance-related and share-based remuneration component is the long-term variable remuneration, which consists of the share-based long-term bonus for the Co-CEOs and the virtual stock option bonus for the CFO.

Share-based long-term bonus of Co-CEOs

The payout amounts of the share-based long-term bonus are based on the achievement of performance targets by tonies.

Virtual stock option bonus of the CFO

The CFO participates in the virtual stock option program, which has been implemented by the tonies group in March 2020. It was initially a share-based payment compensation scheme for eligible employees in the form of virtual stock options based on a future potential profit based on an exit price of the business minus the initial investment and transaction cost; in the course of the business combination of tonies group with tonies (formerly 468 SPAC I SE), this program was converted into a share-based payment compensation in the form of a restricted stock option program (the **"RSU Conversion"**). The scheme is at the discretion of the Company to be settled in cash or shares and is intended to improve performance and long-term employee retention. The scheme has a vesting period of 48 months and cliff period of 12 months. After the RSU Conversion, it includes a certain fixed number of virtual shares. In the case of the CFO and for some other individual cases, it includes a certain number of shares that vest if performance conditions, such as sales targets, are achieved.

One-time share based long term bonuses

Based on the remuneration policy, the Co-CEOs had the opportunity to receive two different one-off bonuses if the publicly traded shares of tonies exceeded EUR 12.00 and EUR 18.00 respectively. Both one-off bonuses would only be paid out if the required events had occurred before 26 November 2023. The conditions for the bonuses were not met within that timeframe.

1.5. Previous share-based remuneration

As part of a business combination agreement involving the company Höllenhunde GmbH, the Co-CEOs were issued shares in tonies within an equity stock option plan (ESOP). This ESOP is not part of the new remuneration policy. The numbers of shares granted and vested are detailed in the table below.

Name		**Patric Faßbender**
Share Plan		Höllenhunde ESOP
Allocation Date		26.11.2021
2022	**Vesting Date**	**Number of shares granted**
	26.11.22	687,802
		687,802
2023	26.02.23	171,951
	26.05.23	171,951
	26.08.23	171,951
	26.11.23	171,951
		687,802
Total number of shares granted and vested		**1,375,602**
Number of shares granted and not yet vested		**0**

Name		**Marcus Stahl**
Share Plan		Höllenhunde ESOP
Allocation Date		26.11.2021
2022	**Vesting Date**	**Number of shares granted**
	26.11.22	687,802
		687,802
2023	26.02.23	171,951
	26.05.23	171,951
	26.08.23	171,951
	26.11.23	171,951
		687,802
Total number of shares granted and vested		**1,375,602**
Number of shares granted and not yet vested		**0**

1.6. Commitments in connection with the termination of employment termination by regular expiry of the order or notice of termination

Co-CEOs
The regular expiration date of the contracts of the Co-CEOs are on 31 December 2025. The contract can terminate with a three months' notice to the end of the calendar year, but no earlier than 31 December 2023. In 2023, the Co-CEOs informed the Supervisory Board that they would be terminating their contracts and resigning from their roles as Co-CEOs of tonies at the end of the 2023 calendar year.

CFO
The contract of the CFO has a fixed term of three years and expires at the end of 30 April 2026.

Post-contractual non-competition clause

Co-CEOs
The service agreement of the Co-CEOs had included a two-year post-contractual non-competition clause with the following terms: (1), a monthly non-competition compensation of 50 % of the contractual fixed remuneration lastly received by the respective Co-CEO during the term of this post-contractual non-competition clause; (2), the right to revoke non-competition clause by written declaration to the other party within one month of the extraordinary termination by the party entitled to terminate the service agreement in the event of an extraordinary termination for good cause.

CFO
The service agreement of the CFO includes a one-year post contractual non-competition clause. For the duration of this post-contractual non-compete obligation the CFO receives a monthly payable allowance in the amount of 1/12 of 50 % of the fixed annual remuneration last received. tonies has the right to waive, at any time prior to termination of the service agreement with the CFO, the post-contractual non-compete obligation by means of a written statement.

2. Compliance with the remuneration system and determination of target achievement

2.1. Promoting the sustainable development of tonies

The remuneration system promotes tonies' business strategy and long-term interests and thus contributes to tonies' long-term development. Strengthening the profitable and sustainable growth of tonies' business is the focus and basis for the structure of the remuneration system for the members of the Management Board.

In this context, the remuneration system is adjusted to different targets aiming at the share price of tonies. The share price is a key performance indicator that can easily be tracked and measured and that reflects both the company's current success and profitability as well as the strategic and sustainable long-term development. Using the share price ensures that particular attention is paid to achieving the greatest possible congruence between the interests and expectations of the shareholders and the Management Board remuneration.

2.2. Achievement of objectives

For the Co-CEOs and CFO no short or long-term incentives were granted in the financial year 2023.

3. Allocation in financial year 2023

3.1. Remuneration granted and owed

Patric Faßbender, MB Member (since 1 March 2014)

in EUR		2023	in %	2022	in %
Fixed compensation	Base salary (fixed compensation)	400,000	97.26	400,000	97.10
	Fringe benefits (Insurance, car allowance, etc.)	5,012	1.22	5,712	1.39
	Total	**405,012**	**98.48**	**405,712**	**98.49**
Variable compensation	Variable compensation	0	0	0	0
	Total	**405,012**	**98.48**	**405,712**	**98.49**
Other		–		–	
Total		**405,012**	**98.48**	**405,712**	**98.49**
Pension benefits		6,240	1.52	6,240	1.51
Total remuneration		**411,252**	**100**	**411,952**	**100**

Marcus Stahl, MB Member (since 1 March 2015)

in EUR		2023	in %	2022	in %
Fixed compensation	Base salary (fixed compensation)	400,000	97.10	400,000	96.93
	Fringe benefits (Insurance, car allowance, etc.)	5,721	1.39	6,421	1.56
	Total	**405,721**	**98.49**	**406,421**	**98.49**
Variable compensation	Variable compensation	0	0	0	0
	Total	**405,721**	**98.49**	**406,421**	**98.49**
Other		–		–	
Total		**405,721**	**98.49**	**406,421**	**98.49**
Pension benefits		6,240	1.51	6,240	1.51
Total remuneration		**411,961**	**100**	**412,661**	**100**

Dr. Jan Middelhoff, MB Member (since 1 May 2023)

in EUR		May – Dec 2023	in %	2022	in %
Fixed compensation	Base salary (fixed compensation)	150,000	53.7	–	–
	Fringe benefits (Insurance, car allowance, etc.)	7,058	2.53	–	–
	Total	**157,058**	**56.23**	**–**	**–**
Variable compensation	Performance Bonus	50,000[1]	17.9	–	–
	Virtual Stock Option Bonus	72,252,87[2]	25.87		
	Total	**279,310,87**	**100**	**–**	**–**
Other		–		–	–
Total		**279,310,87**	**100**	**–**	**–**
Pension benefits		0		–	–
Total remuneration		**279,310,87**	**100**	**–**	**–**

[1] Actual amount depends on the target achievement for the 2023 financial year, which will be determined by the Supervisory Board within one month of the audited and approved consolidated financial statements of tonies being available.
[2] Claim under the equity incentive agreement has arisen due shares being vested, however so far no payment has been made as settlement was deferred to next settlement dates.

3.2. Comparative presentation of the annual change in compensation with earnings development and employee salary development

Annual change	Percentage change 2023 compared to 2022	Explanation
Management Board compensation		
Patric Faßbender MB Member (since 1 March 2014)	– 0.17 %	Minor reduction due to the different valuation of fringe benefits
Marcus Stahl MB Member (since 1 March 2015)	– 0.17 %	Minor reduction due to the different valuation of fringe benefits
Jan Middelhoff MB Member (since 1 May 2023)	+ 0.00 %	New member of the Management Board as of May 2023
Business development of tonies		
Revenue development	+ 40 %	Mainly driven by international markets
Adj EBITDA development	+ 6.4 %	Majorly influenced by Contribution Margin improvement
Average salary development of employees with full time employment		
Salary development of all employees or a reference group	+ 8,2 %	

3.3. Review of the appropriateness of Management Board remuneration

The Supervisory Board conducted a review of the remuneration of the Management Board in financial year 2023 and came to the conclusion that the amount of the remuneration of the Management Board is appropriate and ensures conformity with the Luxembourg laws.

For the assessment of the appropriateness of Management Board compensation, the Supervisory Board also regularly takes external advice. This involves assessing from an external perspective the relationship between the level and structure of the Management Board compensation and the compensation of the workforce as a whole (vertical comparison). In addition to a status quo analysis, the vertical comparison also takes into account the development of compensation ratios over time. On the other hand, the level and structure of remuneration are assessed on the basis of tonies' positioning in a comparative market (horizontal comparison). In addition to fixed compensation, the horizontal comparison also includes the share-based long-term bonus as well as the amount of fringe benefits. The peer group was chosen carefully by the Supervisory Board in order to avoid an automatic upward trend in compensation.

4. Remuneration of the Supervisory Board in financial year 2023

4.1. Components of Supervisory Board remuneration

The members of the Supervisory Board only receive a fixed annual salary.

in EUR	Financial Year	Fixed compensation	Total
Chairperson of the Supervisory Board Anna Dimitrova (since 27 November 2021)	2023	120,000	120,000
	2022	120,000	120,000
Deputy Chairperson of the Supervisory Board Christian Bailly (since 27 November 2021)	2023	90,000	90,000
	2022	90,000	90,000
Member of the Supervisory Board Dr. Stephanie Caspar (until 30 September 2023)	2023	45,000	45,000
	2022	60,000	60,000
Member of the Supervisory Board Dr. Thilo Fleck (since 27 November 2021)	2023	60,000	60,000
	2022	60,000	60,000
Member of the Supervisory Board, Chairperson of the Audit Committee Helmut Jeggle (since 27 November 2021)	2023	90,000	90,000
	2022	77,500	77,500
Member of the Supervisory Board Alexander Kudlich (since 27 November 2021)	2023	60,000	60,000
	2022	60,000	60,000
Member of the Supervisory Board Alexander Schemann (since 27 November 2021)	2023	60,000	60,000
	2022	60,000	60,000
Member of the Supervisory Board Erika Wykes-Sneyd (since 1 October 2023)	2023	15,000	15,000
	2022	0	0
Total	**2023**	**540,000**	**540,000**
	2022	**527,500**	**527,500**

4.2. Presentation of the annual change in remuneration

The remuneration has not changed compared to the financial year 2022 except for Helmut Jeggle who received an adjusted remuneration of EUR 7,500 starting 1 June 2022 reflecting his role as Chairperson of the audit committee.

tonies SE shares in review

Share price development

Over the course of 2023, tonies recorded unabated strong demand for its products and a profitability and revenue performance above market expectations.

At the same time, market sentiment, characterized by the continued war in Ukraine, a flare-up of the middle east conflict and a challenging macroeconomic environment with rising rates and economic downturn proved to be exceptionally difficult for small and mid caps. This was particularly evident in the first nine months of 2023, when the share price declined strongly from EUR 6.00 at the end of 2022 to a low of EUR 4.51 on 25 September. Since then, the share price recovered significantly and closed at EUR 5.25 on 31 December. An average trading day saw a trading volume (Xetra) of around 26,060 shares. The market capitalization totaled EUR 666 million (including treasury shares) as of year-end 2023.

tonies SE share (as of 31 December 2023)

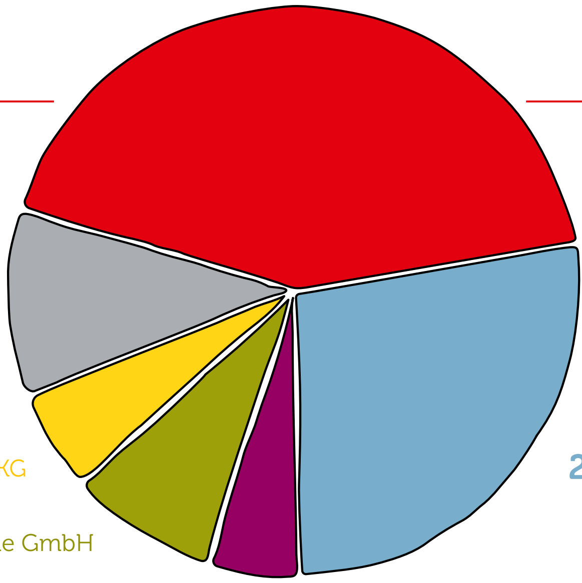
	2023
Number of shares Issued	126,847,586
Share price in EUR	
Last (31 December)	5.25
High	5.96
Low	4.51
Market capitalization in EUR million (31 December)	666
ISIN	LU2333563281
Ticker symbol	TNIE
WKN	A3CM2W

tonies prioritizes open communication with investors and analysts, fostering dialogue through participation in 20 capital market conferences and roadshows involving participants from Europe and North America. Institutional investors and financial analysts had the chance to engage with tonies and in many instances, directly with top management. Overall, we had fruitful discussions with over 175 distinct institutional investors and financial analysts worldwide, utilizing various formats such as individual or group meetings, as well as telephone and video conferences.

Since 25 August 2022, the shares of tonies SE are traded in the Prime Standard segment of the Frankfurt Stock Exchange – a sub-segment of the Regulated Market, which represents the transparency standard with the highest requirements on the Frankfurt Stock Exchange and even throughout Europe. With this change, tonies underlined its claim to transparency and further increased the attractiveness of its shares for investors.

Shareholder structure

as of 31 March 2024 (source: tonies)



tonies SE coverage (as of 31 March 2024)

By 31 March 2024, the tonies SE share was covered by four research analysts, all recommending the the Company with Buy ratings and one analyst without a rating recommendation. The average target price was EUR 9.8.

Broker	Analyst	Price target (EUR)	Rating	Last update
Alster Research	Oliver Wojahn	7.7	Buy	2/2/2024
Berenberg	Gerhard Orgonas	13.0	Buy	1/24/2024
Hauck & Aufhäuser	Christian Salis	11.0	Buy	3/11/2024
Warburg	Thilo Kleibauer	8.5	Buy	2/2/2024

Consolidated Financial Statements

Consolidated Management Report

for the year ended 31 December 2023

1. Basic information on the Group

1.1. Business model

tonies was founded in 2013 as Boxine GmbH (now tonies GmbH, a subsidiary of the Group) and established a new, multi-billion-euro category. tonies SE and its subsidiaries (hereinafter referred to as the **"Group"**, the **"Company"** or **"tonies"**) develop, produce and distribute a digital, cloud based and interactive audio platform and entertainment system for children aged three and up, providing a listening and storytelling experience that captures their imagination and allows them to play intuitively and through the sense of touch. tonies generates revenue from the initial sale of the **"Toniebox"** and from follow-on purchases of **"Tonies"** and **"Accessories & Digital"**.

The Toniebox is a connected audio player, using tonies patented hardware. The sale of a Toniebox marks the start of the customer journey through the tonies ecosystem. Children can operate the Toniebox independently. The volume can be increased or decreased by pressing one of the two ears of the Toniebox and chapters or songs can be changed by tapping the sides of the Toniebox or fast-forwarded and rewound by tilting it. Even swapping stories is simple by placing a different Tonie on the box to begin a new adventure.

Tonies are figurines that can be placed at the top of the Toniebox. Each Tonie contains a download code that serves as a key to unlock content which is then downloaded from the cloud to the Toniebox. Historically, each sale of a Toniebox triggered on average repeat purchases of about 20 Tonies within 4.5 year from the sale of the respective Toniebox. Tonies cover a wide range of content including songs, stories, entertainment, and education. Content Tonies, which provide inhouse-produced or externally licensed content from partners such as Disney, Sony, and Universal account for the majority of Tonies revenue. The Group also sells Creative Tonies that can play the customer's own content such as favourite books recorded in own voice, singing favourite songs, preserving cherished family memories for the future, or sending messages to loved ones from afar.

The Accessories & Digital product category includes revenues from accessories, such as adjacent products and merchandising like headphones, transport solutions and decoration as well as revenue from tonies digital library, which offers a wide variety of digital content that can be assigned to a Tonie using the mytonies app.

tonies operates in the geographical regions DACH (Germany, Austria, and Switzerland), North America and Rest of World (including UK and France as largest markets) with local teams in place. The Group generated most of its revenue in fiscal year 2023 in the DACH region, which accounted for EUR 165.9 million of the total revenue of EUR 360.9 million. Due to the continued successful international expansion, revenue in international markets is growing rapidly and, for the first time, represents a larger share of total revenue than the DACH region – in 2023, around 54% of revenue was generated in international markets compared to 39% in 2022.

With around 6.8 million織Tonieboxes and 82 million Tonies sold since the first product launch at the end of 2016, tonies is, by its own admission, clear market leader for its product category.

tonies products are sold through different online and offline distribution channels: in wholesale (brick-and-mortar retail partner stores and retail partner online channels) and through the Group's direct-to-consumer channels, consisting of its own online shops and the Amazon marketplace in the various countries. For wholesale revenue, tonies supplies major retailers ("key accounts") in the areas of consumer electronics, toys, and books, as well as specialist retailers operating in the areas of toys and books. Revenue via direct-to-consumer channels amounted to around 45 % of the Group's revenue in 2023 compared to about 37 % in 2022, an increase mainly driven by regional mix effects (i.e. international markets with higher online penetration accounting for a higher share of group revenue).

tonies marketing relies heavily on a brand and category building strategy. By presenting Tonieboxes and Tonies as category-defining products, tonies has created an own distinctive identity on the market, which provides high recognition value and creates differentiation from other products on the market. Maintenance of tonies' strong brand identity is crucial for customer loyalty and for sustaining and driving revenue and profit growth.

Alongside retail and sales expertise, the Group – together with its suppliers – also has the design, manufacturing, and product development expertise it needs and the patents. The use of specially coded chips enables a closed system.

1.2. Capital markets, governance and takeover law

General information

tonies SE is listed on Frankfurt Stock Exchange under the symbol "TNIE" and ISIN LU2333563281.

The Company is managed by a management board (**"Management Board"**) which exercises its function under the control of a supervisory board (**"Supervisory Board"**) in a dual management and supervisory structure. The members of the Management Board are appointed by the Supervisory Board for a term of up to five years and are eligible for re-appointment for successive terms. A member of the Management Board may be removed at any time, with or without cause, by the Supervisory Board. Members of the Supervisory Board are appointed at the general meeting for a term of up to six years and are eligible for re-appointment for successive terms. A member of the Supervisory Board may be removed at any time, with or without cause, by the general meeting at a two-thirds majority vote of the shares present or represented.

Subject to the provisions of the Luxembourg law, any amendment of the Company's articles of association (the "Articles of Association") requires a majority of at least two-thirds (2/3) of the votes validly cast at a general shareholders' meeting at which at least half of the share capital is present or represented. In case the second condition is not satisfied, a second meeting may be convened in accordance with the Luxembourg law, which may deliberate regardless of the proportion of the capital represented and at which resolutions are taken at a majority of at least two-thirds (2/3) of the votes validly cast. Abstention and nil votes will not be taken into account for the calculation of the majority. Furthermore, where there is more than one class of shares and the resolution of the General Meeting is such as to change the respective rights thereof, the applicable quorum and majority requirements must be met in each of the share classes.

The Management Board is authorised to issue public shares, to grant options or warrants and to issue any other instruments giving access to public shares within the limits of the authorised capital, set at EUR 10,033,894.64, consisting of 627,118,414 class A (public) shares, to such persons and on such terms as they shall see fit and specifically to proceed to such issue with removal or limitation of the preferential right to subscribe to the shares issued for the existing shareholders.

The Management Board is currently not authorised to instruct the Company, directly or indirectly, to repurchase its own shares.

The Company had 126,847,586 total shares in issue (including treasury shares) as of 31 December 2023.

The shareholders of tonies as of 31 December 2023 are the following entities, none of which is a controlling party from its shareholding. The information below is based on official publications incl. voting rights notification:

Armira	27.5 %
Höllenhunde GmbH	8.5 %
Santo Ella Co-Invest GmbH & Co. KG	5.5 %
468 SPAC Sponsors	5.1 %
Treasury Shares	10.6 %
Free Float	42.8 %

Own share transactions

In accordance with the equity stock option plan dated 23 November 2021, the Company executed the following transactions of class A shares held in treasury to Höllenhunde GmbH:

- 343,901 shares on 28 February 2023 for an amount of EUR 0.016 per class A share
- 343,901 shares on 30 May 2023 for an amount of EUR 0.016 per class A share
- 343,901 shares on 25 August 2023 for an amount of EUR 0.016 per class A share
- 343,901 shares on 24 November 2023 for an amount of EUR 0.016 per class A share

On 5 September 2023, the Company disposed 246,925 class A shares of the Company held in treasury for an amount of EUR 4.95 per class A share as a private placement. The transaction was carried out in order to pay out payments in accordance with the equity incentive plan. The Company held 13.407.752 class A shares of the Company in treasury as of 31 December 2023.

Branches

The Company did not have any branches for corporate purposes per end of the reporting period in addition to the subsidiaries.

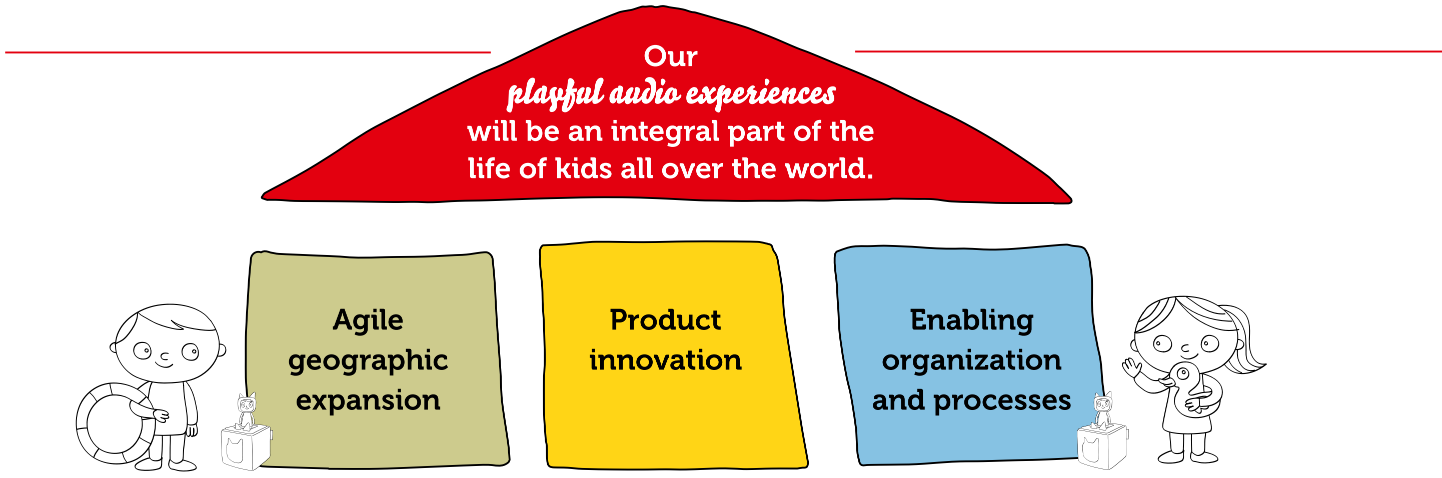
1.3. Group structure

tonies SE heads the Group. The Company’s headquarters are located at 9, Rue de Bitbourg, L-1273 Luxembourg, Luxembourg.

As of 31 December 2023, tonies SE held 100 % in tonies Holding GmbH which held 100 % in tonies Beteiligungs GmbH. This corporate structure is the result of a business combination. tonies Beteiligungs GmbH holds all shares in tonies GmbH, which runs the Group’s operating business in the DACH region, its European webshop as well as other international activities not covered by dedicated entities, and all central functions. It is also the parent company of the international subsidiaries. Operating business in the US and Canada is run by tonies US Inc. and in France by tonies France SAS. tonies UK Ltd is the sales company for markets in the UK and Ireland and on 16 November 2023 tonies ANZ Ply Ltd has been incorporated to support market activities in Australia and New Zealand.

1.4. External factors that affect business

Material factors that could impact the Group’s business in the short term include changes in general macroeconomic and political conditions and the sector-specific economy. These are explained in more detail in section 2.1. Section 7. also includes further explanations of opportunities and risks in relation to the Company’s business.



1.5. Group strategy

Vision and Mission

Our vision is that our playful audio experiences will be an integral part of the life of kids all over the world. tonies' strategy to deliver on our vision is based on three key pillars:

- Agile geographic expansion, which is currently focused on further penetration in existing markets and preparing to enter new international markets going forward
- Product innovation, which is crucial to continue delivering value to our customers going forward
- Enabling organization and processes, which is required as a basis to successfully scale our business through international expansion and product innovation

On our way to achieve our vision, tonies' mission is to enrich moments for little listeners around the world.

Agile geographic expansion

With regards to geography, tonies manages its business as three different regions: DACH, North America (formerly named **"US"**), and Rest of World, with DACH and Rest of World now being combined under one C-level executive and North America also representing a dedicated C-level area.

DACH: Our DACH market, which already shows double-digit profitability in terms of EBITDA margin, continues to be a huge success story: Almost every second child in our target group in Germany has a Toniebox. In this mature market, the focus remains on further increasing profitability. This involves distribution channel optimization, active portfolio management including both attractive new product launches and decisions on discontinuing less profitable products as well as the optimization of unit economics.

North America: In line with our strategy, we are further rolling out our profitable DACH business model internationally and see continued strong momentum in the US. Business performance in this large and strategically important market has exceeded expectations since launch in 2020, driven by rapid growth in all distribution channels. We continue to grow our retail partnerships, especially through further expansion at Target and the addition of Walmart as new key account in 2023, and at the same time extend shelf space at our partners. North America is expected to account for more than 40% of global sales in 2025 and is planned to become the world's largest market for tonies in FY 2024. Reaching this level in North America is one of tonies' key priorities and will be supported by products (e.g. Starter set bundles) tailored specifically to the North American market requirements.

Rest of World: This region currently consists of the United Kingdom & Ireland (both served from the UK) and France as core markets with local teams, as well as so-called "non-core markets". In non-core markets, tonies pursues an agile approach and serves the markets either via digital channels only (e.g. Belgium, Luxembourg, Netherlands, Portugal and Spain) or as part of a distributor model (e.g. Hong Kong).

Product innovation

Product innovation at tonies encompasses physical and digital products as well as audio content, including both licensed and proprietary content.

Physical: Innovations in our physical platforms will be a key driver for securing our leading position in the category. We continue to grow the attractiveness of our platform through special Starter set bundles and the launch of new Tonie figurines. At the same time, new Tonie formats, such as Clever Tonies first launched in the US and UK, will help us to expand our tonieverse for families and broaden our target audience. Through the further expansion of our accessories portfolio, ranging from headphones to wooden shelves, we further offer attractive add-on products for our customers, which – due to their attractive margin profiles – support our overall profitability ambition. Merchandising will become increasingly important in the coming years, especially as brand awareness and new franchises grow.

Digital: Digital products and features complement our physical product experience. Apart from constantly improving the customer experience in our mytonies app, we also strive to offer our customers innovative new features. With our AI-based story generator, for example, which we started testing already at the beginning of 2023, we were the first company in our category to offer AI-based features for content creation.

Content: Together with the physical product, high-quality audio content forms the core of our tonies experiences. We will continue to offer license-based global blockbusters and local hero stories to cater to the requirement of our little listeners. At the same time, we will increasingly build up own content franchises/brands (which we call "tonies Originals") to leverage our global installed base and our in-house content expertise, which we have further strengthened throughout 2023. The "Sleepy friends" franchise, which focuses on bedtime routine, showcases the potential of such own franchises. Initially launched in 2022, it was the first own franchise that we actively marketed and promoted as such and has become one of our bestsellers from the start. Most recently, we introduced our first Night Light under the "Sleepy friends", which contributed to the overall success story of the franchise. Apart from the revenue and margin potential from in-house productions and self-developed licenses through the sale of higher-margin Classic Tonies and new Tonies formats such as the Night Light, we aim to increasingly generate licensing revenues from licensing out our own franchise brands.

Enabling organization and processes

On our way to further strengthen the scalability of our company, we are constantly working to set up and enable our organization and processes to support our growth ambition. This includes, but is not limited to, the following aspects:

Scalable operations: Operations are – and will continue to be – a major focus area for tonies to achieve scalability. With our operational excellence program "Tune up tonies", which we launched in 2023, we have been able to generate major scalability improvements, e.g. in our European logistics setup, in our demand and supply planning, and in our Customer Happiness teams. We will continue the "Tune up" program also in FY 2024 to further stabilize, standardize and de-risk operations and production, including also additional automation and tool-support potentials in our processes.

Performance Management: Performance management is the key to becoming a profitable company on group level, especially in a challenging macroeconomic environment. The continued active steering of our profitability supported the achievement of our positive adjusted EBITDA margin level in 2023, e.g. through further optimization of unit economics, active management of our distribution channels and the generation of cross-company marketing efficiencies. Performance management will remain a major focus area for tonies going forward. Moreover, we will remain cost-conscious and maintain a sound cost base throughout our international growth.

Sustainability: tonies is "committed to leading change in our category toward a more sustainable future". With this vision, we have set the ambition for our sustainability efforts going forward and, with it, also launched our official Sustainability communication to share our ambition and progress with external stakeholders. In 2023, we further improved our sustainability profile, e.g. by introducing water-based colors for our Tonies figurines, launching first sustainability-related own-content Tonies and introducing the new Clever Tonies format made of up to 50% bio-circular material. We will continue to execute against our sustainability ambition and roadmap going forward.

Data: As a data-driven company, tonies aims to better leverage existing data and generate additional data to actively steer and support the company during our scale-up. In 2023, we have continued to build our data expertise, also through selected hires, and further trained our employees to improve data literacy throughout the company.

Teams and Culture: The success of tonies is built on the strength of our teams and our corporate culture. Thus, we are and will actively work to enable our teams and individuals to perform to the best of their potential. This includes the active management of our tonies culture, especially as more people work remotely and as we become more international and diverse, as well as dedicated initiatives to keep tonies a great place to work at. In 2023, these included the development and launch of a Global Diversity & Inclusion roadmap as well as the implementation of a new performance feedback approach for our employees.

1.6. Performance assessment system

In 2023, revenue and profitability of the business were managed and monitored at segment level below Group level. These segments are based on the composition of the company's management teams according to tonies' key sales markets: DACH, North America and Rest of World. In connection with the establishment of management by segment, the previous key performance indicators (KPIs) used to manage the business were partially revised. Whereas the overall business was previously managed on the basis of revenue and adjusted EBITDA margin, as well as gross margin, gross margin after licensing costs, contribution margin, net working capital and free cash flow, the performance management system based on the segments was introduced. Since fiscal year 2023, the Management Board uses revenue, Contribution margin (a), EBITDA margin (b) and adjusted EBITDA margin (c), and to measure operating performance of the segments, as a basis for strategic planning and as it provides useful information to investors and others in understanding and evaluating the results of operations and is a useful measure for period-to-period comparisons of tonies business performance. The KPIs are shown in the table below and for further information on the segments, please refer to Section 6, "Operating segments" in the notes to the consolidated financial statements.

KPI	2023 (audited)	2022 (audited)
Revenue	EUR 361 million	EUR 258 million
Contribution margin (a)	35.3 %	27.2 %
Adjusted EBITDA margin (b)	4.0 %	– 2.4 %
EBITDA margin (c)	2.4 %	– 13.5 %

(a) For the definition, explanation and reconciliation of contribution margin refer to 2.3.2 Profitability
(b) For the definition, explanation and reconciliation of adjusted EBITDA margin refer to 2.3.2 Profitability
(c) For the explanation of EBITDA margin refer to 2.3.2 Profitability

2. Economic report

2.1. Macroeconomic development

According to the winter forecast published by the Kiel Institute for the World Economy (IfW Kiel) in December 2023, the global economy performed better than expected considering the inflation shock and the massive tightening of monetary policy, although economic expansion was moderate. Although inflation is now falling rapidly, there are currently no signs of an economic upturn.

Global production (measured based on purchasing power parities) is expected to grow by 3.1% in 2023, with growth in the first three quarters averaging 0.8%, which is only slightly weaker than the trend before the coronavirus crisis. Economic momentum is expected to slow in the fourth quarter of 2023. Global trade actually declined in 2023 compared to the previous year, with activity also weakening again towards the end of the year. There were considerable differences in productivity trends between the developed economies in 2023, with the US economy proving to be particularly robust, while overall economic production in Europe tended to stagnate. In China, overall economic production picked up significantly in the third quarter, although it remains low by historical standards, meaning that the country has lost much of its role as a driver of global economic expansion.

Many disruptive factors have disappeared again over the course of 2023, with commodity and energy prices falling significantly and real wages rising slightly. However, geopolitical, and domestic political uncertainties for companies and consumers remain high and are likely to dampen the propensity to invest and consume. As a result, the Kiel Institute for Economic Research is only forecasting global production growth of 2.9% for the year 2024.

2.2. Review of overall business performance

Overall, tonies recorded a very strong 2023 with exponential revenue growth led by North America, and substantial improvements in profitability with adjusted EBITDA and EBITDA turning profitable.

Revenue amounted to EUR 360.9 million in 2023, representing a year-over-year growth of 39.7%, with an increase in revenue in all regions and all product categories. In North America, revenue more than doubled to EUR 140.4 million.

Contribution margin increased substantially from 27.2% in 2022 to 35.3% in 2023. This was primarily driven by a substantially higher gross margin and lower licensing costs. Gross margin increased as a result of price increases implemented in May 2022, lower costs for inbound logistics (mainly airfreight) as well as favourable effects from channel, product and regional mix. Licensing costs were lower as a result of regional mix effects (lower revenue share of DACH which tends to have higher licensing costs), a higher share of in-house produced content and self-developed licenses, successful renegotiations with license partners and a non-recurring effect due to the release of licensing provisions of around EUR 3.3 million.

The Group's adjusted EBITDA margin improved sharply from –2.4% in 2022 to +4.0% in 2023. This was attributable particularly to substantial improvement in gross margin, lower marketing and lower licensing costs, including non-recurring effects related to the release of licensing provisions.

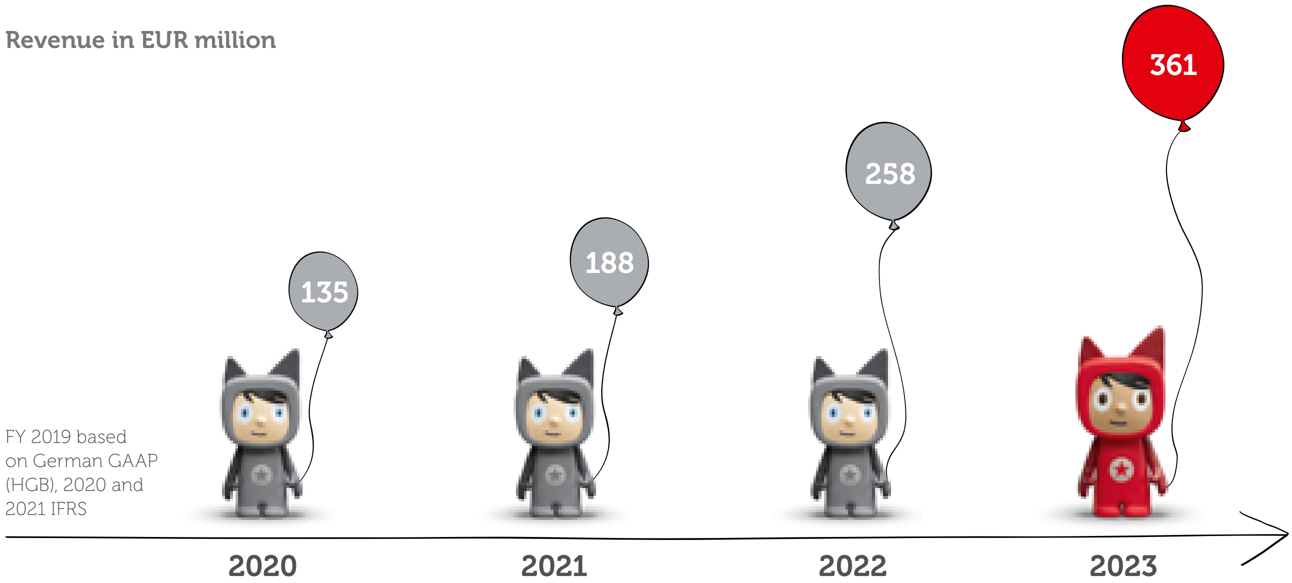
The Group's EBITDA margin also improved significantly from –13.5% in 2022 to +2.4% in 2023. Apart from a considerably higher contribution margin, personnel costs were lower primarily due to the significantly lower proportion of share-based payments. The positive impact on the EBITDA margin more than offset a sharp increase in operating expenses due to higher logistics and distribution costs as a result of the strong US expansion.

2.3. Results of operations of the Group

2.3.1. Revenue

Revenue increased by 39.7% from EUR 258.3 million in 2022 to EUR 360.9 million in 2023.

Revenue in EUR million



Despite its mature market profile, the DACH region witnessed a notable revenue growth of +4.8% amounting to EUR 165.9 million. The increase in revenue was primarily attributable to a robust expansion in direct-to-consumer, along with impressive performance in product categories such as Tonies figurines and Accessories & Digital. At the end of 2023, tonies had more than 10,000 points of sale at wholesale partners in the DACH region (including seasonal listings), a sharp increase from around 7,000 at the end of the previous year and a clear sign that the major distribution channel in the DACH region could be further expanded even further despite an already high level of saturation. Within the target group of parents, tonies has a robust and consistent aided brand awareness of around 84%, which consolidates its position as a well-established brand in the DACH market.

Revenue in the North America soared to EUR 140.4 million, marking a remarkable growth of 114.0%. This impressive advancement was driven by robust performance across all distribution channels and product categories. While direct-to-consumer channels maintained a rapid growth pace, revenue expansion in wholesale was even more pronounced. The continuous adoption of tonies' products by prominent retailers such as Target and Walmart contributed to a substantial rise in the total number of points of sale, from approximately 4,200 at the close of 2022 to about 6,500 by the end of 2023.

In the Rest of World region, encompassing the UK, Ireland, France, Hong Kong, and the European webshop, revenue surged by +59.1% from EUR 34.4 million to EUR 54.7 million in 2023. This growth was predominantly fuelled by revenue increasing sharply in the UK and a more than tripling France. tonies expanded its delivery countries in Europe via the European webshop by adding the Nordic countries Denmark, Sweden, and Finland, thereby increasing the total number of countries served to 17.

Due to the continued successful international expansion, revenue in international markets is growing rapidly and for the first-time account for a larger share of total revenue than the DACH region – in 2023, around 54% of revenue was generated in international markets compared to 39% in 2022.

In terms of product categories, revenue from Tonieboxes increased by +35.4% year-over-year to EUR 118.1 million. Most Tonieboxes were sold in North America, significantly increasing tonies installed base in the most important growth market. This clearly underlines the international revenue and margin potential as around 20 Tonies figurines per Toniebox are sold on average in the first 4.5 years.

Revenue from Tonies figurines increased significantly by +41.7% to EUR 225.5 million, with around 23.4 million Tonies figurines sold across all markets. The increase was driven by a combination of licensed third-party Tonies like Peppa Pig, Paw Patrol, and various Disney Tonies, along with in-house produced content and unique designs such as "Sleepy Friends" and "Playtime Songs". Introducing the first Advent Calendar Tonie, our own content series Leo's Day and "Clever Tonies," a new eco-friendly edutainment audio product for children aged five and up, underlines tonies' commitment to consistently bring innovative offerings to the market, particularly tailored for older children. It was initially launched in the US in October 2023 and has also been available in the DACH region and the UK since the first quarter of 2024.

Revenue in the Accessories & Digital category experienced notable growth, increasing by +45.2% to EUR 17.3 million. This growth was propelled by sales of headphones, carriers, shelves, and chargers. tonies successfully introduced two entirely new formats to the product category: the Sleepy Sheep Night Light Tonie, which combines beautiful melodies and the ability to record personal goodnight messages with a warm light and the Listening+ Coloring book, where an audio play accompanies the coloring book with illustrations that match the story.

In terms of distribution channels, both wholesale and direct-to-consumer remained strategically relevant for tonies. In 2023, the share of revenue via own online channels continued to increase and reached 45% of the Group's revenue in 2023 compared to around 37% in 2022. Key driver was country mix effects, as international markets, which show higher online penetration compared to the DACH region, account for a higher proportion of group revenue.

in EUR million	2023	2022	Change
Revenue	**360.9**	**258.3**	**39.7%**
by region			
DACH	165.9	158.3	4.8%
North America	140.4	65.6	114.0%
Rest of World	54.7	34.4	59.1%
by product category			
Tonieboxes	118.1	87.3	35.4%
Tonies figurines	225.5	159.1	41.7%
Accessories & Digital	17.3	11.9	45.2%

2.3.2. Profitability

Adjusted EBITDA is a key performance indicator, which is calculated from EBITDA by adjusting for various effects to create a metric for the underlying profitability of the business. Adjustments relate to expenses incurred where management believes adjustments should be made due to extraordinary and non-operational character. In 2023, the adjustments comprised only costs for share-based compensation, as tonies started to capitalize own work, which was adjusted in 2022. The adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of revenue. Despite the continued investment in international growth, adjusted EBITDA improved substantially from –2.4% of revenue in 2022 (EUR –6.1 million) to 4.0% of revenue in 2023 (EUR 14.4 million). This was attributable particularly to substantial improvement in gross margin, lower marketing costs and lower licensing costs.

Consolidated Group statement of profit or loss in accordance with IFRS (based on own grouping):

	2023		2022		Change	
	EUR m	**% of revenue**	**EUR m**	**% of revenue**	**EUR m**	**% of revenue**
Revenue	**360.9**	**100.0 %**	**258.3**	**100.0%**	**102.7**	**0.0%pts**
COGS	–138.5	–38.4%	–119.0	–46.1%	–19.5	7.7% pts
Gross profit	**222.5**	**61.6%**	**139.3**	**53.9%**	**83.2**	**7.7% pts**
Licensing costs	–36.3	–10.1%	–31.7	–12.3%	–4.7	2.2% pts
Gross profit after licensing costs	**186.1**	**51.6%**	**107.6**	**41.7%**	**78.5**	**9.9% pts**
Own work capitalized	1.4	0.4%	0.0	0.0%	1.4	0.4% pts
Other income	8.1	2.3%	8.4	3.3%	–0.3	–1.0% pts
Personnel expenses	–48.6	–13.5%	–57.2	–22.1%	8.5	8.7% pts
Other expenses	–138.4	–38.3%	–93.6	–36.2%	–44.7	–2.1% pts
EBITDA	8.7	2.4%	–34.7	–13.5%	43.4	15.9% pts
Depreciation and amortization	–19.5	–5.4%	–18.4	–7.1%	–1.1	1.7% pts
EBIT	–10.8	–3.0%	–53.2	–20.6%	42.4	17.6% pts
Financial result	5.7	1.6%	16.5	6.4%	–10.8	–4.8% pts
Finance income	8.8	2.4%	20.0	7.7%	–11.2	–5.3% pts
Finance costs	–3.1	–0.9%	–3.5	–1.3%	0.3	0.5% pts
EBT	–5.1	–1.4%	–36.6	–14.2%	31.6	12.8% pts
Tax result	–6.7	–1.9%	5.0	1.9%	–11.7	–3.8% pts
Profit (loss) for the period	**–11.8**	**–3.3%**	**–31.7**	**–12.3%**	**19.9**	**9.0% pts**

Adjusted EBITDA is calculated from EBITDA as follows:

	2023		2022		Change	
	EUR m	**% of revenue**	**EUR m**	**% of revenue**	**EUR m**	**% of revenue**
EBITDA	**8.7**	**2.4%**	**–34.7**	**–13.5%**	**43.4**	**15.9% pts**
(i) Share-based compensation	5.7	1.6%	24.2	9.4%	–18.5	–7.8% pts
(ii) Own work (not activated)	0.0	0.0%	4.4	1.7%	-4.4	–1.7% pts
Adusted EBITDA	**14.4**	**4.0%**	**–6.1**	**–2.4%**	**20.5**	**6.4% pts**

EBITDA margin also improved significantly from –13.5% in 2022 to +2.4% in 2023. Apart from a considerably higher gross margin and lower licensing costs, also personnel costs were lower primarily due to the significantly lower proportion of share-based payments. The positive effects on the EBITDA margin more than offset a sharp increase in other expenses due to higher logistics and distribution costs as a result of the strong US expansion.

Contribution margin is defined as the contribution profit in percent of revenue. The contribution profit is calculated from the gross profit after licensing costs less various sales-related costs that are together aggregated as logistic and other sales dependent costs (mostly freight and logistics costs, fees for online marketplaces, costs of payments and certain variable sales costs). Contribution profit and contribution margin show how much is available for coverage of fixed costs such as personnel, other expenses, and marketing. Contribution margin increased significantly from 27.2 % of revenue in 2022 to 35.3 % of revenue in 2023. The increase was primarily driven by a substantially higher gross margin and lower licensing costs. At EUR 127.3 million, contribution profit was well above the previous year's level of EUR 70.2 million.

Reconciliation contribution margin

	2023		2022		Change	
	EUR m	% of Revenue	EUR m	% of Revenue	EUR m	% of Revenue
Gross profit after licensing costs	186.1	51.6 %	107.6	41.7 %	78.5	9.9 % pts
Logistics costs	– 34.8	– 9.7 %	– 23.6	– 9.1 %	– 11.3	– 0.5 % pts
Sales dependent costs	– 24.0	– 6.7 %	– 13.9	– 5.4 %	– 10.1	– 1.3 % pts
Contribution profit	**127.3**	**35.3 %**	**70.2**	**27.2 %**	**57.1**	**8.1 % pts**

Gross margin improved substantially compared to the previous year from 53.9% to 61.6%. This was primarily due to price increases implemented in May 2022, lower costs for inbound logistics (mainly airfreight) as well as favourable effects from channel, product and regional mix.

Licensing costs decreased from 12.3 % of revenue in 2021 to 10.1 % in 2023 as a result of regional mix effects (lower revenue share of DACH region which records higher licensing costs), a higher share of in-house produced content and self-developed licenses, successful renegotiations with license partners and a non-recurring effect due to the release of licensing provisions of around EUR 3.3 million. The gross margin after licensing costs rose accordingly from 41.7 % in 2022 to 51.6 % in 2023.

tonies met the requirements for recognizing internally developed assets as own work capitalized in the amount of EUR 1.4 million for the first time in 2023.

Personnel expenses fell from EUR 57.2 million in 2022 to EUR 48.6 million in 2023. The main driver was considerably lower expenses for share-based payments of EUR 5.7 million in 2023 compared to EUR 24.2 million in 2022, which were mainly due to a program granted to the Co-CEOs as part of the business combination that tonies merged with 468 SPAC I SE in November 2021. In addition, virtual shares and share options were issued in both 2022 and 2023. All costs for share-based payments were excluded from the calculation of adjusted EBITDA. Adjusted for this effect, personnel costs relative to sales decreased from 12.7 % to 11.9 % compared to the previous year.

Other expenses increased from EUR 93.6 million in 2022 to EUR 138.4 million in 2023. Other expenses include a range of different expenses such as logistics costs, other sales dependent costs, marketing, and other operating expenses, all of which have increased with the continued international growth. In particular, logistics and other sales-related costs increased with the continued international expansion, as international markets with higher online penetration account for a larger proportion of Group revenue. In addition, the other operating expenses also include expenses from realized and unrealized currency losses, which have experienced a significant increase due to prevailing currency market trends. Historically, currency losses were predominantly associated with tonies procurement activities, specifically purchases of raw materials and consumables in foreign currencies. Consequently, these losses were reported under the category of cost of materials in previous years. As tonies global footprint expands and the business diversifies, tonies is increasingly engaging in a broader range of international transactions. As a result, foreign currency gains and losses are now arising from a wider spectrum of business activities beyond just procurement. In the interest of consistency and comparability, adjustments have been made to the previous year's financial figures to reflect this reclassification accurately.

Depreciation and amortization of EUR 19.5 million in 2023 (2022: EUR 18.4 million) includes depreciation and amortization of property, plant and equipment and intangible assets. A small part of this item is resulting from a purchase price allocation in 2019, when tonies GmbH (formerly Boxine GmbH) was acquired by tonies Beteiligungs GmbH (formerly A. VI Beteiligungs GmbH) and became part of the group structure.

Financial result fell from EUR 16.5 million in 2022 to EUR 5.7 million in 2023. The decline is mainly due to the significantly lower valuation income from the revaluation of warrants at fair value in 2023 compared to the previous year. In contrast, financing costs decreased slightly and had a positive impact on the financial result.

Tax result turned from an income in prior year (EUR 5.0 million) to a tax expense of EUR 6.7 million as a result of current taxes calculated for the year 2023 and tax expense from the release of deferred tax assets on tax losses carried forward.

Loss for the period decreased substantially from EUR – 31.7 million in 2022 to EUR – 11.8 million in 2023.

2.3.3. Financial position

Condensed consolidated statement of cash flows (based on own grouping):

	2023	2022	Change
	EUR m	EUR m	EUR m
EBITDA	**8.7**	**– 34.7**	**43.5**
Decrease (increase) in net working capital	– 6.5	– 61.2	54.7
Decrease (increase) in trade receivables	– 14.3	– 12.5	– 1.8
Decrease (increase) in inventories	8.3	– 52.8	61.0
Increase (decrease) in trade payables	0.5	4.1	– 4.6
Change in other positions	6.0	21.6	– 15.6
Cash flow from operating activities	**8.1**	**– 74.4**	**82.5**
Acquisition of property, plant and equipment	– 4.0	– 3.4	–0.6
Acquisition of intangible assets	– 7.5	– 10.1	2.6
Development expenses capitalized	– 1.4	0.0	– 1.4
Cash flow from investing activities	**– 12.9**	**– 13.6**	**0.6**
Increase (decrease) from equity financing (net of fees)	0.0	58.9	– 58.9
Capital Reorganization (Acquisition of subsidiaries)	0.0	0.0	0.0
Proceeds from issue of share capital by shareholders of the Parent Company	0.0	60.0	– 60.0
Transaction costs	0.0	– 1.2	1.2
Increase (decrease) in borrowing & leases	11.6	8.4	3.2
Cash flow from financing activities	**11.6**	**67.2**	**– 55.6**
Net increase (decrease) in cash	**6.8**	**– 20.7**	**27.5**
Change in cash resulting from exchange rate differences	– 2.5	0.0	– 2.5
Free cash flow	**– 4.8**	**– 87.9**	**83.2**

Cash flow from operating activities turned positive in 2023 and amounted to EUR 8.1 million (2022: EUR – 74.4 million). This was driven by a significantly higher EBITDA, which rose by EUR 43.4 million to EUR 8.7 million, and an only slight increase in net working capital of EUR 6.5 million (2022: increase of EUR 61.2 million) due to a decrease in inventories. After an earlier inventory build-up in the first half of 2023 to avoid stock-out and high airfreight cost in case of macroeconomic disruptions and to facilitate further international expansion, inventory levels declined significantly in the second half of 2023. The year-over-year decline is a result of more efficient inventory management and strong revenue growth, particularly in the fourth quarter of 2023.

Cash flow from investing activities reflects investments in property, plant and equipment and intangible assets, and amounted to EUR – 12.9 million in 2023 (2022: EUR – 13.6 million). These include investments in tools to manufacture Tonies figurines, product-related expenses as well as own content production and software.

Free cash flow (the sum of cash flow from operating activities and cash flow from investing activities) was at EUR – 4.8 million in 2023 (2022: EUR – 87.9 million) driven by the substantial increase in cash flow from operating activities. Free cash flow represents the Group's cash efficiency and enables an assessment of profitability.

Cash flow from financing activities amounted to EUR 11.6 million in 2023 (2022: EUR 67.2 million), mainly due to the partial utilisation of credit lines for inventory build-up. The higher level of cash flow from financing activities in 2022 was driven by a capital increase of EUR 60.0 million in November 2022 and the issuance of unsecured convertible bonds with an aggregate principal amount of EUR 10.0 million.

Overall, the Group's cash increased from EUR 54.9 million in 2022 by EUR 4.4 million (including EUR – 2.5 million effects from exchange rate differences) to EUR 59.3 million in 2023.

The Group was able to meet its obligations at all times in the financial years 2022, 2023 and afterwards.

2.3.4. Assets and liabilities

Condensed consolidated statement of financial position in accordance with IFRS (based on own grouping):

	31.12.2023		31.12.2022		Change	
	EUR m	% of BS total	EUR m	% of BS total	EUR m	% of BS total
Assets	**492.4**	**100.0%**	**481.8**	**100.0%**	**10.5**	**0.0%pts**
Non-current assets	**282.8**	**57.4%**	**289.3**	**60.0%**	**–6.5**	**–2.6% pts**
Property, plant and equipment	6.6	1.3%	7.0	1.5%	–0.4	–0.1% pts
Intangible assets (incl. Goodwill)	270.8	55.0%	276.8	57.5%	–6.0	–2.5% pts
Other	5.4	1.1%	5.4	1.1%	–0.1	0.0% pts
Current assets	**209.6**	**42.6%**	**192.6**	**40.0%**	**17.0**	**2.6% pts**
Cash	59.3	12.0%	54.9	11.4%	4.4	0.6% pts
Inventories	76.1	15.5%	84.3	17.5%	–8.3	–2.1% pts
Trade receivables	49.1	10.0%	34.8	7.2%	14.3	2.7% pts
Other	25.1	5.1%	18.5	3.8%	6.6	1.3% pts
Equity and Liabilities	**492.4**	**100.0%**	**481.8**	**100.0%**	**10.5**	**0.0% pts**
Equity	**325.3**	**66.1%**	**334.6**	**69.5%**	**–9.3**	**–3.4% pts**
Share capital & premium	609.2	123.7%	609.2	126.4%	0.0	–2.7% pts
Other incl. accumulated profit and loss	–283.9	–57.7%	–274.6	–57.0%	–9.3	–0.7% pts
Liabilities	167.1	33.9%	147.2	30.5%	19.9	3.4% pts
Non-current liabilities	**43.3**	**8.8%**	**38.1**	**7.9%**	**5.2**	**0.9% pts**
Loans and borrowings (long term)	7.4	1.5%	6.8	1.4%	0.6	0.1% pts
Lease liabilities (long term)	4.8	1.0%	5.0	1.0%	-0.2	–0.1% pts
Share-based payment liabilities (long term)	6.8	1.4%	6.0	1.3%	0.8	0.1% pts
Deferred tax liabilities	24.3	4.9%	20.2	4.2%	4.0	0.7% pts
Current liabilities	**123.8**	**25.1%**	**109.1**	**22.6%**	**14.7**	**2.5% pts**
Trade payables (short term)	38.9	7.9%	39.4	8.2%	–0.5	–0.3% pts
Loans and borrowings (short term)	15.6	3.2%	0.0	0.0%	15.6	3.2% pts
Other and provision	63.5	12.9%	57.3	11.9%	6.2	1.0% pts
Income Tax liabilities	2.7	0.6%	0.1	0.0%	2.7	0.5% pts
Lease liabilities (short term)	0.9	0.2%	0.6	0.1%	0.3	0.1% pts
Other liabilities (short term)	41.1	8.3%	35.4	7.3%	5.7	1.0% pts
Provisions (short term)	18.8	3.8%	21.2	4.4%	–2.4	–0.6% pts
Warrant liabilities (short term)	5.8	1.2%	12.4	2.6%	–6.6	–1.4% pts

At EUR 492.4 million, total assets showed an increase compared to year-end 2022 (EUR 481.8 million).

Assets consisted in particular of non-current assets, which accounted for 57.4 % of total assets in 2023 (EUR 282.8 million) and were in absolute terms on a slightly lower level compared to 2022 (EUR 289.3 million). The major item is intangible assets. These were highly affected by the purchase price allocation for the acquisition of tonies GmbH in 2019. Goodwill, the brand, and the capitalised technology as well as customer relationship assets represented the vast majority of intangible assets and total assets. The decrease from EUR 276.8 million in 2022 to EUR 270.8 million in 2023 stemmed primarily from regular write-downs on the brand and the technology. Investment in the Group's intangible and tangible assets continued in 2023. In addition to machine capacities and updates to production management, investments were made primarily in IT infrastructure (hardware and software) to ensure the Group's systems remain viable for the future and prepared for the planned international growth.

Current assets increased from EUR 192.6 million per 31 December 2022 to EUR 209.6 million per 31 December 2023. Cash increased from EUR 54.9 million per 31 December 2022 to EUR 59.3 million in the year under review. Inventories declined year-over-year from EUR 84.3 million per 31 December 2022 to EUR 76.1 million per 31 December 2023 as a result of more efficient inventory management and strong revenue growth particularly in the second half of 2023. Strategically, tonies aims for keeping sufficient goods in stock to further support the rapid growth trajectory, particularly in North America. Trade receivables increased from EUR 34.8 million per 31 December 2022 to EUR 49.1 million per 31 December 2023 mainly as a result of higher absolute revenue. Other assets (current) rose from EUR 18.5 million per 31 December 2022 to EUR 25.1 million per 31 December 2023. This item includes VAT receivables and prepaid expenses.

Compared to year-end 2022, equity decreased by EUR – 9.3 million to EUR 325.3 million. Correspondingly, equity ratio declined by 3.4 percentage points to 66.1 % per 31 December 2023 and remained at a very high level (31 December 2022: 69.5 %).

Non-current liabilities rose to EUR 43.3 million per 31 December 2023 (31 December 2022: 38.1 million). Loans and borrowings (long term) at EUR 7.4 million and Lease liabilities at EUR 4.8 million remained broadly flat. As further major items, Share-based payment liabilities increased from EUR 6.0 million per 31 December 2022 to EUR 6.8 million per year-end 2023, while deferred tax liabilities increased from EUR 20.2 million per 31 December 2022 to EUR 24.3 million per 31 December 2023.

Current liabilities increased from EUR 109.1 million per 31 December 2022 to EUR 123.8 million per year-end 2023. Trade payables decreased slightly from EUR 39.4 million per 31 December 2022 to EUR 38.9 million per 31 December 2023. Other (current) liabilities and provisions increased to EUR 63.5 million per 31 December 2023 compared to EUR 57.3 million per year-end 2022. This item also included provisions for copyright collecting agencies and storage media fees. Warrant liabilities decreased from EUR 12.4 million to EUR 5.8 million due to the revaluation of warrants on tonies SE for former SPAC sponsors and shareholders.

2.3.5. Comparison between actual business performance and outlook

For 2023, tonies expected group revenue of EUR 354 million, corresponding to a year-over-year growth around 37 %, and US revenue of EUR 116 million (Region is now named "North America"), which corresponds to an increase of around 77 % compared to the previous year. Adjusted EBITDA margin was expected to turn "positive" (FY 2022: – 2.4 %).

At EUR 361 million, group revenue slightly exceeded the forecast of EUR 354 million, driven by stronger-than-originally-expected US revenue of EUR 140 million, which significantly exceeded the forecast of EUR 116 million for fiscal 2023. The main driver was the continued rollout of tonies in the US, especially with major retail partners, including Target and Walmart.

As expected, adjusted EBITDA margin came in "positive" at a level of 4.0 %, a significant increase on the previous year's figure of – 2.4 %. The margin increase was the result of a substantial improvement in gross margin, lower marketing costs and lower licensing costs.

Overall, tonies showed a very strong business performance in 2023 and, once again, met or even exceeded its guidance.

Outlook versus performance 2023

	Guidance 2023	Results 2022
Group revenue (EUR million)	354	361
US revenue (EUR million)	116	140
Group adjusted EBITDA (% of revenue)	"positive"	4.0 %

2.3.6. Overall assessment of the economic situation

Overall, the management considers the Group's economic situation to be sound based on the business performance described and the financial position. In the third quarter of 2023, tonies further developed its financial structure to capture growth opportunities by successfully closing a new EUR 30 million syndicated loan facility, which replaced previous bilateral credit facilities with a total amount of EUR 26 million. This loan, which was structured in close cooperation with highly regarded banks Commerzbank, Deutsche Bank, DZ Bank and KfW, will help tonies to safeguard seasonal working capital needs for growth and contributes to a solid liquidity situation.

3. Employees

At tonies, we believe that our people are the key to the Company's success. Our aim is to have a unique culture that attracts, excites, inspires, values, and retains our diverse teams around the globe.

At the end of December 2023, the Group employed 508 people. This represents an increase of 18 % compared to 431 employees at the end of 2022.

	2023 (year-end)	2022 (year-end)
Total number of employees (Number of employees on a headcount basis)	**508**	**431**
Total employees		
Male	43 %	54 %
Female	57 %	46 %
Total employees		
in Europe	434	382
outside Europe	74	49
Leadership positions	**106**	**97**
Male	58 %	58 %
Female	42 %	42 %

We are what we value

In order to maintain this unique culture, it is important to have a guideline for how we navigate through the working day and how we interact with each other and our partners as employees. This is why we have introduced our tonies principles. Our principles help us to provide the same level of quality in all aspects of our business and empower our teams to act in our best interests.

Fostering a culture of feedback & continuous learning

At tonies, we believe in the importance of giving space to grow and never stop learning. Therefore one of our 2023 priorities was to focus on further developing a transparent feedback culture and enabling our employees to keep growing personally and professionally.

We introduced a tool-based 360° performance feedback cycle enabling every employee to receive a well-rounded perspective on their performance and growth opportunities. The process was accompanied by various feedback training and workshops which focused on mastering the art of giving and receiving feedback effectively. From 2024 onwards, we will continue our performance feedback journey by performing two feedback cycles per calendar year including accompanying feedback training and workshops.

Furthermore, we implemented optional Individual Development Plans to have a systematic approach in place for employees to foster their continuous development and remain state-of-the regarding their skills.

In addition to our new initiative, we delivered leadership training programs for both new and existing leaders, and actively promoted self-guided learning by providing employees with personalized annual learning budgets as well as access to a language learning platform.

Inclusion & Diversity

In 2023, tonies took significant steps to fortify its commitment to Inclusion and Diversity (I&D). Guided by an external I&D expert, we conducted a comprehensive internal I&D survey in spring, and gained valuable insights, which, coupled with focus group interviews and discussions, formed the basis of tonies first-ever strategic I&D Roadmap.

Notably, this I&D Roadmap consists of the following four strategic pillars which form the foundation of our I&D focus areas, driving progress and achievements:

- Leadership & Commitment
- Culture & Engagement
- Education & Awareness
- Practice & Policies

To make our approach tangible and actionable, we already brought to life a couple of global and local I&D initiatives in the second half of 2023, such as the formation of an employee-led I&D Champion Group as well as the first educational pieces concerning inclusive language as well as the promotion of accessibility in meetings. Our I&D Champion Group comprises 15 passionate I&D tonies advocates from various regions, departments, and levels to support the Board and C-Level in fostering and promoting I&D throughout our organization. We look forward to continuing to work with this group in 2024.

These milestones represent tonies' ongoing dedication to creating a workplace where every voice is heard and valued regardless of gender, nationality, ethnic origin, religion, different abilities, age, sexual orientation, or identity.

We also believe in mixed leadership teams as a competitive advantage and driver of success. One aspect of it is the number of women in leadership positions. By the end of 2023, 42 % of all leadership positions were filled with women.

Employee wellbeing

To support the health and well-being of our employees, we continued to offer global and local employee health and mental well-being initiatives. Since January 2023, we have partnered with Calm, the Number 1 App for meditation and sleep, and offer our employees as well as up to five of their dependents, free-of-charge access to Calm. In addition, we launched monthly remote and on-site Yoga sessions and supported the habit of a healthy break with a 30-minute remote stretching program, both offered by professional external teachers. Our team in the UK trained team members to become Mental Health First Aiders and conducted a Mental Health Awareness week in May. For the Düsseldorf-based employees we hosted, in cooperation with Techniker Krankenkasse, our first ever "Health Day" in March, offering a variety of health checks and activities, such as a back-check or a sleep analysis.

The tonies *principles*

4. Procurement and production

tonies works with various contract manufacturers to have its products manufactured according to its own requirements and specifications. The Tonies audio figurines are produced using the Group's tools and in accordance with its specifications at several suppliers in Tunisia and China. The Tonieboxes are produced by third parties in China and Hungary in line with the Group's technical and design requirements. In addition to the production of finished goods, tonies also procures semi-finished goods and raw materials including fabric covers for the Toniebox, which are then supplied to other contract manufacturers for subsequent steps.

After operating in a highly challenging environment for our global production and supply chain in 2022 primarily due to disruptions related to COVID-19 and the war against Ukraine, the overall picture with regards to transport and functioning supply chains has improved in 2023. While the situation was not entirely back to pre-pandemic conditions, we could see more stable supply of raw materials, shorter lead times and stabilizing transportation cost. However, thanks to a robust production and supply chain strategy, supported by a global multiple-source strategy, we managed to have secure and steady supply to our markets despite any temporary supply disruptions.

In 2023, we have also noticed rising costs for labour, energy, and raw materials – the main raw material categories for tonies are synthetic materials and electronic components. By taking a total cost approach in analysing potential savings and combining this with optimizations along the entire supply chain, we have succeeded in keeping our direct material expenditure in line with our planning.

We continuously work on making our production processes more efficient, flexible, and responsive. Among expanding our supplier network by further emphasizing our multiple-source approach, we also aim for a higher IT integration along the entire value chain. Further optimizing our cost base will be one of the key priorities in 2024, particularly in view of the uncertainties surrounding overall inflation rates and volatile raw material prices. In addition to established practices to secure prices over specific periods, we will increase our procurement efforts in areas outside of Asia to have a more robust, diversified supplier base. We also aim to further consolidate our supplier base in order to benefit from greater economies of scale. At the same time, we strive to source only finished goods in the future to reduce complexity and optimize working capital.

5. Research and development

tonies does not conduct basic research, but continuously develops its product family in order to meet the requirements of the market and ensure the marketability of the product family for the future. Close contact with the markets and the innovative strength of our employees, associated business partners and contract manufacturers help us to achieve this. An established in-house development department supports the targeted development of new products based on Toniebox technology as well as the further development of possible applications and potential new target groups. In 2023, tonies capitalized development costs totaling EUR 1.4 million for two significant projects, primarily stemming from internal development efforts.

6. Marketing

By presenting our Tonieboxes and Tonies as category-defining products, we have created our own distinctive brand identity on the market, which provides us with a high recognition value and creates differentiation from competitor products on the market. We regard the maintenance of our strong brand identity as crucial for customer acquisition as well as retention to drive revenue and profit growth. Focusing on data driven marketing activations we can provide the best product and brand experience for our customers including relevant recommendations and memorable Tonie moments.

To keep new and existing little listeners engaged with high quality audio experiences, we deliver joy with strong licensing partners as well as own license series such as "Sleepy Friends" and "Leos Tag". Launched in 2022 our Sleepy Friends brand became a community favorite and was one of the bestselling licenses during 2023. In the US, our efforts were strongly recognized with nominations for Toy of the Year (TOTY) in three categories (Infant/Toddler, Plush and Creative toy of the year).

High reach campaigns and a strong and growing community accumulated to an aided brand awareness of around 84% within our target group of parents in the DACH region by the end of Q4 2023. This is a remarkable +7% compared to Q4 2022. Within our core target group of parents, the aided brand awareness also reached an all-time high with 87%. This is not only because of an already existing strong brand identity but also through target group relevant product launches in 2023. In the US, we launched a powerful cross-franchise marketing campaign "Discover Imagination" in Q4 including a TV brand spot featuring our biggest brands. The campaign was rolled out in all distribution channels and fully support by our PR departments.

Throughout all channels, paid and owned, we put a strong focus on retention initiatives to increase the costumer lifetime value in a mature market – especially by measurable communication initiatives providing existing customers with relevant recommendations. Intelligent CRM flows and our App play an important role here.

Within our multi-channel communication strategy, we expand our reach within the social community. Therefore, we not only use our own Social Media channels such as Instagram or TikTok but also interact with an engaged and dedicated network of Influencers with a great brand fit.

Throughout the year, we also rely and on attentive point-of-sale activations at key retailers. Instore promotions, seasonal as well as product related in store decorations create a strong brand experience at relevant costumer touchpoints. POS special placements and innovative shopper activations let customers experience the brand and call to action at point of purchase.

7. Risks and opportunities report

7.1. Risks and opportunities management system

As an international Group, tonies is exposed to a large number of risks and opportunities. Risks and opportunities are events and developments that have a certain probability of occurring and that could have a material negative or positive financial or non-financial impact on our target attainment.

We consider risk management an integral part of ensuring transparency regarding risks and opportunities and thus of improving decision-making processes. The Company has a risk-aware corporate culture in all decision-making processes. We carefully weigh up the risks and opportunities associated with our decisions and business activities, from a well-informed perspective. This includes deliberately taking calculated risks in line with our risk appetite. We prepare appropriate countermeasures for other risks.

tonies is committed to managing risks in a proactive and effective manner. This requires a customized risk-management system to communicate management decisions to all levels within the organisation. To support this commitment, risk management is integrated to all business processes at an appropriate level. Functional departments as well as and local country subsidiaries are interviewed in workshops on at least annual basis to get an understanding of key risks and opportunities which are then aggregated in a risk register. While management is responsible for the ongoing monitoring and analysis of all relevant risks, risk controlling is an integral part of management's approach to achieve its strategic objectives and contribute to long-term growth of the business, each department head is responsible to identify and monitor all risks in their respective area and ensure that appropriate precautions are taken to minimize potential adverse impact. The wider management team discusses risks at an early stage at the weekly meetings, weights up various courses of action and takes measures accordingly.

As part of our risk management approach, risks are reviewed semi-annually and assessed on their probability of occurrence and potential magnitude. For all risks in the risk register measures are defined and management decides on whether any additional steps need to be taken to reduce the probability of adverse effects and their impact on the Company. Management also reports on the overall risk situation to the Supervisory Board.

7.2. Internal control system

An internal control system was implemented as part of the public listing at the end of 2021, which is focused on internal controls over financial reporting and covers other key areas and processes of the business as well. Part of this system has already been put into place, but it is still in the process of being launched in some individual areas. The launch prioritised company processes that are subject to higher risks. Continued further improvement and fine tuning of our existing process and control structures is an ongoing task of a fast-growing company.

The internal control system aims to identify, evaluate, and control any risks that could influence the proper preparation of the consolidated financial statements. As a core component of the accounting and reporting process, the system of internal controls over financial reporting comprises preventive, detective and monitoring control measures in accounting, group accounting, controlling and operational functions, which are designed to ensure a methodical and consistent process for preparing the Group's financial statements. The internal control system follows a similar approach for functions not directly related to the preparation of the consolidated group financial reporting.

The internal control system was established following on a risk-conscious approach. Key processes were identified, risks were assessed, and relevant processes were documented. In a next step, control processes were defined, applying the principle of segregation of duties.

The Group's internal controls over financial reporting include policies and procedures that focus on maintenance of sufficiently detailed records to accurately and fairly reflect transactions involving the Group's assets, providing reasonable assurance that transactions are recorded as necessary to allow preparation of financial statements in accordance with the applicable accounting standards, providing reasonable assurance that the revenues and expenses are being made only following proper authorisations based on internal signature and approval guidelines, and providing reasonable assurance regarding prevention or timely detection of the unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on its financial statements. We are constantly updating the processes and controls regarding both, people involved and the complexity incurred from the extremely high company growth of our group.

The system of internal controls is for a large part and most important areas implemented and in the process of being rolled out and amended in the Group's subsidiaries. The ongoing change due to strong company growth and further improvement of operational processes will require a review on an annual basis.

Due to its inherent limitations, the Group's internal controls over financial reporting may not prevent or detect errors or misstatements in the Group's financial statements.

7.3. Major risk categories

No risks were identified that could jeopardise the Group as a going concern in the 12 months period after issuing this report. The report below summarises and sets out the most important risks.

Internally, the risks described below are currently considered primarily on a qualitative basis and, initially, before risk mitigation measures are taken into account. Mitigation measures are explained separately. Accordingly, the risks are presented in order of decreasing relevance and impact for the Group.

Macroeconomic and geopolitical risks

As an internationally operating company, we are exposed to global macroeconomic and geopolitical developments and the associated risks, affecting our revenue, profit margin and procurement markets. The current macroeconomic situation remains challenging particularly due to effects from Covid-19, the ongoing war in Ukraine and the aggravated situation in the Middle East conflict. The consequences include the limited availability of raw materials, the delay of goods and increased freight costs, which could become even worse. If the conflict between China and Taiwan were to intensify and sanctions were to be imposed on China, procurement would be severely affected and therefore represents a risk. Trump's re-election could have direct impact on tonies like imposing import duties with the consequence of international counter-tariffs, tax cuts for US companies or indirect effects by withdrawal from NATO and the WTO.

The situation is further aggravated by the ongoing inflation and recession, which is party influenced by the above-mentioned situation and uncertainties reducing people's purchasing power and effecting shopping behaviour (value for money; less spend). The overall (retail) landscape could suffer from a slow-down in demand and high interest rates (for financing of the business) potentially leading to defaults of trading partners and other business partners for tonies (incl. suppliers).

In these unpredictable global conditions, with our complex business model (e.g. licensing, physical goods, ecommerce) and international growth strategy accurate forecasting is one of the key challenges. All this may lead to faulty assumptions on the financial plan, allocate our resources in the wrong way or spend our resources too aggressively into growth.

Managing this international Group successfully with these complex uncertainties extensive and multifaceted measures are taken. Apart from prudent company management a comprehensive management concept in introduced. We monitor macro-economic developments and track our most important key performance indicators relating to revenue, costs and cash planning. Optimization of Working Capital has been a key priority in 2023 and will continue to be in 2024. Our financial key figures are discussed in detail and analysed monthly so that any necessary measures can be taken quickly, and the Company can be agile when responding to changing conditions. In case of significant changes, we update our plan.

To improve sales, an increased cost bases is considered in annual renegotiations with retailers and passed on to our partners where possible. On the end-consumer side, we use direct marketing channels, such as referral marketing and push notifications, to increase our tonies customer loyalty and boost sales.

Solvency risks

Given the ambitious growth and expansion phase, which is expected to remain strong in the years ahead, the Group still has typical financing requirements for a group of this phase. In 2023, tonies has taken a substantial step towards a more resilient financial structure. A syndicated loan with four banks is closed to repay previous credit lines. The facilitation of EUR 30m and additional EUR 10m as a top-up option in combination with turning profitable on adjusted EBITDA in 2023 and other positive planned financial effects in 2024 improves financial resources.

The unstable macroeconomic situation, uncertainties on the purchasing and sales side due to planning and performance uncertainties, as well as other negative effects on the planned company growth in 2024, could put pressure on the company's liquidity position. Further capital requirements are therefore possible. While there is no guarantee that such potentially needed funding activities are successful, the Group has a track record of securing additional funds if needed and is proactively addressing its liquidity planning well ahead of time. Internal measures to reduce the risk are continuous, close monitoring of cash and optimisation of Working Capital.

Currency risks

Besides economic and political developments that cannot be accurately predicted (e.g. significant changes in interest rates or changes to customs regulations), the Group's material risk factors also include a changing USD and GBP exchange rate and political uncertainty in the production countries.

The USD exchange rate is a very relevant currency risk for us, as slightly more than half of our purchasing volume is directly or indirectly based on the USD. Accordingly, a devaluation of the euro against the USD leads to an increase of the COGS. To some extent, USD revenue from our steadily growing business in the US is increasingly serving as a natural hedge and compensating for this effect.

The Group has set up a professional Treasury Management and addresses the some of the remaining USD risk through the selective use of currency hedging.

Bad debt risk

We work with large retail partners, which currently account for the majority of our revenues. Retail companies (esp. for books, toys, electronics), like our customers and other business partners for tonies (incl. suppliers) are at the risk default or even insolvency.

Default risks on receivables are reduced by insurance and an efficient dunning process. However, our credit insurance companies currently do not always insure our full retail business. In the event of a default, we would have to bear our own share and possibly the share exceeding the credit limit.

To further minimise our default risk, an efficient credit control is currently in the process of being group-wide implemented which includes an additional approval process based on research and experience required for transactions that exceed credit insurance limits. In addition, we switch to prepayment for doubtful customers.

Inefficient processes and standards for scalability

As a fast-growing and international company, we face risks related to our operational business processes, structures, and tools.

Processes were regularly adapted and developed individually across entities, often with a focus on effectiveness. This brings the risk that processes have friction and inefficiencies, which makes the planned scalability more difficult. Thus, there is a need to implement blueprints of core processes and more standardized documentation (e.g. processes).

Organizational Efficiency is one key strategic priority for 2024 and 2025 and the implementation of functional standards is planned.

Tools security, scalability, and migration

The used tools do not always meet the current or changing requirements to the full extent due to company growth and increasing complexity. To foster data-driven decision-making, a sometimes complex integration of tools with the ERP is needed. However, migration of tools to meet the needs of tonies' business can result in challenges (e.g. temporary slow-down of business operations, involvement of many internal or external stakeholders) or even revenue loss.

To cover the tonies' existing and future business needs in the best suitable way, we follow a 'best of breed' strategy, meaning to choose the best solution for each application area and integrate it into our IT infrastructure instead of relying on one manufacturer. We involve experts and all relevant stakeholders for successful migration projects.

Cyber security threats such as unauthorised access internally or externally, could disrupt our key internal tools or customer applications. Our measures to address this risk include regular penetration tests and a dedicated focus by our IT team on security. In the event of a hacker attack, the financial damage is covered to a certain extent by IT insurance.

Compliance

Designated compliance areas have been identified as part of an initial compliance risk analysis. These areas are associated with significant compliance risks. This means that a breach of the legal requirements within this area can lead to significant financial, reputational and/or other damages for tonies.

Designated compliance areas are anti-corruption, anti-money laundering/combating the financing of terrorism, anti-trust law, economics sanctions, data protection, human rights, and capital markets compliance. As is often the case with compliance risks, we assess the probability of occurrence as comparatively low. However, in the event of occurrence, the negative effect for the Group is likely to be high.

In the case of an event, immediate measures are taken. In addition, various measures have been established to reduce the overall risk. In order to identify whether the mitigating measures that have been already implemented are appropriate and effective, a compliance risk analysis is planned to take place on a regular basis.

Dependence on key partners

In various areas of our business model, we cooperate with key partners such as licensors, development partners and suppliers, which bring us added value, but can also lead to the risk of dependency. We can offer our customers Tonies with content based on a broad range of exciting and well-known international licences like Disney, which makes our product very attractive to customers and helps us with internationalisation. This is an important element in our portfolio strategy. In this way, we take into account the risk of becoming too dependent on individual licensors. In addition to diversifying between different interesting licensors, we develop our own content portfolio and expand our product portfolio of our own licence brand, e.g. "Sleepy Friends", which focuses on bedtime routine. This product strategy also enables us to increase our profitability, as there are no licensing costs involved. The continuation of successful business relationships with our licensing partners is a supporting pillar in our business model. When renegotiating royalty rates, we strive to achieve joint growth targets in order to compensate for lower licensing costs in percentage terms. However, renegotiating of royalties bears the risk of non-agreement with the licensor. This could lead to various negative effects including unplanned end of life of a Tonie and contractual penalties.

tonies has managed to reduce the dependencies on development partners in a way that we still benefit from the cooperation but introduced a flexible set up to replace partners in a timely manner if needed. We continuously building up our own expertise and conducting in-house development.

In recent years we have reduced our dependency on suppliers. However, there remains the risk a supplier default due to different reason like geopolitical issues, natural catastrophes or insolvency would negatively impact our supply chain. We continuously improve our multiple-source supplier strategy and prepare the organization for possible defaults in the best way possible.

7.4. Major opportunity categories

As well as risks, there are also numerous opportunities for tonies. These could have a very positive impact on business performance moving forward and include growth opportunities and the potential to improve profitability further. The following overview summarises the key opportunities.

International expansion

Every international market launch of the Toniebox so far has been followed by strong growth. In the US, for example, tonies achieved around EUR 140 million in revenue in 2023, just three years after the market launch. The other international markets outside the DACH region, especially UK and France, also exhibit a strong growth profile and present a significant growth potential going forward. While these existing markets will remain a clear focus also in 2024, tonies sees a wide range of further opportunities for substantial growth in many other countries in the future.

Increasing revenue share in digital channels

Historically, tonies achieved its first success through retail sales in the DACH region. The US launch at the end of 2020, in the midst of the COVID-19 pandemic, showed that digital channels, especially our own online shop, are very attractive and profitable for us. We are also increasingly relying on digital channels in the DACH market.

In 2023, 45% of our revenue was generated via digital channels, compared to 37% in 2022. We expect digital channels to account for an even higher share in the future. This makes us more flexible, diversifies our sales channels and, in the case of our own online shop, also increases our profitability.

Multiple-source strategy

Historically, we have worked with one partner in Tunisia for the production of Tonies and one partner in China for the production of Tonieboxes. This created a high degree of dependency and risks, such as production being shut down due to COVID-19 in 2020, resulting in temporary supply difficulties.

As a result, another partner for the production of Tonieboxes and three new partners for the production of Tonies were added, as well as other partners for alternative supply sources for raw materials and auxiliary parts. This broader supplier basis reduced dependency and improved purchasing conditions with a positive impact on gross margin. We expect the new structure to have an even more positive effect on our gross margin in the future as increasing volumes are shifted to new suppliers.

Our multiple-source strategy is also extremely valuable from a strategic perspective. We now have additional capacity to continue our global growth trajectory. On the one hand, we reduce our risk in the event of production downtime; on the other hand, individual partners also have production capacity in North America/Mexico, which shows attractive and cost-effective opportunities for further growth, particularly in light of our strong growth in the US.

We are confident that these steps to expand our supplier base have laid the foundations for strong and profitable future growth and that this will allow us to offer added value for our customers, for example thanks to better availability.

tonies brand

We consider the valuable tonies brand and its high brand recognition a key factor in our long-term success. Through a focus on PR, social media, targeted marketing initiatives and exciting content, tonies presents itself as a brand that is loved by children and parents alike. Our distinctive Content Tonies and their design enjoy very high brand recognition and high collector's value. Our combination of figurines and audio content also creates a close emotional bond between us and our customers, as demonstrated by their great commitment and repurchase rates. Our strong brand recognition and reputation has also resulted in cooperations with renown brands such as Steiff and Playmobil.

We believe that the tonies brand will also open up many additional opportunities for the future. In addition to strong customer loyalty, it can support the sale of tonies products and accessories and help our customers experience more of the tonies world.

Expansion of product portfolio and product innovation

We are constantly working to expand our product portfolio. Every year, we create a wide range of new Tonies figures. The ever-growing selection with a large number of license partners means that an increasing number of children can find their heroes in our portfolio. In our international markets in particular, we now have a larger portfolio compared to Germany at the same time.

With the new Tonies figures, we also reach additional target groups such as older children, to whom we can offer special content. The corresponding content is increasingly coming from our own productions, which are generally also more profitable for us.

To help families with their evening and bedtime routines, tonies also launched its first own licensed brand: the "Schlummerbande" ("Sleepy Friends"), a range of Tonies and products with a special look and different content on the topic of sleep. With the new brand, tonies is consistently following its strategy of focusing more on in-house productions ("tonies® Originals") and self-developed licenses.

In addition to new Tonies figures, we are continuously expanding our digital audio library. This enables customers to purchase additional content and stories and assign it to their Tonies figurines.

We are also increasingly shifting our focus to alternative materials to produce Tonies. This will enable us to offer our customers an even broader and more diverse product range in the future. In addition, we are constantly working to improve the Toniebox itself to meet changes in the market and customer demands.

Our brand is the foundation upon which we can offer our customers products in related and complementary categories. In addition to the headphones, transport boxes, backpacks, wooden shelves, decorations, and replacement charging cables that we already sell, there are a variety of opportunities that we can leverage ourselves or with licensing partners.

To further build on the strength of the Toniebox as a platform, tonies we are making significant progress in the use of artificial intelligence. In May, the first version of an AI-based content generator was tested in the UK with 1,000 registered customers: the tool allows families to create personalized stories in a fun way and listen to the audio file instantly on the Toniebox. An enhanced and improved version, based on feedback from test customers, was launched in November with 3,000 accounts in DACH and the UK.

Trend towards screen-free children's entertainment

A special feature of tonies is that our concept is completely screen-free and can be operated independently by young children. Screen-free entertainment encourages children's imagination and reflects the desire of many parents to provide their children with developmental activities while reducing unwanted influences such as passive screen time.

tonies has responded to this trend by successfully offering children the combination of attractive characters and audio content, making it unique in the market.

We expect this trend away from screens and towards audio formats that stimulate children's imaginations to continue in the future, further driving our growth in all our markets.

7.5. Risks and opportunities in summary

At the time of preparing this report, there are no identifiable risks regarding future developments that – individually or in combination – could endanger the continued existence of tonies. In the short term, uncertainties remain about the further course of geopolitical tensions and the macroeconomic environment, particularly consumer sentiment, and its possible impact on the tonies financial resilience.

While internal risks are being increasingly well addressed, external risks, particularly geopolitical and macroeconomic risks, have increased significantly.

The Management Board remains confident that the Group has a solid foundation for future business development and the necessary resources to leverage tonies opportunities.

8. Forecast

8.1. Macroeconomic development

In the winter forecast issued by the Kiel Institute for the World Economy (IfW Kiel) in December 2023, expect that in 2024, the impact of the negative shocks is easing, but uncertainty remains. Over the course of 2023, the disruptive factors that aborted the recovery from the Covid crisis last year have largely disappeared: Commodity prices, especially for energy, have fallen significantly and inflation has decreased as a result. Real wages are rising again thanks to falling inflation and rising salaries, and supply bottlenecks have normalized. At the same time, uncertainty for companies and consumers remains high. This is partly of a geopolitical nature and is rooted in ongoing or new military conflicts (Ukraine, Gaza/Israel) or economic disputes (United States/China), but also in unclear or inconsistent economic policies (Europe) or upcoming major elections (United States). All of this is likely to weigh on investment and consumer spending. Monetary policy is still restrictive for the time being; the effects of the sharp interest rate hikes have probably not yet fully filtered through to the real economy. Finally, fiscal policy will not stimulate the economy as in previous years. Growth in the eurozone is expected to pick up gradually over the course of the coming year. Following a strong recovery after the pandemic, the euro area economy has lost momentum. The combination of a sharp rise in the cost of living, which dampened private consumption, a deterioration in financing conditions in the wake of the rapid tightening of monetary policy and weak support from external demand has led to economic stagnation that has lasted a year so far and is likely to continue for the time being, as evidenced by weak business confidence, particularly in industry. The European economy should gradually gain momentum over the course of 2024. On the one hand, real wages are rising again because wages are accelerating and inflation is easing, which supports a revival in private consumption. On the other hand, financing conditions are likely to improve as a result of the expected easing of monetary policy. In addition, the external economic environment should also improve. However, GDP growth in 2024 is likely to be quite weak again at 0.8 per cent after 0.5 per cent this year and only accelerate to a rate of 1.5 per cent in 2025. Inflation is expected to fall from an average of 5.4 per cent in 2023 to 2.2 per cent (2024) and 1.9 per cent (2025), bringing it closer to the ECB's inflation target. The US economy is on its way to a soft landing. The subdued mood in the corporate sector and a weakening labor market point to a slowdown. Positive signals are coming from the strong increase in corporate structures due to extensive government support programs. Private consumption in particular should continue to increase noticeably, as real wages are rising significantly and the considerable additional savings from the coronavirus crisis can still be utilized. GDP growth is likely to be 2.4 per cent in 2023. For 2024 and 2025, we expect growth of 1.5 per cent and 2.0 per cent respectively.

[2] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/6bf368c2-c935-48e4-8f28-098420e6c252-KKB_109_2023-Q4_Welt_DE.pdf

8.2. Outlook for 2024

tonies expects group revenue of above EUR 480 million and revenue from North America of above EUR 200 million. This implies a year-over-year revenue growth for the group of more than +33% and for North America of more than +42%. The revenue guidance is based on an assumed EUR/USD exchange rate of USD 1.07. This significant further increase in revenue is expected to be primarily attributable to continued international expansion, particularly in the North American market, which is expected to be the largest market for tonies for the first time in 2024.

tonies also expects a further step-up in profitability in full-year 2024 and expects the adjusted EBITDA margin in the 6 to 8 percent range, compared to +4.0% in 2023. The increase will be achieved through a continuous improvement in contribution margin due to a higher gross margin and lower licensing costs as well as through operating leverage on the cost base.

Free Cash Flow is expected to turn positive in 2024 and come in above EUR 10 million (FY 2023: EUR –5 million) driven by an increase in profitability and conscious working capital management.

The forecast is based on the assumption that there will be no further material deterioration of consumer sentiment in 2024.

Luxembourg, 11 April 2024 tonies SE

Tobias Wann
CEO

Dr. Jan Middelhoff
CFO

Corporate governance and responsibility statement of tonies SE

1. Structure and general remarks

tonies SE is a Luxembourg governed company under the form of a Societas Europaea, which shares are traded on the regulated market of the Frankfurt Stock Exchange, (the **"Company"**, the **"Group"** or **"tonies"**). The Company's corporate governance is determined by the applicable Luxembourg Law, the Company's articles of association (the **"Articles of Association"**), as well as the rules of procedure of the Company's management board (the **"Management Board"**, and its rules of procedure, the **"Management Board Rules of Procedure"**), the rules of procedure of the supervisory board (the **"Supervisory Board"**, and its rules of procedure, the **"Supervisory Board Rules of Procedure"**) and the terms of reference of the audit committee (the **"Audit Committee"**, and its terms of reference, the **"Charter of the Audit Committee"**).

Structure of the Corporate Governance Regimes applicable to the Company

tonies is subject to the corporate governance regime as set forth in particular in the Luxembourg law of 10 August 1915 on commercial companies, as amended. As a company whose shares are listed on a regulated market, the Company is further subject to the law of 24 May 2011 on the exercise of certain shareholder rights in listed companies, as amended. However, the Company is not required to adhere to the Luxembourg corporate governance regime applicable to companies whose shares are traded in Luxembourg or to the German corporate governance regime applicable to listed companies in Germany. The Company has opted not to apply the Luxembourg or German corporate governance regime in its entirety on a voluntary basis either. Nonetheless, the Company remains committed to applying and implementing a high standard of corporate governance throughout its organization and has therefore decided to set up its own corporate governance rules as described in the following paragraphs in order to build up a corporate governance structure, which meets the specific needs and interests of the Company.

The Company is, for example, in compliance with certain rules of the German corporate governance codex that it believes are of particular importance such as that the Audit Committee of the Company's Supervisory Board is being chaired by an independent member of the Supervisory Board, Mr. Helmut Jeggle, who has specific knowledge and experience in applying accounting principles and who is not the chairperson of the Supervisory Board.

Remuneration Policy

tonies drew up a remuneration policy for the Management Board as well as for the Supervisory Board (the "Remuneration Policy") which was approved by a non-binding vote of the annual general meeting of shareholders of the Company held on 2 June 2022 and has been effective as of 1 January 2022. The principles and measurement of the remuneration policy for the Management Board and Supervisory Board have been prepared in accordance with the aforementioned Luxembourg law of 24 May 2011.

2. Code of Conduct and Compliance

The Company has also issued a corporate code of conduct (the **"Code of Conduct"**). Under the Code of Conduct, all employees of the Company are required to abide by applicable laws and practice a culture of integrity. The Code of Conduct outlines the core values of the Company, which also include taking corporate and social responsibility, embracing diversity and focusing on long-term effects of our doing.

In all business dealings, employees and teams work together with each other and our business partners on the basis of openness, respect and constructive cooperation, thereby fostering a culture and work environment that empowers every employee to do their best work and provide a safe work environment. Relationships with our business partners play an important role in this context. Therefore, issues such as respect for human rights, prohibition of child labor, and compliance with other standards relating to labor rights and the provision of a safe workplace are set out in a separate Code of Conduct for Business Partners. The standards contained therein are based in many respects on those of the International Labor Organization (ILO) and are intended to contribute to implementation and compliance along our supply chain.

Our success is based on our innovations and our unique products and services. In this regard, Intellectual Property (IP) is one of our biggest assets, which must be protected accordingly. In addition, several of our products are also based on cooperation with license partners. In order to respect their Intellectual Property rights, the highest possible attention is paid to the preparation of the contractual basis and subsequent implementation.

This approach ensures the Company's success, which is based on great products and services, happy and loyal customers as well as the Company's reputation.

Given that tonies operates online platforms, it is aware of the special responsibility with regard to data protection and IT security. In order to protect all personal data of its employees, customers, suppliers and business partners, the Company complies with the applicable provisions and requirements under the relevant data protection laws and is particularly committed to basic principles such as purpose limitation, storage limitations and the accountability of the person responsible for processing the data. tonies has implemented appropriate technical and organizational measures to prevent its data from unauthorized access. Employees are required to use Company property only for business purposes in genera and to protect it from loss or damage by treating it properly. Furthermore, the Company attaches importance not to disclose confidential information, which may include, inter alia, technical and financial data or business strategies.

As a global Company, we are aware that regulations intended to ensure that no relationships are entered into with sanctioned persons/companies or that financial resources are linked to money laundering practices or serve the financing of terrorism are of particular relevance to us and must be taken into account accordingly.

The Company's compliance system contributes to the effective implementation of the aforementioned values, principles and rules. Employees are encouraged to be alert, observant and to express concerns if they suspect a violation of a corporate governance rule. Concerns can be addressed to office superiors and/or the Chief Compliance Officer. Furthermore, suspected wrongdoing can be reported through the Company's internal communication channels, on an anonymous basis via our whistleblowing system if preferred.

3. Procedures of the Management Board and the Supervisory Board

Management Board Procedures

The Company is managed by the Management Board which exercises its functions under the supervision of the Supervisory Board. The Management Board is vested with the broadest powers to act in the name of the Company and to take any action necessary or useful to fulfil the Company's corporate purpose, with the exception of the powers reserved to the Supervisory Board or to the general meeting of shareholders by any laws or regulations or by the Articles of Association.

The Management Board bears responsibility for managing the Company's business. It is bound to act in the interest of the Company and to increase the long-term value of the Company. The members of the Management Board are responsible for the Company's strategy and its day-to-day implementation. They work collaboratively and inform each other constantly about any significant measures and events within their area of responsibility.

The Management Board develops the Company's strategy under the supervision of the Supervisory Board and ensures its implementation. It also conducts the Company's business with the due care and diligence of a prudent and conscientious manager in accordance with the applicable law, the Articles of Association and the Management Board Rules of Procedure. The Management Board cooperates in the best interest of the Company in an atmosphere of collegiality and trust with the other bodies of the Company.

The collaboration and responsibilities of the members of the Management Board are set out in the Management Board Rules of Procedure. The members of the Management Board represent the Company in dealing with third parties. With regard to the daily management of the Company's affairs, the Management Board may delegate such actions to one or several members of the Management Board, officers or agents. Pursuant to the Articles of Association and the Management Board Rules of Procedure, the Company is bound towards third parties by the joint signature of any two members of the Management Board, or by the individual or joint signature of any persons to whom such signatory power may have been delegated by the Management Board within the limits of such delegation.

The Management Board endeavors to hold at least one meeting in each calendar quarter to discuss the progress and development of the business of the Company. Additional meetings are held if necessary. At least every calendar quarter the Management Board provides a written report to the Supervisory Board on the business of the Company and its foreseeable future development. In addition, the Management Board is obliged to promptly inform the Supervisory Board about any events likely to have a material effect on the Company.

Any member of the Management Board who has a financial interest conflicting with the interest of the Company in connection with a transaction falling within the responsibility of the Management Board is required to disclose such conflict of interest immediately to the Supervisory Board and inform the other members of the Management Board thereof. The relevant member of the Management Board may not take part in the discussions relating to such transaction nor vote on such transaction. Any such conflict of interest must be reported to the next general meeting of shareholders prior to such meeting taking any resolution on any other item. In addition, the authorization of the Supervisory Board is required for transactions relating to such conflict matters.

Supervisory Board Procedures

The Supervisory Board shall be in charge of the permanent supervision and control of the Company's management by the Management Board. It may in no case interfere with such management. The Supervisory Board has an unlimited right of information regarding all operations of the Company and may inspect any of the Company's documents. It may request the Management Board to provide any information necessary for exercising its functions and may directly or indirectly proceed to all verifications which it may deem useful in order to carry out its duties. A member of the Management Board cannot be a member of the Supervisory Board at the same time.

The Supervisory Board regularly advises and supervises the Management Board in its management of the Company. It is involved in all decisions of fundamental importance for the Company. The Supervisory Board conducts its business in accordance with the applicable law, the Articles of Association and the Supervisory Board Rules of Procedure. It cooperates closely in an atmosphere of trust with the other corporate bodies of the Company, in particular with the Management Board, in the best interest of the Company. Pursuant to the Articles of Association and the Supervisory Board Rules of Procedure, the Supervisory Board must be composed of at least three members. The Supervisory Board must comprise what it considers an adequate number of independent members. However, at least one member of the Supervisory Board must be independent. Currently, the Supervisory Board has seven members, of which five are independent.

The Supervisory Board has adopted the Supervisory Board Rules of Procedure. The Supervisory Board Rules of Procedure govern the procedures and responsibilities of the Supervisory Board. The Supervisory Board holds at least one meeting in each calendar quarter. Additional meetings are convened if necessary. The Supervisory Board reviews the efficiency of its activities at least annually.

The Supervisory Board is subject to the same rules regarding conflict of interests as the Management Board as described above.

The Supervisory Board Rules of Procedure also lay out procedures and responsibilities for the Company's committees. Currently, the Supervisory Board has one committee, the Audit Committee, whose procedures and responsibilities are governed by the Charter of the Audit Committee.

4. Composition of the Management Board and the Supervisory Board

Composition of the Management Board and respective changes

Pursuant to the Supervisory Board Rules of Procedure, when appointing members of the Management Board, the Supervisory Board also takes diversity into account. The age limit for members of the Management Board is 69. With regard to succession, the Management Board and the Supervisory Board must ensure that there is a long-term succession planning of the Management Board.

The following table lists the members of the Management Board for the calendar year 2023:

Name	Nationality	Age	Position	Start of Term	End of Term
Patric Faßbender	German	53	Co-CEO	2021	End of 2023
Marcus Stahl	German	56	Co-CEO	2021	End of 2023
Dr. Jan Middelhoff	German	40	CFO	2023	End of 2026

Jan Middelhoff was appointed as a member of the Management Board and CFO on 1 May 2023. He already joined the Company in May 2020. In his tenure at the Company, he held several positions, most recently as MD International and Chief of Staff. In his role as CFO, he continues to lead the Strategy Team and Corporate Communications, along with all Finance teams, Investor Relations and Legal & Compliance.

In 2023, the Co-CEOs informed the Supervisory Board that they would be terminating their contracts and stepping down from their roles as Co-CEOs of the Company at the end of the 2023 calendar year. Both will remain part of the Company as shareholders and senior advisors. The aim of the changes at the management level is to further drive the achievement of the Companies' objectives and the development of the business on a global scale. The Supervisory Board appointed a succession committee, which was tasked with identifying suitable CEO candidates. Following an in-depth review, Tobias Wann was appointed as the new CEO and took up his position on 1 January 2024. Tobias Wann has over 20 years of experience in running fast growing international technology companies.

Composition of the Supervisory Board and respective changes

Pursuant to the Supervisory Board Rules of Procedure, each member of the Supervisory Board must have the required knowledge, abilities and expert experience to fulfill his or her duties properly. At least one member of the Supervisory Board must have knowledge in the field of accounting and auditing. Each member of the Supervisory Board must ensure that he or she has sufficient time to perform his or her mandate. The members of the Supervisory Board must take responsibility for undertaking any training of professional development measures necessary to fulfill their duties. The Company must adequately support them in this regard.

In the Supervisory Board Rules of Procedure, the Supervisory Board has specified the following goals for its composition and the following profile of skills and expertise for its members:

- The Supervisory Board members in their entirety shall have the required knowledge, abilities and expert experience required to successfully complete their tasks.
- The Supervisory Board members in their entirety must be familiar with the sector in which the Company operates.
- At least one member of the Supervisory Board shall not have any board position, consulting or representation duties with main suppliers, lenders or other business partners of the Company.
- The Supervisory Board members must not exercise directorships or similar positions or advisory tasks for material competitors of the Company.
- The age limit for members of the Supervisory Board is 75.

Pursuant to the Supervisory Board Rules of Procedure, proposals by the Supervisory Board to the Company's general meeting for its composition must aim at fulfilling the aforementioned overall profile of the required skills and expertise.

The following changes were made to the composition of the Supervisory Board in 2023:

- Dr. Stephanie Caspar has resigned as a member of the Supervisory Board with effect from 30 September 2023.
- Erika Wykes-Sneyd became a member of the Supervisory Board with effect as of 1 October 2023. The appointment and the expected end of the term of the appointment will be one of the decision items at the Annual General Meeting in 2024.

The following table shows the members of the Supervisory Board for the calendar year 2023:

Name	Nationality	Age	Profession	Start of Term	Expected End of Term	Other functions in the Company
Anna Dimitrova	German	47	CFO of Deutsche Glasfaser Unternehmensgruppe	2021	2024	– Chairperson of the Supervisory Board – Member of the Audit Committee
Alexander Kudlich	German	44	General Partner at 468 Capital	2021	2024	–
Alexander Schemann	German	47	Founder and Managing Partner at Armira	2021	2024	–
Dr. Stephanie Caspar	German	50	Partner at Summa Equity	2021	Resigned as per September 30, 2023	–
Christian Bailly	German	42	Managing Partner at Armira	2021	2024	– Deputy Chairperson – Member of the Audit Committee
Helmut Jeggle	German	53	Founder and Managing Partner at Salvia GmbH	2021	2024	– Chairperson of the Audit Committee
Dr. Thilo Fleck	German	49	Lawyer, Partner at Berner Fleck Wettich	2021	2023	–
Erika Wykes-Sneyd	US	40	Global Vice President & General Manager at adidas	2023	2024	–

Audit Committee

The Audit Committee oversees the accounting and financial reporting processes of the Company, the audits of the financial statements of the Company, internal control and choice of the Company's independent auditor (the **"Independent Auditor"**). The mode of operation as well as the duties and responsibilities are set out in the Charter of the Audit Committee.

The powers and responsibilities of the Audit Committee include (i) the discussion of the Company's earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies with the Management Board and the Independent Auditor, (ii) the review and approval of all party-related transactions, (iii) the discussion of certain correspondences and legal matters, (iv) requesting certain assurances from the Management Board, the Independent Auditor and the Company's internal auditor with regard to foreign subsidiaries and foreign affiliated entities, (v) the discussion of risk assessment and risk management with the Management Board, (vi) setting clear hiring policies for employees of the Company's Independent Auditor, (vii) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and (viii) providing the Company with any report required to be included into the Company's periodic reports and any legally required reports.

The Audit Committee consists exclusively of members of the Supervisory Board and consists of three members. In the Charter of the Audit Committee, the Supervisory Board has specified the following rules for the composition of the Audit Committee:

- The chairperson of the Audit Committee must have specific knowledge and experience in applying accounting principles and internal control procedures.
- The majority of the Audit Committee must be independent of the Company. The chairperson of the Audit Committee must be designated by the Supervisory Board and must be independent of the Company. Members of the Audit Committee as a whole shall be competent in the business sector of the Company.
- The chairperson of the Supervisory Board may not be appointed as chairperson of the Audit Committee.

The current members of the Audit Committee are Helmut Jeggle (as chairperson), Anna Dimitrova and Christian Bailly. This composition follows the abovementioned rules for the composition of the Audit Committee. In particular, all members of the Audit Committee have specific knowledge and experience in applying accounting principles and internal control procedures and two of them are independent of the Company.

5. Corporate Governance Statement by the Management Board for the period ended 31 December 2023

The Management Board of the Company reaffirm their responsibility to ensure the maintenance of proper accounting records disclosing the consolidated financial position of the Group with reasonable accuracy at any time and ensuring that an appropriate system of internal controls is in place to ensure that the Group's business operations are carried out efficiently and transparently.

In accordance with Article 3 of the Luxembourg law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, the Management Board declares that, to the best of its knowledge, the audited consolidated financial statements for the period ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by European Union, give a true and fair view of the assets, liabilities, financial position and results as of that date and results for the period then ended.

In addition, the management's report includes a fair review of the development and performance of the Group's operations during the period and of business risks and the position of the Group, where appropriate, faced by the Group as well as other information required by Article 68b of the Luxembourg law of 19 December 2002 on the commercial companies register and on the accounting records and financial statements of undertakings, as amended.

Tobias Wann
CEO

Dr. Jan Middelhoff
CFO

Report of the Reviseur d’Entreprises Agréé

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of tonies SE and its subsidiary (the “Group”), which comprise the consolidated statement of financial position as of 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash-flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (“Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (“CSSF”). Our responsibilities under the EU regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of the “réviseur d’entreprises agréé” for the Audit of the Consolidated Financial Statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter:	**Recognition of revenue**
Description of key audit matter:	The amount of revenue amounting to EUR 361m (note 6 and 20) on the sales of tonies and tonieboxes is dependent on the appropriate assessment of incoterms and return rates. Therefore, we considered the risk that the revenue is not accurate as a significant risk, specifically due to the fact that: ■ Most of the delivery arrangements are handled by an external service provider, hence the timing of recognition is dependent on the availability and accuracy of information received. ■ The sales contracts include certain rights of return which impact the amounts to be recognized as revenue. The determination of the return rates requires management to make use of estimates and assumptions that may affect the reported amounts of revenue. The Group has procedures and processes in place to manage the commercial, technical, and financial aspects of sales contracts. The risk of material misstatement is that accounting for the Group's sale contracts does not accurately reflect the timing of recognition and the right of return assets at the reporting date.
Our response:	Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included: ■ Evaluation and testing of the design and implementation of the relevant controls over process activities, specifically on controls over cut-off; ■ Reconciliation of sales ledger to the general ledger of the Group; ■ For a sample of invoices, the analysis of the relevant clauses within related contracts as well as incoterms to obtain a full understanding of the specific terms and risks, to conclude on whether revenue for these contracts was appropriately recognized in the correct period; ■ Third party confirmation for large retailers; •■ Post balance-sheet credit notes inspection; ■ Recomputation and analysis of the return rates including inspection of actual returns post balance-sheet date. We assessed the completeness and appropriateness of the disclosures in Note 3 "Significant accounting policies", Note 6 "Operating Segment" and Note 20 "Revenue" to the Consolidated Financial Statements.

Other information

The Management Board is responsible for the other information. The other information comprises the information stated in the Consolidated Management Report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and Those Charged with Governance of the Group for the Consolidated Financial Statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board is also responsible for presenting and marking up the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

In preparing the financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" on 24 May 2023 2 June 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The Consolidated Management Report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the Consolidated Management Report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial companies register and on the accounting records and financial statements of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the consolidated financial statements of the Group as of 31 December 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Group, it relates to:

- Financial statements prepared in valid xHTML format;
- The XBRL markup of the Consolidated Financial Statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as of 31 December 2023, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the audit opinion is consistent with the additional report to the audit committee.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Luxembourg, 09 April 2024

For Mazars Luxembourg, Cabinet de révision agréé
5, rue Guillaume J. Kroll
L-1882 Luxembourg

Fabien DELANTE
Réviseur d'Entreprises Agréé

Consolidated Financial Statements

- Consolidated Statement of Financial Position
- Consolidated Statement of Profit or Loss and Other Comprehensive Income
- Consolidated Statement of Cash Flows
- Consolidated Statement of Changes in Equity

Consolidated Statement of Financial Position

IFRS Consolidated Statement of Financial Position in kEUR	Notes	31.12.2023	31.12.2022
Assets			
Property, plant and equipment	7	6,620	7,026
Right-of-use assets	7	5,356	5,407
Intangible assets (excl. Goodwill)	8	108,569	114,598
Goodwill	8	162,236	162,236
Deferred tax assets	27	0	0
Non-current assets		**282,780**	**289,267**
Inventories	10	76,069	84,322
Right of return asset	20	1,155	115
Trade receivables	11	49,070	34,792
Other assets	11	23,988	18,421
Cash	12	59,288	54,918
Current assets		**209,571**	**192,568**
Total assets		**492,352**	**481,834**
Equity			
Share capital	13	2,030	2,030
Share premium	13	607,166	607,166
Other reserves	13	23,724	21,238
Retained earnings	13	–295,796	–264,133
Profit (Loss)		–11,807	–31,663
Equity attributable to owners of the company		**325,317**	**334,638**
Non-controlling interests		**0**	**0**
Total equity		**325,317**	**334,638**
Liabilities			
Loans and borrowings	15	7,433	6,849
Lease liabilities	9	4,758	4,989
Share-based payment liabilities	22	6,816	6,049
Deferred tax liabilities	27	24,257	20,209
Non-current liabilities		**43,264**	**38,096**
Income tax liabilities	27	2,739	78
Loans and borrowings	15	15,555	1
Lease liabilities	9	856	586
Trade payables	16	38,906	39,412
Warrant liabilities	17	5,832	12,435
Other liabilities	16	41,057	35,353
Provisions	18	18,825	21,236
Current liabilities		**123,770**	**109,100**
Total liabilities		**167,034**	**147,196**
Total equity and liabilities		**492,352**	**481,834**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

IFRS Consolidated Statement of Profit or Loss and Other Comprehensive Income (by nature of expense) in kEUR	Notes	1.1.2023 – 31.12.2023	1.1.2022 – 31.12.2022
Continuing Operations			
Revenue	20	**360,948**	**258,282**
Changes in inventories		– 8,829	47,574
Cost of materials	21	– 129,659	– 166,547
Gross profit		**222,460**	**139,309**
Licensing costs	21	– 36,332	– 31,668
Gross profit after licensing costs		**186,128**	**107,641**
Own work capitalized		1,416	0
Other income	24	8,140	8,406
Personnel expenses	23	– 48,623	– 57,170
Other expenses	25	– 138,357	– 93,622
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**8,704**	**– 34,745**
Depreciation and amortisation	7/8	– 19,480	– 18,414
Earnings before interest and taxes (EBIT)		**– 10,776**	**– 53,159**
Finance income	26	8,812	19,968
Finance costs	26	– 3,125	– 3,456
Earnings before tax (EBT)		**– 5,089**	**– 36,647**
Tax income	27	– 6,718	4,984
Profit (loss) for the period		**– 11,807**	**– 31,663**
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation to presentation currency		– 2,459	– 821
Total comprehensive income for the period		**– 14,266**	**– 32,484**
Profit attributable to:			
Owners of the Company		– 11,807	– 31,663
Non-controlling interests		0	0
Total comprehensive income attributable to:			
Owners of the Company		– 14,266	– 32,484
Non-controlling interests		0	0
Earnings (loss) per share (in EUR)			
Basic	28	– 0.10	– 0.32
Diluted	28	– 0.10	– 0.32

Consolidated Statement of Cash Flows

IIFRS Consolidated Statement of Cash Flow in kEUR	Notes	1.1.2023 – 31.12.2023	1.1.2022 – 31.12.2022
Profit (loss) for the period		**– 11,807**	**– 31,663**
Depreciation and amortisation	7/8	19,480	18,414
Finance (income) expenses	26	– 5,686	– 16,512
Tax income	27	6,718	– 4,984
EBITDA		**8,704**	**– 34,745**
Decrease (increase) in trade receivables	11	– 14,279	– 12,481
Decrease (increase) in inventories	10	8,253	– 52,792
Increase (decrease) in trade payables	16	– 505	4,052
Decrease (increase) in net working capital		**– 6,531**	**– 61,221**
Loss on disposal of property, plant and equipment	7/8	0	0
Decrease (increase) in other assets	11	– 6,608	1,224
Increase (decrease) in other provisions	18	– 2,411	– 1,623
Increase (decrease) in other liabilities	16	9,313	192
Increase (decrease) in share-based payment liabilities	22	767	– 1,885
Increase in equity settled share-based payment transaction	22	4,945	24,241
Other non-cash (income) expenses		0	0
Cash flow from operating activities before income taxes		**8,179**	**– 73,817**
Income tax paid	27	– 36	– 565
Cash flow from operating activities		**8,143**	**– 74,382**
Acquisition of property, plant and equipment	7	– 4,030	– 3,404
Acquisition of intangible assets	8	– 7,548	– 10,147
Development expenses capitalized		– 1,416	0
Interest received		86	0
Cash flow from investing activities		**– 12,907**	**– 13,551**
Proceeds from issue of share capital by shareholders of the Parent Company	13	0	60,000
Capital Reorganization (Acquisition of subsidiaries)		0	0
Proceeds from borrowings	15	15,000	10,000
Transaction costs	15	0	– 1,150
Acquisition of NCI		0	0
Repayments of borrowings	15	0	– 332
Interest paid	15	– 2,308	– 694
Payment of lease liabilities	16	– 1,099	– 588
Cash flow from financing activities		**11,594**	**67,236**
Net increase in cash		**6,829**	**– 20,697**
Change in cash resulting from exchange rate differences		– 2,459	21
Net cash at the beginning of the period	12	54,918	75,593
Net cash at the end of the period	12	59,288	54,918

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

IFRS Statement of Changes in Equity in kEUR	Notes	Share capital	Share premium	Translation reserve	Transaction costs reserve	Share based remuneration reserve	Retained earnings	Profit (Loss)	Non–controlling interest	Total equity
Balance as of 1.1.2023		**2,030**	**607,166**	**–1,430**	**–1,871**	**24,539**	**–295,796**	**0**	**0**	**334,638**
Total comprehensive income										
Profit (loss) for the period								–11,807		–11,807
Other comprehensive income	13			–2,459						–2,459
Total comprehensive income		**0**	**0**	**–2,459**	**0**	**0**	**0**	**–11,807**	**0**	**–14,266**
Contributions and distributions										
Capital increase	13									
Equity-settled share-based payment	22					4,945				4,945
Total contributions and distributions		**0**	**0**	**0**	**0**	**4,945**	**0**	**0**	**0**	**4,945**
Convertible reserve										
Total transactions with owners of the Company		**0**	**0**	**0**	**0**	**4,945**	**0**	**0**	**0**	**4,945**
Other Changes							0			0
Balance as of 31.12.2023		**2,030**	**607,166**	**–3,889**	**–1,871**	**29,484**	**–295,796**	**–11,807**	**0**	**325,317**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

IFRS Statement of Changes in Equity in kEUR	Notes	Share capital	Share premium	Translation reserve	Transaction costs reserve	Share based remuneration reserve	Retained earnings	Profit (Loss)	Non–controlling interest	Total equity
Balance as of 1.1.2022		**1,575**	**548,791**	**– 608**	**– 1,871**	**0**	**– 266,589**	**0**	**0**	**281,297**
Total comprehensive income										
Profit (loss) for the period								– 31,663		– 31,663
Other comprehensive income				– 821						– 821
Total comprehensive income		**0**	**0**	**– 821**	**0**	**0**	**0**	**– 31,663**	**0**	**– 32,484**
Contributions and distributions										
Capital increase		455	58,374							58,829
Equity-settled share-based payment						24,539				24,539
Total contributions and distributions		**455**	**58,374**	**0**	**0**	**24,539**	**0**	**0**	**0**	**83,368**
Convertible reserve							3,276			3,276
Total transactions with owners of the Company		**455**	**58,374**	**0**	**0**	**24,539**	**3,276**	**0**	**0**	**86,644**
Other Changes							– 820			– 820
Balance as of 31.12.2022		**2,030**	**607,166**	**– 1,430**	**– 1,871**	**24,539**	**– 264,133**	**– 31,663**	**0**	**334,638**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

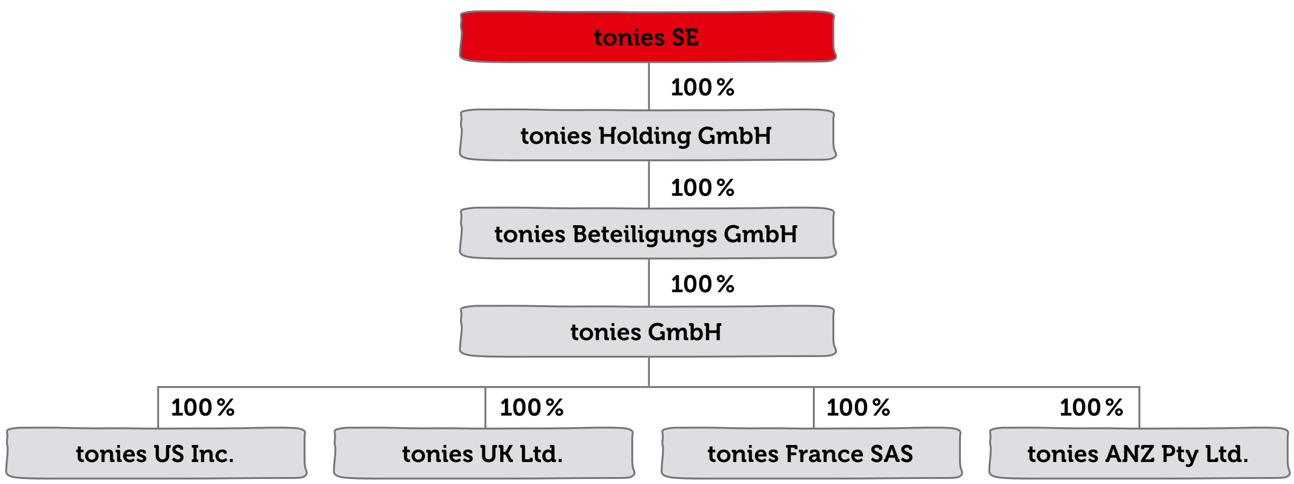
1. General information

tonies SE (the **"Company"** or **"tonies"**) was incorporated in Luxembourg on 18 March 2021 and was registered with the Luxembourg Trade and Companies Register under number B252939 on 29 March 2021. The registered office of the Company is in rue de Bitbourg 9, L-1273, Luxembourg. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the **"Group"** or **"tonies"**).

tonies is a Societas Europaea, formed on 18 March 2021 under the laws of Luxembourg. The Company was formed as a special purpose acquisition company to engage in a merger or acquisition with an unidentified company or companies or other entity or person. The Company was formed for the purpose of acquiring one operating business with principal business operations in a member state of the European Economic Area or in the United Kingdom or Switzerland in the technology or technology-enabled sector with a focus on the sub-sectors marketplaces, direct-to-consumer, and software & artificial intelligence through a merger, capital stock exchange, share purchase, asset acquisition, reorganization or similar transaction.

tonies SE started trading on the regulated market of the Frankfurt Stock Exchange on 29 November 2021 under the International Securities Identification Number ("ISIN") LU2333563281.

Per 31 December 2023, the Group structure of tonies SE is as follows:



tonies, through its subsidiaries, is the producer of the innovative audio system "Tonies", consisting of a speaker box called Toniebox and of various figures marketed under the name Tonies, enabling children to listen to stories and music of their choice by placing a Tonie atop of the Toniebox.

2. Basis of preparation

2.1. Statement of compliance

The consolidated financial statements of tonies have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as endorsed by the European Union as of 31 December 2023. The term IFRS also includes all valid International Accounting Standards (IAS) as well as the interpretations of the IFRS Interpretations Committee (IFRIC).

The financial statements were authorised by the management board on 09 April 2024.

The assets and liabilities in the consolidated statement of financial position were classified in accordance with IAS 1 as current / non-current with the criteria defined by IAS 1.54 et seqq.

tonies has decided to prepare a consolidated statement of profit or loss and other comprehensive income using the nature of expense method.

tonies has elected to present consolidated comprehensive income using a "one-statement" approach. The consolidated statement of financial position complies with the classification requirements of IAS 1 "Presentation of Financial Statements". When presenting items of other comprehensive income, items reclassified to profit or loss are presented separately from items that are never reclassified. Assets and liabilities are classified by maturity. tonies presents consolidated cash flows from operating activities using the indirect method. Individual items of the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position are combined in order to improve the clarity of presentation. These items are explained in the notes to the consolidated financial statements.

All amounts have been rounded to the nearest thousand, unless otherwise indicated. As amounts are disclosed in thousands of euros, standard commercial rounding may result in rounding differences. In some cases, such rounded amounts and percentages may not correspond 100% to the stated sums when added together and subtotals in tables may differ slightly from non-rounded figures.

2.2. Going concern

The consolidated financial statements were prepared on a going concern basis according to IAS 1.25.

2.3. Measurement basis

The consolidated financial statements have been prepared on historical cost basis. This does generally not apply to derivative financial instruments, as they are recognised at fair value as of the balance sheet date. A corresponding explanation is provided in the context of the respective accounting policies.

2.4. Functional currency and presentation currency

These consolidated financial statements are presented in euro, which is tonies' presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.5. Current / non-current classification

An asset is classified as current if it is expected to be realised or consumed within tonies' normal operating cycle of one year. All other assets are classified as non-current.

A liability is classified as current if it is expected to be settled within tonies' normal operating cycle of one year. All other liabilities are classified as non-current.

3. Significant accounting policies

tonies has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

No major Impact from current external factors like climate crisis, supply chain risks or Ukraine crisis on tonies' accounting policies and practices has been noted.

3.1. Consolidation

3.1.1. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meet the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired include, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment and on ad hoc basis in case of triggering events. Any gain on a bargain purchase is recognised in profit or loss after further verification. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.1.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3.1.3. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

3.2. Foreign currency

3.2.1. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Group companies at the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate prevailing at the date when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at prevailing the date of the transaction. Foreign currency differences are recognised in profit or loss and presented within other income or other expenses.

3.2.2. Foreign currency operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rate prevailing at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rate prevailing at the date of the transaction. Throughout the year month end and monthly average rates are used for the translation of balance sheet or profit and loss statements from foreign subsidiaries.

Foreign currency differences are recognised in Other Comprehensive Income (OCI) and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

3.3. Property, plant and equipment

3.3.1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

3.3.2. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to tonies. All other expenditure for property, plant and equipment is recognised immediately as an expense.

3.3.3. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Right-of-Use Assets	2 – 10 years
Land and building	Up to 10 years; depending on rental agreement
Technical equipment and Machinery	3 – 10 years
Tooling	3 – 5 years
Other operating and office equipment	3 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. This specifically applied to tooling assets.

3.3.4. Derecognition

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. The gain or loss arising from the sale or retirement of a property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognised in profit or loss under other income or other expenses.

3.4. Intangible assets

3.4.1. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

When the amount of aggregate consideration transferred is in excess of the fair value of the net assets acquired a goodwill is recognised. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.4.2. Other intangible assets

Other intangible assets, including patents and trademark, customer relationships, software and order backlog that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Research and development costs
During 2023 tonies has fulfilled the requirements of IAS 38 for the capitalization of self-developed assets for the first time. Capitalization includes hours spent on dedicated projects considering relevant remuneration and applicable surpluses.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.4.3. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3.4.4. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Brand	15 years
Technology	15 years
Customer relationship	10 – 15 years
Order backlog	1 year
Patents, licenses and similar rights and values	3 – 7 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill is not systematically amortised over a period. It is subject to impairment testing at least annually. Refer to note 3.7.2 for more details.

3.4.5. Derecognition

An intangible asset shall be derecognised on disposal or when no further economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the income statement when the asset is derecognised. This is recognised under other income or other expenses.

3.5. Leases

At inception of a contract, tonies assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. tonies solely acts as a lessee.

At commencement or on modification of a contract that contains a lease component, tonies allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

tonies recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to tonies by the end of the lease term or the cost of the right-of-use asset reflects that tonies will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, tonies' incremental borrowing rate. Generally, tonies uses its incremental borrowing rate as the discount rate.

tonies determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that tonies is reasonably certain to exercise, lease payments in an optional renewal period if tonies is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless tonies is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in tonies' estimate of the amount expected to be payable under a residual value guarantee, if tonies changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, tonies assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- tonies has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- tonies has the right to direct the use of the asset. tonies has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the period of use. When all the decisions about how and for what purpose the asset is used are predetermined, tonies has the right to direct the use of the asset if either:
  - tonies has the right to operate the asset; or
  - tonies designed the asset in a way that predetermines how and for what purpose it will be used. tonies presents its leases under 'right-of-use assets' in the statement of financial position.

tonies has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. tonies recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.6. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the simple weighted average price. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Impairment due to limited marketability of items is taken into account by means of write-downs.

The change in unfinished and finished goods is presented in the line change in inventory within the income statement. Raw material and trading goods are not included in the change in inventory line.

3.7. Impairment

3.7.1. Non-derivative financial assets

Financial instruments

The Group generally measures loss allowances at an amount equal to:

- 12-month expected credit losses (ECLs) (general approach) for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- lifetime ECLs (general approach) for bank balances for which credit risk has increased significantly since initial recognition.
- lifetime ECLs (simplified approach) for trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i. e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that tonies expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor.
- a breach of contract such as a default or being more than 90 days past due.
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for cash at bank and trade receivables are deducted from the gross carrying amount of the corresponding assets.

Write-off

The gross carrying amount of a financial asset is written off when tonies has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3.7.2. Non-financial assets

At each reporting date, tonies reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment and on adhoc basis in case of triggering events.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8. Cash

Cash is determined as petty cash and cash at banks. Cash at bank includes payment providers with banking licenses in the respective geographical regions.

Funds held at service providers and retail platforms without banking licenses are not included in cash but in other assets as these funds cannot be transferred in any case without limitations on a short notice. Short term bank liabilities are not included in cash for presentation or cash and cash equivalents for the cash flow statement.

3.9. Share capital

3.9.1. Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

3.9.2. Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in deduction of share capital. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

3.10. Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognised if tonies has a present obligation to a third party based on a past event, an outflow of resources to settle the obligation is probable and the amount of the obligation can be reliably estimated. Provisions are discounted if the effect is material.

Provisions where the outflow of resources is likely to occur within the next year are classified as current, and all other provisions as non-current.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

3.11. Financial instruments

3.11.1. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. Financial assets and financial liabilities are initially recognised when tonies becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.11.2. Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition to eliminate or significantly reduce an accounting mismatch that would otherwise arise. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, except for the "own credit risk" portion of the fair value adjustment that is recorded in OCI except if doing so would create or enlarge an accounting mismatch. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.11.3. Derecognition

Financial assets
tonies derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which tonies neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
tonies derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. tonies also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.11.4. Derivative financial instruments

The Group holds derivative financial instruments to economically hedge part of its foreign currency risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Compound financial instruments issued by the Group comprises convertible bonds denominated in EUR that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

3.12. Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties at one point of time. tonies recognises revenue when it transfers control over a good to a customer. Potential returns are deducted from revenue resulting in a return liability and a related return asset.

Further information on the nature and timing of the settlement of performance obligations arising from contracts with customers, including significant terms and conditions of payment, and the related revenue recognition principles are described in note 20.

3.13. Share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of the awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of the amount payable to employees in respect of share appreciation rights (SARs), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

3.14. Personnel expenses

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.15. Finance income and finance costs

Finance cost of tonies includes interest expense from loans and borrowings as well as interest expenses from leasing and from factoring. For details in relation to the factoring program we refer to note 11. Interest expense is recognised in the statement of profit or loss in the period in which it is incurred using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.16. Income taxes

Income tax expense comprises current and deferred taxes. It is recognised in profit or loss except to the extent that it relates to a business combination, or items are recognised directly in equity or in OCI.

3.16.1. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

3.16.2. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognizing deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which tonies expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria of IAS 12.74 are met.

3.17. New and amended IFRS

A number of new and revised standards and amendments to existing standards have been issued by the reporting date and come into force in annual periods beginning on or after 1 January 2023. They are also available for early adoption. However, tonies has not applied early adoption of any of the new or amended standards in preparing these consolidated financial statements. On the basis of a detailed analysis of the following standards we concluded that these standards do not have any material impact on tonies consolidated financial statements:

- IFRS 17 (including amendments to IFRS 17) – Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 - International Tax Reform – Pillar Two Model Rules

The following table lists the recent changes to IFRS that are required to be applied for an annual period beginning after the effective dates. The amended standards and interpretations are not expected to have a significant impact on tonies' consolidated financial statements.

Standard (Amendments)	Title of standard or amendments	Effective date
IAS 8.30, EU Endorsement has been made by the date of release for publication		
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current/ Non-current Liabilities with Covenants	1 January 2024
IAS 8.30 EU endorsement is still pending		
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	

3.18. Changes in presentation of financial statements

In order to increase the clarity of the presentation of the financial statements and the quality of the information shown, the Group has decided to adjust the presentation of the financial statements as part of the increase in complexity associated with growth. tonies is convinced that this change will lead to a more reliable and relevant presentation of business transactions or the financial position.

In the previous years, currency gains and losses were reported under cost of materials, as they mainly resulted from purchases of raw materials and consumables in foreign currencies. However, as the internationalization of tonies progresses, foreign currency gains and losses are increasingly resulting from other business transactions as well. For reasons of clarity, they are therefore reported under other income (foreign currency gains) and other expenses (foreign currency losses) starting fiscal year 2023. The previous year's column in the financial statements has been amended accordingly.

The impact on prior year numbers of profit and loss statement is as follows:

in kEUR	**2022 presented**	**2022 adjusted**	**Delta**
Continuing Operations			
Revenue	**258,282**	**258,282**	**0**
Changes in inventories	47,574	47,574	0
Cost of materials	– 165,891	– 166,547	– 656
Gross profit	**139,965**	**139,309**	**– 656**
Licensing costs	– 31,668	– 31,668	0
Gross profit after Licensing costs	**108,297**	**107,641**	**– 656**
Own work capitalized	0	0	0
Other income	1,322	8,406	7,085
Personnel expenses	– 57,170	– 57,170	0
Other expenses	– 87,193	– 93,622	– 6,429
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**– 34,745**	**– 34,745**	**0**
Depreciation and amortization	– 18,414	– 18,414	0
Earnings before interest and taxes (EBIT)	**– 53,159**	**– 53,159**	**0**
Income from investments	0	0	0
Income from other securities and long-term loans	0	0	0
Finance income	19,968	19,968	0
Write-downs on financial assets	0	0	0
Finance costs	– 3,456	– 3,456	0
Earnings before tax (EBT)	**– 36,647**	**– 36,647**	**0**
Tax income	4,984	4,984	0
Other tax	0	0	0
Income from transfer of losses	0	0	0
Expenses from a profit transfer agreement	0	0	0
Result carried forward	0	0	0
Profit from continuing operations	**– 31,663**	**– 31,663**	**0**
Discontinued operations			
Profit (loss) from discontinued operation, net of tax	**0**	**0**	**0**
Loss for the period	**– 31,663**	**– 31,663**	**0**

In addition, a new detail to the other reserves has been added in equity regarding presentation of share-based remunerations. These have been adjusted from retained earnings to other reserves. The impact is presented in the following table:

in kEUR	31.12.2022 presented	31.12.2022 adjusted	Delta
Assets			
Property, plant and equipment	7,026	7,026	0
Right of use assets	5,407	5,407	0
Intangible assets (excl. Goodwill)	114,598	114,598	0
Goodwill	162,236	162,236	0
Non-current assets	**289,267**	**289,267**	**0**
Inventories	84,322	84,322	0
Return asset	115	115	0
Trade receivables	34,792	34,792	0
Other assets (short term)	18,421	18,421	0
Cash	54,918	54,918	0
Current assets	**192,568**	**192,568**	**0**
Total assets	**481,834**	**481,834**	**0**
Equity			
Share capital	2,030	2,030	0
Share Premium	607,166	607,166	0
Other Reserves	– 3,301	21,238	– 24,539
Retained earnings	– 239,594	– 264,133	24,539
Profit (Loss)	– 31,663	– 31,663	0
Equity attributable to owners of the company	**334,638**	**334,638**	**0**
Non-controlling interests	0	0	0
Total equity	**334,638**	**334,638**	**0**
Liabilities			
Loans and borrowings (long term)	6,849	6,849	0
Lease liabilities (long term)	4,989	4,989	0
Share-based payment liabilities (long term)	6,049	6,049	0
Deferred tax liabilities	20,209	20,209	0
Non-current liabilities	**38,096**	**38,096**	**0**
Income Tax liabilities	78	78	0
Loans and borrowings (short term)	1	1	0
Lease liabilities (short term)	586	586	0
Trade payables (short term)	39,412	39,412	0
Other liabilities (short term)	35,353	35,353	0
Warrant liabilities (short term)	12,435	12,435	0
Provisions (short term)	21,236	21,236	0
Current liabilities	**109,100**	**109,100**	**0**
Total liabilities	**147,196**	**147,196**	**0**
Total equity and liabilities	**481,834**	**481,834**	**0**

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

When measuring the fair value of an asset or a liability, tonies uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

These consolidated financial statements include the following significant items whose carrying amounts depend substantially on judgements and the underlying assumptions and estimates:

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 9 – Lease term: whether the Group is reasonably certain to exercise extension options.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31 December 2023 that have a significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 7 and 8 – **Intangible and tangible assets:** key assumptions about underlying useful lives and future utilization of the assets value. Please refer to note 3.3.3 with regard to an adjustment of useful life for tooling assets.
- Note 8.2 – **Goodwill:** key assumption about the recoverable amounts of the CGU and the underlying budget.
- Note 8.2 – **Impairment test of intangible assets:** key assumption about useful lives and underlying recoverable amounts.
- Note 18 – **Recognition and measurement of provisions:** key assumptions about the likelihood and magnitude of an outflow of resources, in particular for licence provisions.
- Note 19.1.1 – **Classification and measurement warrants:** key assumptions about the classification of warrants as either equity or derivatives as well as the continuous re-measurement of the fair value based on a Black-Scholes Option Pricing model.
- Note 19.2.1 – **Measurement of ECL allowance for trade receivables:** key assumptions in determining the weighted-average loss rate.

5. List of subsidiaries

The Company's shareholdings comprise:

Name	Registered seat	Share (in %)
tonies Holding GmbH	Düsseldorf, Germany	100
tonies Beteiligungs GmbH	Düsseldorf, Germany	100
tonies GmbH	Düsseldorf, Germany	100
tonies UK Ltd.	Bishops Stortford, UK	100
tonies US Inc.	Palo Alto / California, US	100
tonies France SAS	Paris, France	100
tonies ANZ Pty Ltd.	Sydney, Australia	100

The company tonies ANZ Pty Ltd. was newly founded in 2023. All other capital shares in the Group have not changed compared to the previous year.

6. Operating segments

Since 31 December 2023, the Group has organized its business into the three operating segments DACH, North America ("NA") and Rest of the World ("RoW") in order to assess performance and make operational decisions. These three segments are based on the geographical structure of the main sales markets with tonies' external customers, and equal the reportable segments:

- The DACH region comprises the sales countries of Germany, Austria and Switzerland, with business being conducted under the umbrella of tonies GmbH, Germany.
- NA is made up of the sales countries USA and Canada, with sales in the latter starting in September 2023. Business in North America is conducted via tonies US, Inc. based in California, US.
- The RoW sales region currently comprises the UK, Ireland and France as core markets with local teams as well as non-core markets including Hong Kong and several countries served by the European web store (e.g. Belgium, Luxembourg, the Netherlands, Portugal and Spain). In 2023, preparations were made to expand the sales area to Australia and New Zealand in the future. There are independent sales companies in France and the UK, which are used to develop the corresponding markets. All other regions mentioned are covered by the German company tonies GmbH.

The Group's complete product and service portfolio are offered in all three segments, i.e. the segments generate their revenue from the sale of the innovative "Tonies" audio system, which comprises the Toniebox and various figurines marketed under the Tonies brand, as well as various accessories & digital content.

There are no transactions between the operating segments.

Revenue and expenses are allocated to the individual operating segments, where available, on the basis of the local financial reporting of the companies based in the respective region. For the DACH and RoW regions, revenues and expenses are allocated as if a separate company had existed in the region. This allocation is determined in accordance with the valuation principles of the German Commercial Code (HGB) and the internationally recognized transfer pricing guidelines of the OECD. Information on the assets and liabilities of the operating segments is not regularly reported to the responsible corporate entity and is therefore not disclosed.

A Managing Director is responsible for each segment. The Management Board, which consists of the two Co-CEOs and, since May 1, 2023, the CFO, is the chief operating decision maker that regularly reviews the results of the operating segments and makes decisions on the allocation of the Group's resources.

From a management perspective, the primary performance indicators of the operating segments are net revenue with external third parties, EBITDA and the contribution margin (for definition, see management report, section 1.6 "Performance assessment system"), which are reported regularly in internal management reporting. Other key figures are not reported regularly.

Until the financial year 2022, when the Group only reported in one operating segment, one of the primary performance indicators used for management purposes was adjusted EBITDA. Adjustments relate to expenses incurred where management believes adjustments should be made due to extraordinary and non-operational character. Since the financial year 2023, these facts are not regularly allocated to the operating segments, which is why EBITDA is used to manage the operating segments.

Functional areas of the Group, such as the traditional headquarters functions of accounting, taxes, legal, treasury, strategic planning and IT, are combined as the non-operating business segment "Corporate Headquarters" and reported separately. Other product-related services such as the operation of the web store or the technical product infrastructure, cross-market marketing services, logistics services and customer service are also provided at the corporate headquarters. The services provided are invoiced or allocated to the operating segments on the same terms as those negotiated with third parties.

Details of the sales and results of the operating segments and Corporate Headquarters as well as the reconciliation to the consolidated result are shown in the following table:

in kEUR	DACH	NA	RoW	Total operating egments	Corporate Headquarters	Reconciliation	tonies Group according to IFRS
1.1.2023 – 31.12.2023							
Revenue (ext)	165,863	140,364	54,721	360,948	0	0	360,948
Revenue total	165,863	140,364	54,721	360,948	0	0	360,948
Licensing costs	– 27,968	– 13,076	– 5,725	– 46,769	5,974	4,463	– 36,332
EBITDA	26,983	– 4,486	– 4,782	17,714	– 11,874	2,864	8,704
Contribution margin	33.5 %	26.3 %	31.3 %	30.3 %	0.0 %	0.0 %	35.3 %

The column "Reconciliation" contains IFRS adjustments, as the segment results are based on the respective local GAAP. In addition, special items that are exceptional and therefore not allocated to an operating segment are reported here. In the 2023 financial year, the reconciliation column includes income relating to other periods in the amount of kEUR 7,287. The segment data for the comparative period 2022 is not available in the form described above and is therefore not reported. The effort involved in subsequently extracting and determining this data is not in proportion to the information content of the data.

Goodwill was reallocated as a result of the reorganization into the three segments mentioned above; details are explained in Note 8.2.

6.1. Geographic information

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting and geographic information, segment revenue has been based on the geographic location of customers.

in kEUR	1.1.2023–31.12.2023	1.1.2022–31.12.2022
Revenue breakdown by country		
Germany	159,997	145,728
All foreign countries		
United States (US)	139,871	65,586
United Kingdom (UK)	39,202	25,426
All other foreign countries	21,878	21,542
Total	**360,948**	**258,282**

The following table shows the Group's non-current assets broken down. In presenting the geographic information, segment assets were based on the location of the assets.

in kEUR	1.1.2023–31.12.2023	1.1.2022–31.12.2022
Non-current asset breakdown		
Germany	281,158	288,003
United States (US)	1,157	919
United Kingdom (UK)	204	188
France	261	157
Total	**282,780**	**289,267**

For the Group's revenue by product type and primary geographical markets please refer to note 20.

6.2. Major customer

Gross revenue from one customer of the Group represented approximately kEUR 30,477 (8 %) (2022: Gross revenue from one customer kEUR 24,365 (9 %)) of the Group's total Gross revenue. The customer belongs to the operating segment NA.

7. Property, plant and equipment and right-of-use

Property, plant and equipment (including right-of-use) can be broken down to the following items:

in kEUR	Right-of-use asset	Land and building	Technical equipment and machinery	Tools	Other operating and office equipment	Assets under construction	Total
Cost							
Balance as of 1.1.2023	**6,501**	**972**	**2,964**	**5,427**	**3,266**	**323**	**19,458**
Additions	869	115	699	1,031	1,273	42	4,030
Reclassifications	0	0	114	0	– 31	– 295	– 212
Disposals	0	0	0	0	0	0	0
Balance as of 31.12.2023	**7,370**	**1,092**	**3,777**	**6,458**	**4,508**	**70**	**23,275**
Depreciation							
Balance as of 1.1.2023	**1,094**	**187**	**1,597**	**2,389**	**1,758**	**0**	**7,025**
Depreciation	920	163	654	1,556	987	0	4,280
Reclassification	0	– 1	– 38	0	5	28	– 6
Balance as of 31.12.2023	**2,014**	**349**	**2,213**	**3,946**	**2,750**	**28**	**11,299**
Carrying amount as of 31.12.2023	**5,356**	**743**	**1,564**	**2,513**	**1,758**	**42**	**11,976**

in kEUR	Right-of-use asset	Land and building	Technical equipment and machinery	Tools	Other operating and office equipment	Assets under construction	Total
Cost							
Balance as of 1.1.2022	**1,210**	**536**	**2,219**	**3,735**	**1,490**	**1,620**	**10,810**
Additions	5,291	32	469	757	1,823	323	8,695
Reclassifications	0	409	276	935	0	– 1,620	0
Disposals	0	0	0	0	– 47	0	– 47
Balance as of 31.12.2022	**6,501**	**977**	**2,964**	**5,427**	**3,266**	**323**	**19,458**
Depreciation in kEUR							
Balance as of 1.1.2022	**345**	**96**	**569**	**1,377**	**1,033**	**0**	**3,420**
Depreciation	749	91	1,028	1,012	772	0	3,652
Reclassification	0	0	0	0	– 47	0	– 47
Balance as of 31.12.2022	**1,094**	**187**	**1,597**	**2,389**	**1,758**	**0**	**7,025**
Carrying amount as of 31.12.2022	**5,407**	**790**	**1,367**	**3,038**	**1,508**	**323**	**12,433**

8. Intangible assets and goodwill

8.1. Reconciliation of carrying amount and amortization

Intangible assets can be broken down to the following items as follows:

in kEUR	Brand	Technology	Customer relationship	Order backlog	Acquired patents, licenses and similar rights values	Self-created asset values in development	Prepayments on intangible assets	Total
Cost								
Balance as of 1.1.2023	**34,738**	**90,688**	**4,819**	**669**	**26,253**	**0**	**0**	**157,167**
Additions	0	0	0	0	4,288	1,416	3,260	8,964
Reclassifications	0	0	0	0	212	0	0	212
Disposals	0	0	0	0	0	0		0
Balance as of 31.12.2023	**34,738**	**90,688**	**4,819**	**669**	**30,754**	**1,416**	**3,260**	**166,343**
Amortization								
Balance as of 1.1.2023	**7,527**	**19,649**	**1,427**	**669**	**13,303**	**0**	**0**	**42,575**
Amortization	2,316	6,046	438	0	6,400	0	0	15,200
Reclassification	0	0	0	0	0	0	0	0
Balance as of 31.12.2023	**9,843**	**25,695**	**1,865**	**669**	**19,702**	**0**	**0**	**57,774**
Carrying amount as of 31.12.2023	**24,895**	**64,993**	**2,954**	**0**	**11,051**	**1,416**	**3,260**	**108,569**

in kEUR	Brand	Technology	Customer relationship	Order backlog	Acquired patents, licenses and similar rights values	Self-created asset values in development	Prepayments on intangible assets	Total
Cost								
Balance as of 1.1.2022	**34,738**	**90,688**	**4,819**	**669**	**13,724**	**0**	**0**	**144,638**
Additions	0	0	0	0	10,147	0	0	10,147
Reclassifications	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Balance as of 31.12.2022	**34,738**	**90,688**	**4,819**	**669**	**23,871**	**0**	**0**	**154,785**
Amortization								
Balance as of 1.1.2022	**5,211**	**13,603**	**988**	**669**	**4,954**	**0**	**0**	**25,425**
Amortization	2,316	6,046	439	0	5,961	0	0	14,762
Reclassification	0	0	0	0	0	0	0	0
Balance as of 31.12.2022	**7,527**	**19,649**	**1,427**	**669**	**10,915**	**0**	**0**	**40,187**
Carrying amount as of 31.12.2022	**27,211**	**71,039**	**3,392**	**0**	**12,956**	**0**	**0**	**114,598**

The brand and the capitalised purchased technology bundle (different core technologies) represent the majority of the intangible assets as well as the total assets. Both assets have an expected useful life of 15 years and are amortised on a straight-line basis.

During 2023 tonies has fulfilled the requirements of IAS 38 for the capitalization of self-developed assets for the first time. Capitalization includes hours spent on dedicated projects considering relevant remuneration and applicable surpluses.

The additions in 2023 mainly relate to product developments.

Customer relationship assets generating future revenues are divided between the B2B and the B2C business with a useful life of 15 years and 10, 25 years respectively.

8.2. Goodwill and impairment test

Until 2022, tonies Holding consisted of only one cash-generating unit (CGU). The goodwill resulting from the acquisition of tonies GmbH was therefore allocated in full to this CGU. In 2023, tonies Holding changed its operational management and reporting structure and identified three separate CGUs that correspond to the reported segments. As a result, the carrying amount of goodwill was allocated to the operating segments on the basis of relative fair values.

The following table shows the allocation and development of goodwill, which arose exclusively in the euro zone, to the CGUs:

Carrying Amounts in kEUR	DACH	NA	RoW	Total
Carrying amount as of 1.1.2022	**0**	**0**	**0**	**162,236**
Additions/disposals recognised from business combinations	0	0	0	0
Carrying amount as of 31.12.2022	**0**	**0**	**0**	**162,236**
Reallocation	23,594	132,536	6,106	0
Additions/disposals recognised from business combinations	0	0	0	0
Carrying amount as of 31.12.2023	**23,594**	**132,536**	**6,106**	**162,236**

With the reallocation of goodwill, the new CGUs were tested for impairment. The test did not reveal any need for impairment. There were no other triggering events in the reporting period.

No impairment was recognized in the reporting periods. Goodwill is tested for impairment annually and on an ad hoc basis if there are triggering events.

For the impairment test, the recoverable amounts of the CGUs are compared with their carrying amounts (including goodwill). The recoverable amounts of the CGUs are determined by calculating the value in use using the discounted cash flow method. This was based on the management's consolidated mid-term planning for the years 2024 to 2027, from which the after-tax cash flows were used. For the years thereafter, assumptions were made for growth until 2034 in order to assume a terminal growth rate of between 0.5% and 2.0% for the years after 2034. The latter growth rate is used for the RoW segment, as this reflects the future international expansion of tonies.

The planning assumptions are based on stable development in the markets already developed. EBITDA is therefore also planned to remain stable in these markets, while slightly rising EBITDA margins are assumed for the RoW segment.

The reason for the extended planning period until 2034 is the high growth rates that are expected until 2027 and where it is not realistic to entirely drop down the long-term growth rate immediately afterwards. The Group assumes a significant increase in demand due to additional market penetration and new product developments. In addition, the expected sales growth in newly developed markets (particularly in the RoW and NA segments) was considered. Finally, the assessment of optimization potential on the procurement side was taken into account. Both expansive investments and cost optimization potential were only considered to the extent that the company was committed until 31 December 2023. The values assigned to the key assumptions represent the management's assessment of future developments in the respective industry and are based on historical values from external and internal sources.

Impairment-test input variables in 2023

in %	Dach			NA			RoW		
	Year 1 – 4	Year 5 – 11	12 cont.	Year 1 – 4	Year 5 – 11	12 cont.	Year 1 – 4	Year 5 – 11	12 cont.
Discount rate	9.99 %	9.99 %	9.99 %	9.90 %	9.90 %	9.90 %	10.12 %	10.12 %	10.12 %
Revenue growth rate	2.84 %	0.50 %	0.50 %	46.41 %	15.43 %	0.50 %	36.20 %	18.57 %	2.00 %
EBIT growth rate	5.15 %	1.00 %	0.50 %	16.90 %	17.20 %	0.50 %	– 5.38 %	137.57 %	27.50 %

Impairment-test input variables in 2022

in %	tonies Holding GmbH		
	Year 1 – 3	Year 4 – 12	13 cont.
Discount rate	9.51 %	9.51 %	9.51 %
Revenue growth rate	39.89 %	8.00 %	0.50 %
EBIT growth rate	1.82 %	11.85 %	1.00 %

The discount rates are post-tax figure estimated on the basis of the historical average weighted cost of capital for the industry.

The sensitivity analysis performed on the key assumptions including revenue, EBITDA and discount allowed us to conclude that no reasonable change in the model would lead to an impairment of the goodwill.

9. Leases

tonies leases several office properties, the major ones are in Düsseldorf, in Schwäbisch Gmünd, in London/UK, In Paris/France and in Santa Cruz/US as well as several vehicles. The lease maturity runs up to ten years depending on the individual lease terms.

tonies does not have the option to purchase the assets at the end of the contract term. For the movements in right-of-use assets refer to the table below.

One property lease contains an extension option exercisable by the Group up to one year before the end of the non-cancellable contract period. The extension option is not considered in the lease liabilities and would be in total kEUR 216. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or there are significant changes in circumstances within its control.

The Group has not entered into significant new contracts for new office spaces in 2023.

Moreover, the Group leases further office properties and vehicles with contract terms of up to one year or unlimited contracts with option to terminate in due time. As these leases are short-term, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below:

Leases in kEUR	Land and buildings	Vehicles	Total
Right-of-use assets			
2022			
Balance as of 1.1.2022	539	326	865
Depreciation charge for the year	597	152	749
Additions to right-of-use assets	5,291	0	5,291
Balance as of 31.12.2022	**5,233**	**174**	**5,407**
2023			
Balance as of 1.1.2023	5,233	174	5,407
Depreciation charge for the year	797	123	920
Additions to right-of-use assets	844	26	869
Balance as of 31.12.2023	**5,279**	**77**	**5,356**

When measuring lease liabilities, tonies discounted lease payments using a risk-free rate plus a credit spread individual for each contract. For the calculation of the risk-free rates, the spot rate for a European AAA bond is selected for each lease. The selected term of the spot rate is corresponding to the half of the term of the lease contract. This is due to the fact that the AAA rated bonds are bullet payments with full amortisation and the rental payments are monthly payments. The use of half the term instead of the entire term of the lease thus serves as a maturity adjustment.

To determine the credit risk premium, the credit spreads of each loan of tonies were first determined.

As at 31 December 2023 the total lease liability amounts to 5,614 kEUR (2022: 5,575).

To calculate the credit spreads, the spot rates (risk-free rates) as at 31 December 2023. The selected term of the spot rate is corresponding to the half of the term of the loan contract. Next the spot rate was subtracted from the borrowing rate of the loan agreement to obtain the respective credit spreads. Subsequently, the spreads were weighted on the basis of the loan volumes. Finally, the discount rate for each lease liability was the risk-free rate plus the credit spread as at 31 December 2023 based on the new syndicated loan signed during 2023.

Leases in kEUR	2023	2022
Amounts recognised in profit or loss		
1. Interest on lease liabilities	269	251
2. Expenses relating to short-term leases	1,099	163
Amounts recognised in the statement of cash flows		
1. Total cash outflow of leases	1,099	588

10. Inventories

Inventories can be broken down to the following items as follows:

Inventories in kEUR	31.12.2023	31.12.2022
1. Finished goods	62,107	70,034
2. Raw materials	12,878	12,302
3. Work in progress	1,084	1,986
Total	**76,069**	**84,322**

Write downs of inventory recognised as an expense have been performed in 2023 amounting to kEUR – 2,898 (turnover and scrap) and in 2022 amounting to kEUR – 1,988 (turnover and scrap).

As of 31 December 2023, inventories of tonies GmbH are assigned as collateral for liabilities to banks. The security comprises the assignment of ownership of the warehouse with changing stock of finished goods.

11. Trade receivables and other assets

Trade receivables and other assets can be broken down as follows:

Trade receivables in kEUR	31.12.2023	31.12.2022
Financial assets		
1. Trade receivables	49,070	34,792
2. Receivables from related parties	0	0
Total	**49,070**	**34,792**

Other assets in kEUR	31.12.2023	31.12.2022
Other financial assets		
1. Receivables from employees	23	19
2. Receivables from marketplaces	4,111	7,927
3. Deposits	3,936	158
4. Prepayments to suppliers	0	0
5. Other receivables financial	281	1,553
Sum of other financial assets	**8,351**	**9,657**
Other non-financial assets		
1. Receivables resulting from input taxes and VAT	10,553	5,245
2. Deferred expenses and accrued income	5,084	3,509
3. Other receivables non-financial	0	10
Sum of other non-financial assets	**15,638**	**8,764**
Total	**23,988**	**18,421**

For details on the expected credit losses, we refer to note 19.2.1.

The Group participates for the major subsidiary tonies GmbH and tonies US Inc. in a factoring program under which it receives early payment of its invoices from a bank by factoring its receivables from B2B customers. Under the arrangement, a bank agrees to pay amounts outstanding from a qualifying customer in respect of invoices owed to the Group and receives settlement from the customer at a later date. The principal purpose of this program is to facilitate efficient payment processing and improve the Group's liquidity by enabling payments from customers before their due date.

The Group derecognizes the original outstanding receivables from its customers in accordance with IFRS 9.

The payments from the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the sale of goods.

As of 31 December 2023, non-factored trade receivables of tonies GmbH amounting to kEUR 643 are assigned as collateral for liabilities to banks.

12. Cash

Cash comprises cash and cash at bank. As of 31 December 2023, tonies, had cash with a carrying amount of kEUR 59,288 (2022: kEUR 54,918). As the amount of cash is below EUR 500 no amount is presented.

Cash in kEUR	31.12.2023	31.12.2022
1. Cash	0	0
2. Cash at bank	59,288	54,918
thereof restricted	842	872
Total	**59,288**	**54,918**

For details on the expected credit losses, we refer to note 19.2.1.

Restricted cash is related to the deposits of payment providers with banking licences.

13. Equity

The changes in the various components of equity from 1 January 2022 through 31 December 2023 are shown in tonies' consolidated statement of changes in equity.

13.1. Share capital

The accounting acquirer of tonies SE, tonies Holding GmbH has 100,000 subscribed shares in 2021 with a par value of each share of EUR 1.

As described in Note 3.1.2, the share capital of the accounting acquirer is carried forward and then adjusted to reflect the par value of the outstanding share capital of the legal acquirer tonies SE. These adjustments are described below.

tonies' initial share capital of kEUR 120 remained the same from its formation until 31 March 2021, consisting of 12,000,000 sponsor shares, issued for EUR 0.01 each. Subsequently, on 15 April 2021, the Company's extraordinary general shareholders' meeting resolved on the conversion of the existing 12,000,000 sponsor shares into 7,500,000 sponsor shares at a par value of EUR 0.016.

The Company's share capital was raised from the initial share capital of kEUR 120 to kEUR 600 in connection with a private placement and listing of 30,000,000 shares by a resolution of the Management Board dated 29 April 2021. The respective shares were issued at a share price of EUR 10.00 each.

Prior to the acquisition of tonies Holding GmbH, the Company had issued 30,000,000 public shares and 7,500,000 sponsor shares at a par value of EUR 0.016 per share. Thus, tonies' share capital amounted to kEUR 600 and was divided into:

(i) 30,000,000 redeemable class A shares, each with a par value of EUR 0.016 per share, and
(ii) 7,500,000 class B shares, each with a par value of EUR 0.016 per share.

In connection with the acquisition of tonies Holding GmbH, the Company redeemed/issued with a par value of EUR 0.016:

(i) 5,885 public shares were redeemed by tonies' shareholders and directly issued as part of the new public shares to tonies Holding GmbH's and tonies Beteiligungs GmbH's legacy shareholders. The redemption resulted in a decrease of tonies' share capital of EUR 94.
(ii) 50,431,586 new public shares as consideration for the acquisition of all shares held by Höllenhunde GmbH in tonies Beteiligungs GmbH and the acquisition of all shares in tonies Holding GmbH from the shareholders of tonies Holding GmbH. This acquisition was made from a capital increase in the amount of kEUR 807 against a contribution in kind, resolved on by the Company's Management Board on 24 November 2021 and approved by the Company's Supervisory Board on the same day. The respective shares were issued at a share price of EUR 10.00 each. For the consideration shares, more than 10% of the respective share capital has been paid for with assets other than cash.
(iii) 10,500,000 new public shares under the subscription agreements in connection with the business combination entered into by the Company with investors in a private investment in public equity (PIPE) transaction against payment of EUR 10.00 per share, resolved on by the Management Board on 24 November 2021, and approved by the Supervisory Board on the same day. The Company's share capital was increased by kEUR 168 in conjunction with the issuance of the PIPE shares.
(iv) 16,400,000 new public shares to the Company's subsidiary, tonies I Issuance GmbH & Co. KG, to be used to grant public shares in case of the exercise of any of the 10,000,000 public warrants and 6,400,000 sponsor warrants. The Company's share capital was raised by kEUR 262 in conjunction with the issuance of the warrant shares by a resolution of the Management Board dated 24 November 2021, with the consent of the Supervisory Board of the same day.
a. The 10,000,000 issued class A warrants ("public warrants") are traded on the open market of the Frankfurt Stock Exchange. The public warrants were originally issued together with the public shares, with one third public warrant and one public share as one unit to institutional investors in a private placement with EUR 10.00 per unit and total proceeds of kEUR 300,000. The public warrants and public shares are separately traded on the Frankfurt Stock Exchange since 30 April 2021.
b. tonies has issued 6,400,000 class B warrants ("sponsor warrants") to its sponsors and other private shareholders before the IPO with EUR 1.50 per warrant. Each tonies warrant entitles the holder to exercise one tonies warrant for one public share with an exercise price of EUR 11.50.
(v) 16,000 new public shares to the Chairperson of the Supervisory Board Anna Dimitrova at EUR 11.74 each. The Company's share capital was raised by EUR 256 in conjunction with the issuance of these shares.

In the course of the capital reorganization, the historical share capital of tonies Holding GmbH, amounting to kEUR 100, is consolidated with the equity interests in tonies Holding GmbH.

Hence, the share capital of the Company under its Articles of Association amounted to kEUR 1,837 and 114,841,701 shares are outstanding including:

- 107,341,701 public shares; and
- 7,500,000 sponsor shares.

In December 2021, tonies reacquired the 16,400,000 warrant shares (10,000,000 public warrants and 6,400,000 sponsor warrants) from its subsidiary at par value of EUR 0.016, reducing its share capital to kEUR 1,575 and presenting these shares as treasury shares within share capital.

For any matter submitted to a vote of the shareholders, except as required by Luxembourg law, holders of public shares and holders of sponsor shares will vote together as a single class, with each share entitling the holder to one vote. All public shares carry full dividend rights from the date of their issuance.

Through the issuance of 77,347,586 new public shares in connection with the closing of the business combination, the dividend rights and voting rights of each existing holder of public shares were diluted by approximately 72%.

During a capital increase in November 2022 tonies has successfully placed 12,000,000 new class A shares of the Company with institutional investors, including certain existing shareholders of the Company who had committed to participate in the placement, at a placement price of EUR 5.00 per class A share.

As a result, the Company's share capital increased by 10.4%, from EUR 1,837,561.38 to EUR 2,029,561.38, through the partial utilization of its authorized capital (the "Capital Increase"). Shareholders' preferential subscription rights were excluded in accordance with the articles of association of the Company. The new class A shares will have full dividend rights for the financial year 2022. The Company has received gross proceeds from the capital increase of EUR 60 million.

No changes in share capital occurred in 2023.

13.2. Share premium

On 31 December 2021 the share premium amounts to kEUR 548,791. Included within share premium is an effect of kEUR 348,685 resulting from the capital reorganization as well as kEUR 2,155 resulting from equity-settled share-based payment arrangements. The detailed individual effects are presented in the following.

The accounting acquirer tonies Holding GmbH has a share premium of kEUR 368,610 in 2021, including a capital contribution of kEUR 170,658 from tonies SE and the repayment of a shareholder loan by dissolution of capital reserves in the amount of kEUR 5,249.

The share premium of the accounting acquirer is carried forward and adjusted for the share premium of the legal acquirer. These adjustments are described in the following.

On 15 April 2021, the sponsors contributed an amount of kEUR 1,080 to the equity of tonies without issuance of shares. The initial private placement of tonies of 30,000,000 shares, completed on 29 April 2021, resulted in an increase in share premium in the amount of kEUR 299,420.

In connection with the acquisition of tonies Holding GmbH, the issue of new public shares resulted in the following contributions to the share premium:

(i) 5,885 public shares were redeemed by tonies' shareholders and directly issued as part of the new public shares to tonies Holding GmbH's and tonies Beteiligungs GmbH's legacy shareholders. The redemption resulted in a decrease of tonies' share premium of kEUR 59.
(ii) an increase in share premium of kEUR 503,509 for the acquisition of all shares held by Höllenhunde GmbH in tonies Beteiligungs GmbH and the acquisition of all shares in tonies Holding GmbH.
(iii) an increase in share premium of kEUR 104,832 for new public shares under the subscription agreements in connection with the business combination entered into by the Company with investors in a private investment in public equity (PIPE) transaction.
(iv) kEUR 188 for the issue of new public shares to Anna Dimitrova.

The acquisition of tonies Holding GmbH in November 2021 is accounted for as a capital reorganization in accordance with IFRS 2. Therefore, an expense was recognized, as a listing fee, for the difference of the fair value of the shares deemed to have been issued by the tonies Holding GmbH, the accounting acquirer, and the fair value of the identifiable net assets of tonies', the accounting acquiree. The fair value of the shares deemed to have been issued was calculated based on tonies' share price on 26 November 2021 of EUR 11.70. The recognition of a listing fee expense resulted in an increase of tonies' share premium amounting to kEUR 209,248. The Pro Forma financials in tonies' prospectus included an estimation of kEUR 122,634 as listing fee. The difference results mainly from the fair value of the shares deemed to have been issued being calculated based on tonies' share price on 11 November 2021 of EUR 10.57 as well as the effect of the adjustment of warrants to fair value.

tonies' accumulated loss for the period 29 March 2021 until 26 November 2021, which is the period before the acquisition of tonies Holding GmbH, was reclassified to share premium, resulting in a decrease of share premium in the amount of kEUR 71,667. The Pro Forma financials in tonies' prospectus included an estimation of kEUR 22,917 as accumulated loss for the period before the acquisition, including incurred losses of kEUR 11,421 and estimated transaction costs of kEUR 11,496. The difference results mainly from additional expenses from the valuation of the warrant shares.

Due to the nature of the capital reorganization, the equity interests in tonies Holding GmbH and tonies Beteiligungs GmbH, amounting to kEUR 889,817, were consolidated with share premium.

As tonies SE purchased the NCI in tonies Beteiligungs GmbH, amounting to kEUR 21,293, in the course of the acquisition in November 2021, these NCI were consolidated with share premium.

From the capital increase 2022 mentioned above the share premium increased by kEUR 58,374 to kEUR 607,166. No changes have occurred in 2023.

13.3. Other reserves

Other reserves include the following:

(i) Translation reserves for exchange differences in translation to presentation currency amounting to kEUR 2,459 in 2023 (2022: kEUR – 821). For more information on currency exchange refer to note 3.2.

(ii) Transaction cost reserve amounting to kEUR – 1,871 from the capitalization of transaction costs at tonies Holding GmbH (kEUR – 203) and tonies SE (– 1,668) during the 2021 capital reorganization. As a result of the issuance of new public shares (10,500,000 to PIPE investors and 16,000 to the Chairperson of the Supervisory Board), tonies incurred costs in the amount of kEUR 22,457. According to IAS 32, these costs were evaluated with regard to their deductibility from equity (so called incremental costs). As a result, kEUR 2,518 of these costs were recognised as a reduction in equity within the transaction cost reserve (tonies Holding GmbH: kEUR 295, tonies SE: kEUR 2,223). The corresponding deferred tax effect of kEUR 647 was also recognized in the transaction cost reserve (tonies Holding GmbH: kEUR 92, tonies SE: kEUR 554).

(iii) The stock option program granted in November 2021 has been classified as an equity-settled share-based payment plan in accordance with IFRS 2. In 2023 kEUR 4,945 (2022: kEUR 24,539) have been vested. For further information, please refer to note 22.

14. Capital management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

Within the scope of capital management, the company's business objective, in addition to ensuring the going concern of the Company, is to increase the value of the company in the long term.

The Group's equity ratio decreased from 69,5 % to 66,1 % due to tonies' loss in 2023. As at the year end, the Group had unused credit facilities in the amount of kEUR 15,000 (2022: kEUR 26,000) out of a total line of credit of kEUR 30,000 (2022: kEUR 26,000). The Group was able to meet its financial obligations at all times during the reporting year and thereafter. Group management is in constant discussion with its banks to ensure stable credit lines also in future to always maintain sufficient liquidity. For further information on waivers during the reporting period, refer to note 15.

15. Loans and borrowings

Loans and borrowings can be broken down as follows:

Loans and borrowings in kEUR	31.12.2023	31.12.2022
Non-current liabilities		
Non-current portion of the bond	7,433	6,849
Current liabilities		
Current portion of secured bank loans	15,323	1
Other	232	0
Total	**22,988**	6,850

On 28 June 2022 tonies SE as Issuer entered into a Subscription Agreement relating to the tonies SE up to EUR 30,000,000 Convertible Bonds due 2027, convertible into class A shares in dematerialised form of tonies SE. The bond is split into three tranches of EUR 10,000,000 each. The closing date for the mandatory issue size of Euro 10 million is the 1 July 2022 and the additional two upsize options of Euro 10 million each can be drawn starting from 1 July 2022 but not later than 15 December 2022. None of the additional upsize options were drawn before 15 December 2022 and therefore are not available any more.

During the initial recognition the total cash received was split into an equity (kEUR 3,276) and a liability component (kEUR 6,724) as of 1 July 2022. Valuation of the components have been performed in accordance with binominal-lattice model. As at 31 December 2023 the liability component amounts to kEUR 7,433 at amortized costs. The bond liability involves a nominal interest of 5 % p.a.

A new syndicated loan provided by four financial institutions has been signed on 25 September 2023 in exchange for the existing individual bank loans of kEUR 26,000. The syndicated loan has a total volume of kEUR 30,000 with an option to increase by an additional kEUR 10,000 and a duration until 25 September 2026. The Increase option is subject to the fulfilment of certain requirements to be met. As at 31 December 2023 an amount of kEUR 15,000 plus accrued interest has been utilized.

For Information about tonies' exposure to interest rate, foreign currency and liquidity risks please refer to note 19.2.

15.1. Terms and repayment schedule

Loans and borrowings	Original currency	Matures in	Interest type	Effective interest rate in %	Nominal value kEUR	Carrying amount kEUR
31.12.2023						
Bond	EUR	1 Jul 2027	fix	5.00	10,000	7,433
Secured bank loans	EUR	25 Sept 2026	variable[2]	8.91	15,000	15.323
Other loans and borrowings	EUR	n/a	fix[1]	8.91	232	232
Total					**25,232**	**22,988**
31.12.2022						
Bond	EUR	1 Jul 2027	fix	5.00	10,000	6,849
Secured bank loans	EUR	n/a	fix[1]	4.05	1	1
Total					**10,001**	**6,850**

As of 31 December 2023, the Group has outstanding credit lines from overdraft facilities from secured bank loans amounting to kEUR 15,000 out of the kEUR 30,000 total available amount (31. 12. 2022: kEUR 26,000).

Regarding the assignment of inventories as collateral for liabilities to banks refer to note 10.

15.2. Loan covenant

tonies SE and tonies GmbH have signed the new syndicated loan agreement mentioned above as of 25 September 2023.

tonies Holding is obliged to maintain several financial ratios regarding secured bank loans at the level of tonies GmbH subgroup:

- Minimum EBITDA
- Minimum Equity and
- Minimum coverage of short-term liabilities through assets

Failure to comply with a financial covenant constitutes a material reason for terminating the loan and alternatively entitles to demand the provision or strengthening of collateral. This might lead to the immediate repayment of the outstanding amount. No covenant breaches have been noticed and we do not expect any breaches for the future as of today.

[1] Unsecured and secured bank loans, resulting from overdraft facilities, have cancellation periods subject to individual conditions agreed with the corresponding financial institutions (usually of at least two months). Interest rates are generally fix but are reviewed by the banks on a regular basis.
[2] Secured bank loan. Conditions are fixed for a specific tranche for a limited period of time (usually at least two months).

15.3. Reconciliation of movements of liabilities to cash flows arising from financing activities

The following table provides a reconciliation between the opening and closing balances in the consolidated statement of financial position. The changes from financing cash flows loans and borrowings and lease liabilities are presented separately.

Loans and borrowings & Lease liabilities (Reconciliation of movements) in kEUR	Bank loans	Lease liabilities	Other loans	Total
Balance as of 1.1.2023	**6,850**	**5,575**	**0**	**12,425**
Changes from financing cash flows				**0**
Proceeds from loans and borrowings	15,000	0	0	15,000
Repayment of borrowings	0	0	0	0
Payments of lease liabilities	0	– 1,099	0	– 1,099
Interest paid	0	0	0	0
Total changes from financing cash flows	**15,000**	**– 1,099**	**0**	**13,901**
Liability-related				
New lease liabilities	0	869	0	869
Interest expense	907	269	0	1,176
Other	232	0	0	232
Total liability-related other changes	**1,139**	**1,138**	**0**	**2,277**
Balance as of 31.12.2023	**22,989**	**5,614**	**0**	**28,603**

Loans and borrowings & Lease liabilities (Reconciliation of movements) in kEUR	Bank loans	Lease liabilities	Other loans	Total
Balance as of 31.12.2022	**332**	**884**	**0**	**1,216**
Changes from financing cash flows				
Proceeds from loans and borrowings	6,849	0	0	6,849
Repayment of borrowings	– 331	0	0	– 331
Payments of lease liabilities	0	– 588	0	– 588
Interest paid	– 451	0	0	– 451
Total changes from financing cash flows	**6,067**	**– 588**	**0**	**5,479**
Liability-related				
New lease liabilities	0	5,290	0	5,290
Interest expense	694	251	0	945
Other	– 243	– 262	0	– 505
Total liability-related other changes	**451**	**5,279**	**0**	**5,730**
Balance as of 31.12.2022	**6,850**	**5,575**	**0**	**12,425**

16. Trade payables and other liabilities

Trade payables in kEUR	31.12.2023	31.12.2022
1. Trade payables	31,532	34,315
2. Trade accrued expenses	3,453	4,816
3. Return liability	3,921	280
Sum of Trade payables	**38,906**	**39,412**

Other liabilities in kEUR	31.12.2023	31.12.2022
Other financial liabilities		
1. Liabilities for licenses	21,100	15,543
2. Liabilities for customer bonus	0	0
3. Accrued expenses	5,956	6,298
4. Payables to employees	1,256	496
5. Derivative financial liabilities	115	2,202
6. Other liabilities financial	0	0
Sum of other financial liabilities	**28,427**	**24,540**
Other non-financial liabilities		
1. Payroll tax and social security contributions	1,206	1,087
2. Liabilities resulting from input taxes and VAT	6,714	5,037
3. Liabilities from wages and salaries	1,332	1,067
4. Other liabilities non-financial	3,378	3,623
Sum of other non-financial liabilities	**12,630**	**10,813**
Total	**41,057**	**35,353**

To provide a more reliable and relevant presentation considering their nature, accrued expenses were reclassified from non-financial to financial liabilities in both periods.

Accrued expenses mainly consist of advertisement subsidies, personnel expenses and outstanding invoices for individual requirements from license contracts. The outstanding invoices were partly recognised as provisions in the prior year due to a higher degree of uncertainty at that point.

For information about tonies' exposure to currency and liquidity risks please refer to note 19.2.

17. Warrant liabilities

Derivatives in kEUR	31.12.2023	31.12.2022
1. Warrants	5,832	12,435
Sum of Warrant liabilities	**5,832**	**12,435**

Regarding the valuation of the warrants we refer to note19.1.

18. Other Provisions

Other provisions in kEUR	Warranties	Licenses	Legal	Other	Total
Balance as of 1.1.2023	**2,857**	**16,673**	**1,694**	**13**	**21,237**
Added	318	6,233	0	5,931	12,482
Utilised	1,661	9,977	0	0	11,638
Release	0	3,257	0	0	3,257
Balance as of 31.12.2023	**1,514**	**9,672**	**1,694**	**5,944**	**18,824**
Date of maturity					
Current	**1,514**	**9,672**	**1,694**	**5,944**	**18,824**
Non-current	**0**	**0**	**0**	**0**	**0**
Total other provisions					

Other provisions in kEUR	Warranties	Licenses	Legal	Other	Total
Balance as of 1.1.2022	**922**	**18,678**	**3,247**	**13**	**22,859**
Added	2,857	1,602	235	0	4,694
Utilised	922	3,607	1,788	0	6,317
Balance as of 31.12.2022	**2,857**	**16,673**	**1,694**	**13**	**21,237**
Date of maturity					
Current	2,857	16,673	1,694	13	21,237
Non-current	0	0	0	0	0
Total other provisions	**2,857**	**16,673**	**1,694**	**13**	**21,237**

The provisions for licences were recognised to cover the fees for the performance right organizations and collecting societies and similar organizations. The sales figures of the previous business year and the expected fee were used to determine the licence provision.

Major uncertainties relate to the actual warranty expenses incurred and related outflow of resources whether in cash or exchange material. Furthermore, the calculation of potential license payments is based on assumptions derived from current discussions with licensors and expected calculation schemes. The outflow of resources will be short-term as soon as the underlying calculation schemes are finalised between the parties involved. The same uncertainties relate to legal provisions.

19. Financial instruments and risk management

19.1. Financial instruments

The following table provides the carrying amounts and fair values of all financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. The fair values (MTM) are calculated on the basis of stochastic models taking into account the discounted expected future cash flows of the reciprocal payment obligations as of the measurement date.

Financial instruments in kEUR	Note	Mandatorily at FVTPL – others	Financial assets at amortised costs	Other financial liabilities	Total	Fair Value
Balance as of 31.12.2023						
1. Trade and other receivables	11	0	73,059	0	73,059	73,059
2. Cash	12	0	59,288	0	59,288	59,288
Financial assets not measured at fair value		**0**	**132,347**	**0**	**132,347**	**132,347**
1. Bonds	15	0	0	7,433	7,433	8,424
2. Secured bank loans	15	0	0	15,323	15,323	15,323
3. Other loans and borrowings				232	232	232
4. Trade and other payables	16	0	0	79,963	79,963	79,963
Financial liabilities not measured at fair value		**0**	**0**	**102,952**	**102,952**	**103,942**
1. Warrants (Level 2)	19.1	5,832	0	0	5,832	5,832
2. Derivative financial liabilities (Level 2)	16	115	0	0	115	115
Financial liabilities measured at fair value		**5,947**	**0**	**0**	**5,947**	**5,947**

Financial instruments in kEUR	Note	Mandatorily at FVTPL – others	Financial assets at amortised costs	Other financial liabilities	Total	Fair Value
Balance as of 31.12.2022						
1. Trade and other receivables	11	0	53,212	0	53,212	53,212
2. Cash	12	0	54,918	0	54,918	54,918
Financial assets not measured at fair value		**0**	**108,131**	**0**	**108,131**	**108,131**
1. Bonds	15	0	0	6,849	6,849	6,849
2. Secured bank loans	15	0	0	1	1	1
3. Trade and other payables	16	0	0	74,765	74,765	74,765
Financial liabilities not measured at fair value		**0**	**0**	**81,615**	**81,615**	**81,615**
1. Warrants (Level 2)	19.1	12,435	0	0	12,435	12,435
2. Derivative financial liabilities (Level 2)	16	2,202	0	0	2,202	2,202
Financial liabilities measured at fair value		**14,637**	**0**	**0**	**14,637**	**14,637**

In accordance with IFRS 7.29, the Group does not disclose the fair values of financial instruments if the carrying amounts of financial assets or liabilities are a reasonable approximation of the fair values.

The fair value or forward exchange contracts used for economic hedging is determined based on FX rates and yield curves built from observable market parameters – and where applicable – on Black Scholes or local volatility models calibrated to available volatility quotes.

If reclassifications to other levels of the measurement hierarchy are necessary, they are made at the end of the fiscal year in which the event that requires the reclassification occurs. There were no reclassifications for all periods.

Financial liabilities in kEUR	31.12.2023	31.12.2022
1. Derivative financial liabilities	115	2,202
Sum of financial liabilities	115	2,202

19.1.1. Warrant Fair Value

Public warrants
On 29 April 2021, the Company had issued 10,000,000 public warrants (or "Class A warrants") together with the Class A shares (together, as "Unit") for an aggregate price of EUR 10 per Unit, each unit comprising one Class A share and one third of a Public Warrant. The nominal subscription price per Public warrant was EUR 0.01. Hence total proceeds in relation to the issue of the Public warrants amount to EUR 100,000. Public warrants has ISIN code LU2333564099. Each Public warrants entitles its holder to subscribe for one Class A share, with a stated exercise price of EUR 11.50, subject to customary anti-dilution adjustments. Holders of Public warrants can exercise the warrants on a cashless basis unless the Company elects to require exercise against payment in cash of the exercise price.

On the issue date, the fair value of Public warrants was estimated at EUR 9,100,000 (EUR 0.91 per warrant) using Monte Carlo valuation model, resulting in the recognition of a day-one loss of EUR 9,000,000.

The significant inputs to the valuation model include the contractual terms of the warrants (i.e. exercise price, maturity), risk-free rates of German government bonds and volatility of the warrants by reference to traded warrants issued by similar listed special purpose acquisition companies.

As at 31 December 2023, the fair value of Public warrants was estimated at EUR 3,400,000 (EUR 0.34 per warrant) using Monte Carlo Simulation approach (level 3). As at 31 December 2022, the fair value of Public warrants was estimated at EUR 5,400,000 (EUR 0.54 per warrant) based on available market price.

Public warrants may only be exercised for a whole number of Class A shares. Public warrants will become exercisable 30 days after the completion of a Business Combination. Public warrants expire five years from the date of the consummation of the Business Combination, or earlier upon redemption or liquidation. The Company may redeem Public warrants upon at least 30 days' notice at a redemption price of EUR 0.01 per Public warrant if (i) the closing price of its Class A shares for any 20 out of the 30 consecutive trading days following the consummation of the Business Combination equals or exceeds EUR 18.00 or (ii) the closing price of its Class A shares for any 20 out of the 30 consecutive trading days following the consummation of the Business Combination equals or exceeds EUR 10.00 but is below EUR 18.00, adjusted for adjustments as described in the section of redemption of warrants in the prospectus. Holders of Public warrants may exercise them after the redemption notice is given.

Sponsor warrants
On 16 April 2021, the Sponsor and Co-Sponsors have subscribed for an aggregate of 5,500,000 Sponsor warrants at a price of EUR 1.5 per warrant (the "Sponsor Capital At Risk") and the aggregate price of EUR 8,250,000. The Sponsor agreed to set off EUR 45,500 of the shareholder loan against the subscription price of the Sponsor warrants. The proceeds from the Sponsor warrants was used to finance the Company's working capital requirements, Private Placement and listing expenses (except for fixed deferred listing commission which shall be paid from the escrow account), and due diligence cost in connection with the Business Combination.

On the same date, the Sponsor and Co-Sponsors have additionally subscribed for 900,000 Sponsor warrants (together with the 5,500,000 Sponsor warrants representing the Sponsor Capital At Risk at a price of EUR 1.50 per warrant and for an aggregate price of EUR 1,350,000 (the "Additional Sponsor Subscription"). The proceeds from this Additional Sponsor Subscription is used to cover the negative interest, if any, on the cash that was held in escrow. For any excess portion of the Additional Sponsor Subscription remaining after the consummation of the Business Combination and any redemption of Class A shares, the Sponsor and Co-Sponsors may:

i) elect to either request repayment of the remaining cash portion under the Additional Sponsor Subscription by redemption of the corresponding number of Sponsor warrants subscribed for under the Additional Sponsor Subscription; or
ii) not to request repayment of the remaining cash portion of the Additional Sponsor Subscription and to keep the Sponsor warrants subscribed under the Additional Sponsor Subscription.

Sponsor warrants are identical to the Public warrants underlying the Units sold in the Private Placement, except that the Sponsor warrants are not redeemable and may always be exercised on a cashless basis while held by the Sponsor and the Co-Sponsors or their Permitted Transferees (defined in the prospectus). Sponsor warrants are not part of the Private Placement and are not listed on a stock exchange.

On the issue date, the fair value of Sponsor warrants was estimated at EUR 8,448,000 (EUR 1.32 per warrant) using Black-Scholes option pricing model, resulting in the recognition of a day-one gain of EUR 1,152,000.

As at 31. December 2023, the fair value of the 6,400,000 Sponsor warrants was estimated at EUR 2,432,000 (EUR 0.38 per warrant) using Black-Scholes option pricing model (level 3). As at 31. December 2022, the fair value of the 6,400,000 Sponsor warrants was estimated at EUR 6,848,000 (EUR 1.07 per warrant) using Black-Scholes option pricing model (level 3).

The significant inputs to the valuation model include the contractual terms of the warrants (i.e. exercise price, maturity), risk-free rates of German government bonds and volatility of the warrants by reference to Germany TECDAX index.

If reclassifications to other levels of the measurement hierarchy are necessary, they are made at the end of the fiscal year in which the event that requires the reclassification occurs. There were no reclassifications for all periods.

19.2. Financial risk management

tonies' managing directors have overall responsibility for the establishment and oversight of tonies' risk management framework. The managing directors are also responsible for developing and monitoring its risk management policies.

tonies' risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and internal controls and to monitor risks and adherence to limits. tonies, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The company is currently adjusting internal risk management and internal controls processes to be compliant with the requirements of a public company and to adjust it to the group's continuing growth. This involves a detailed documentation of processes, controls implemented and related management testing. Where necessary, processes are adjusted and additionally controls are implemented. This process is expected to be materially completed mid 2023 for the German operating entity while the strong growing foreign subsidiaries are still in progress due to constant process changes as a result of the growth. However, management has implemented detective internal controls to be able to ensure complete and accurate financial information.

tonies' main financial liabilities generally include trade payables and loans and borrowings consisting of secured and unsecured bank loans as well as lease liabilities. The primary purpose of these financial liabilities is to finance the Group's operations and provide guarantees to support its operations. Furthermore, the Group has other payables and cash directly related to its business activities. The Group is mainly exposed to liquidity risk as well as low credit and market risk.

19.2.1. Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum credit exposure is represented by the carrying amounts of financial assets deducted by the Company's insurances for specific assets. The Company monitors its risk regularly.

Expected credit loss assessment for counterparties
The Company allocates each exposure to a credit risk based on data that is determined to be predictive of the risk of loss. The maximum credit risk is presented in the following table:

Maximum credit risk of financial assets in kEUR	31.12.2023	31.12.2022
Trade receivables (not factored, not insured)	2,953	7,154
Other financial assets	8,351	23,988
Cash	59,288	59,288

Other financial assets mainly reflect deposits and receivables from payment providers for which the risk of default is low. No material impairment losses for other financial assets were therefore identified for any of the reported periods.

Cash mainly consist of bank balances. The corresponding creditworthiness is also monitored regularly. Due to the good credit rating of the banks, the cash have a very low risk of default. No material impairment losses were therefore identified for any of the reported periods.

For trade receivables, the Company applies the so-called "simplified approach" and recognises the expected credit losses over the entire remaining term already upon addition. Under the simplified approach, the Company determines the expected credit losses by category of the trade receivables, taking into account historical default rates on the basis of historical default data from the last financial year and taking into account forward-looking macroeconomic indicators.

The Company differentiates between receivables from businesses and receivables from individual customers. For the latter, no expected credit losses were recognised. For receivables from businesses the Company has taken out an insurance for multiple customers. Therefore, not all receivables from businesses are taken into account for the maximum credit risk exposure.

A bad debt provision is recognised on an individual basis under the simplified approach if one or more events with an adverse effect on the debtor's credit rating have occurred. These events are, among others, payment delays, an impending insolvency or concessions by the debtor due to payment difficulties. Trade receivables are written off directly when their recoverability is no longer reasonably expected. This is the case, for example, when the debtor is determined to be insolvent.

Expected credit loss on trade receivables relate only to contracts with customers and have developed as follows:

in kEUR	Expected credit loss
Balance as of 1.1.2023	**8**
Net remeasurement of loss allowance	125
Balance as of 31.12.2023	**133**
Balance as of 1.1.2022	**41**
Net remeasurement of loss allowance	– 33
Balance as of 31.12.2022	**8**

Credit risk	Weighted-average loss rate in %	Gross carrying amount in kEUR	Loss allowance in kEUR	Net carrying amount in kEUR
31.12.2023				
Current (not past due)	0.08 %	1,708	57	1,651
1 – 30 days past due	0.11 %	282	33	249
31 – 60 days past due	0.20 %	248	11	237
61 – 90 days past due	0.34 %	162	16	146
More than 90 days past due	0.63 %	553	16	537
Total		**2,953**	**133**	**2,820**
31.12.2022				
Current (not past due)	0.07 %	4,164	3	4,161
1 – 30 days past due	0.10 %	1,323	1	1,322
31 – 60 days past due	0.16 %	1,273	2	1,271
61 – 90 days past due	0.20 %	0	0	0
More than 90 days past due	0.39 %	393	2	391
Total		**7,154**	**8**	**7,146**

19.2.2. Liquidity Risk

Liquidity risk is the risk that tonies will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

tonies aims to maintain the level of its cash at an amount in excess of expected cash outflows on financial liabilities. Regarding a potential risk on the default of single banks we refer to note 31.

Exposure to liquidity risk
The following table shows the remaining contractual maturities of tonies' financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

Liquidity risk in kEUR	Carrying amount	Total	< 1 years	1 – 5 years	More than 5 years	Interest rate
31.12.2023						
Convertible bond	7,433	12,000	500	11,500		5.00 %
Lease liabilities	5,614	7,224	1,359	3,605	2,260	
Loans and borrowings	15,555	15,555	15,555			8.91 %
Trade and other payables	79,963	79,963	79,963	0	0	
Warrants	5,832	5,832	5,832			
Total	**114,397**	**120,574**	**103,209**	**15,105**	**2,260**	
31.12.2022						
Convertible bond	6,849	12,500	500	12,000	0	5.00 %
Lease liabilities	5,575	9,349	1,469	7,752	128	
Trade and other payables	74,765	74,765	74,765	0	0	
Warrants	12,435	12,435	12,435	0	0	
Total	**99,624**	**109,049**	**89,169**	**19,752**	128	

tonies is exposed to liquidity risks, if the financial covenants for the secured and unsecured bank loans are not met. Besides the convertible and the capital increase tonies is currently working with selected banks on the prolongation of credit lines in the form of a syndicated loan, which was signed during 2023.

tonies has also implemented a daily cash reporting to ensure a current view over the short-term liquidity compared to planned cash outflows.

The interest payments for the secured bank loans in the table above reflects the interest rate at the reporting date. The interest rate may change if the market interest rates change as well as a specific leverage ratio will not be maintained.

19.2.3. Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect tonies' income or the value of its holdings of financial instruments. The financial instruments affected by market risk essentially comprise of financial liabilities.

Interest rate risk

In general, interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. With regard to tonies, certain recognised loans and borrowings have interest rates based on variable parameters.

The following table shows the fixed-interest or non-interest-bearing liabilities and the variable interest-bearing liabilities:

Carrying amounts of financial liabilities bearing interest in kEUR	31.12.2023		31.12.2022	
	Fixed-interest or non-interest-bearing	Variable interest rate	Fixed-interest or non-interest-bearing	Variable interest rate
Loans and borrowings	7,665	0	6,849	0
Secured bank loans	0	15,323	1	0

The sensitivity to interest rates is as follows for the secured bank loans:

Effects on profit before tax in kEUR	Loans and borrowings (+100 BP)	Loans and borrowings (–100 BP)
31.12.2023	–137	137
31.12.2022	0	0

Currency risk

tonies is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which loans and borrowings and trade payables are denominated and the respective functional currency of tonies. The functional currency of tonies is Euro. Revenues are partly denominated in USD and GBP, while most of revenue is still generated in EUR with constantly increasing USD revenues from the US entity. Procurement is partly denominated in USD for key suppliers (e.g. for boxes and Tonies) and some IT services utilised.

The following table shows tonies' exposure to currency risk:

Market risk	31.12.2023			31.12.2022		
	kEUR	k $	k £	kEUR	k $	k £
Trade receivables	0	22,611	7,149	0	16,739	2,851
Cash	731	23,365	12,537	0	7,961	10,240
Trade payables	0	–16,714	–1,659	0	–6,233	–903
Net exposure	**731**	**29,262**	**18,027**	**0**	**18,467**	**12,188**

In the financial year 2023, forward exchange contracts amounting to k USD 12,440 (2022: kUSD 40,000) were used by the Group to secure against currency risks from purchases in USD.

The following significant exchange rates have been applied:

	Average rate		Exchange rate as of	
	2023	2022	31.12.2023	31.12.2022
$	0.9172	0.9444	0.9050	0.9376
£	1.1605	1.1501	1.1507	1.1275

In 2023 foreign currency translation resulted in income of kEUR 6,754 (2022: kEUR 11,225) and expenses of kEUR 9,060 (2022: kEUR 10,753).

The sensitivity to currencies is as follows for the balance sheet items:

Effects on profit before tax	USD net exposure (+10%)	USD net exposure (–10%)	GBP net exposure (+10%)	GBP net exposure (–10%)
31.12.2023	7,554	–9,233	2,903	–3,549
31.12.2022	2,550	–3,117	977	–1,195

Other market risks
tonies is not significantly exposed to other market risks.

20. Revenue

The following table present the revenue from contracts with customers disaggregated by primary geographical market and major products.

Revenue from contracts with customers in kEUR	2023	2022
DACH	**165,863**	**154,241**
Starterset	35,415	38,892
Tonies	118,896	109,223
Other (e.g. Accessories and mytonies)	11,552	6,127
NA	**140,364**	**70,227**
Starterset	46,309	34,603
Tonies	75,045	31,347
Other (e.g. Accessories and mytonies)	19,009	4,277
RoW	**54,721**	**33,813**
Starterset	18,662	13,767
Tonies	33,463	18,549
Other (e.g. Accessories and mytonies)	2,597	1,497
Total	**360,948**	**258,282**

20.1. Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with a customer. tonies recognises revenue when it transfers control over a good to a customer. Relevant return options are considered where applicable and material.

As of 31 December 2023, potential product returns have been estimated based on the experience in the past resulting in a revenue reduction of kEUR 3,921 (31.12.2022: kEUR 670) and the recognition of a return liability of kEUR 3,921 (see Note 16). A corresponding right of return asset of kEUR 1,155 (31.12.2022: kEUR 115) has been set up resulting in a reduction of costs of materials and licensing costs.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Type of product	Nature and timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition under IFRS 15
Startersets, Tonies and Accessories	B2B: Since tonies mainly uses the incoterm DDP, customers obtain control of the product when they receive it. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 30 – 90 days. B2C: customers obtain control of the product when they receive it. Invoices are directly payable depending on customers choice of payment method	Revenue is recognised when the customer receives the product. Marketing subsidies and customer bonuses as well as any discounts are deducted from revenue
mytonies	Invoices are generated and revenue is recognised at the point in time of the download of items from the platform. Invoices are usually payable immediately as credit cards, Paypal or direct transfers are being used.	Revenue is recognised when the download is performed

20.2. Returns, refunds and similar obligations

Tonies has a general return policy with return period differing between the markets as a result of customer structure, sales channels and legal requirements.

Returns are accounted for under the guidance of IFRS 15.55 and IFRS 15.B20–27. Returns are monitored for the larger markets DACH and US. For other markets this monitoring is currently established but does not yet provide reliable data that can be used in the accounting for returns. Expectation on the reusability of returned products are being considered at a market level that also differs from actual and legal requirements. A liability for returns as well as a return asset are recognized in the financial statements. Revenue and cost of sales are adjusted accordingly (IFRS 15.B21). The liability is being set up in the amount to be returned to the customer including shipping cost. The return asset is calculated for the right to recover products from customers on settling the refund liability. Licensing cost that can be recovered are included in the calculation.

20.3. Warranties

For warranties, the general country specific rights are applicable. In case a customer claims tonies for a defect product, tonies will pay the delivery cost for resending the initial item and provide a new item in exchange at its cost. If the product is in fact defect also cost of quality check (outsourced to an external partner) and proper waste disposal of batteries and electronic parts need to be taken over by tonies.

Therefore, the obligation to deliver a new product in exchange is the main cost driver within warranty; quality check (partly internal personnel cost, partly external providers engaged) and delivery cost including fees charged by our logistics partner for waste disposal are also included in the warranty calculation.

The legal requirements of the warranty and the length of the warranty coverage period are a strong indicator that the warranty does not qualify as a performance obligation under IFRS 15. Warranty rights of customers are included in the initial sales price and cannot be purchased or extended separately. Therefore, tonies warranties are viewed as assurance-type warranties and in accordance with IFRS 15.B30 tonies accounts for its warranties in accordance with IAS 37.

21. Cost of materials and licensing costs

Cost of materials can be broken down as follows:

Cost of materials in kEUR	1.1.2023 – 31.12.2023	1.1.2022 – 31.12.2022
1. Raw materials and consumables used	127,895	164,471
2. Purchased services	1,764	2,076
3. Licensing costs	36,332	31,668
Total	**165,991**	**198,215**

The costs for purchased services mainly consist of quality control services.

The licensing costs comprise expenses for various licenses and concessions in the amount of kEUR 36,332 (2022: kEUR 31,668). The increase compared to 2022 is mainly related to increased revenues while after successful negotiations with collecting societies as well as new contracts achieving better rates due to the volume increase.

The total licensing cost consists of two major categories:

Category 1 is direct licensing expense to license providers for the use of the tonies figurines as well as music and content licensed by the third-party license providers. The licenses are mostly paid per unit sold. No rights or licenses are being acquired.

Category 2 is direct license expense to collecting societies like GEMA, ZPÜ, AustroMechana, Suisa and others. These licensors collect license fees for reproduction and distribution of music and other content. The licenses are mostly paid per unit sold. No rights or licenses are being acquired.

As a consequence, tonies has not acquired any licenses or rights through the license payments above and therefore does not capitalize any licensing cost. License payments are a material part of the companies' liabilities in connection with the production and sale of Tonies and Tonieboxes to customers.

22. Share-based payments

22.1. Virtual Stock Programme at the level of tonies Holding GmbH

Starting in March 2020 the Group has implemented a share-based payment compensation scheme for eligible employees in the form of virtual stock options based on a future potential profit based on an exit price of the business minus the initial investment and transaction cost. The scheme is entirely cash-settled and is intended to improve the long-term employee-retention.

The scheme has a vesting period of 48 months and cliff period of 12 months. It includes a certain number of fixed, virtual shares. In individual cases, it includes a certain number of shares that vest if performance conditions, such as sales targets, are achieved.

As of 31 December 2023, the scheme involves 20 (2022: 21) employees of the C- and D-management-level.

For two beneficiaries, the program is partly dependent on certain milestones to be reached in local businesses. These components are treated as time-based options.

As of 26 November 2021 in connection with the SPAC transaction of the parent company tonies SE, most of the beneficiaries of the program have sold their shares vested until then resulting in a payment of kEUR 6,116.

In 2023 a total of kEUR 284 (2022: kEUR 756) was recognised as personnel expenses for these employees. The fair value has been calculated using the share prices as at year end date 2023 as the share prices are the best estimate for the future payments. The plan resulted in a payout of kEUR 1,235 in 2022. Total liability from this plan as at 31 December 2023 is kEUR 4,689.

22.2. Virtual Stock Programme at the level of tonies SE

Starting in 2022 the Group has implemented a share-based payment compensation scheme for eligible employees of tonies US, Inc. in the form of virtual stock options. The scheme is entirely cash-settled with an option of equity settlement. During 2023 this programme was extended to 6 employees of tonies GmbH and tonies UK Ltd.

The scheme has a vesting period of 48 months and cliff period of 12 months except for one employee without cliff period. It includes a certain number of fixed, virtual shares. In individual cases, it includes a certain number of shares that vest if performance conditions, such as sales targets, are achieved.

As of 31 December 2023, the scheme involves 22 management employees (2022: 19 employees). During 2023 a total of 239,432 shares vested while kEUR 699 has been exercised. As of 31 December 2022, no exercise has taken place.

For one beneficiary, the program is partly dependent on certain milestones to be reached in local businesses. These components are treated as time-based options for simplification.

In 2023 a total of kEUR 1,133 was recognised as personnel expenses for these employees (2022: kEUR 1,693). The fair value has been calculated using the share prices and at year end date 2022 as the share prices are the best estimate for the future payments. There were payouts on the amount of kEUR 699 in 2023 while there were no payouts from this plan in 2022. Total liability from this plan as at 31 December 2023 is kEUR 2,126.

22.3. Equity Stock Option Plan at the level of tonies SE

As of 26 November 2021, tonies SE has implemented an equity-settled equity stock option plan in the favor of Höllenhunde GmbH on the issuance and subscription of public shares in tonies SE at notional value equal to the par value to be issued from tonies SE's existing authorised capital. Concurrently with the issuance and transfer of the New Höllenhunde ESOP Public Shares, Höllenhunde GmbH paid to 468 SPAC I SE (tonies SE) in cash the amount equal to the notional value for the New Höllenhunde ESOP Public Shares issued to an account to be specified by tonies SE. A vesting period of 24 months with a cliff period of 12 months has been agreed.

The Equity Stock Option Plan involves a total of 2,751,208 shares, granted at 26 November 2021 and fully outstanding at the beginning of the reporting 1 January 2022. At the end of November 2022 50 % of the shares representing 1,375,604 shares were vested. The remaining 50 % is outstanding as of 31 December 2022 and will vest with 12,5 % representing 343,901 shares each at 26 February, 26 May, 26 August and 26 November 2023. The relevant share price for both vested and outstanding shares is 11,50 Euros as of the grant date.

In 2023 a total of kEUR 4,945 (2022: kEUR 24,539) was recognised as personnel expenses for these employees. The fair value has been calculated using the share prices at grant date as the share prices are the best estimate for the future payments. 1,375,607 shares were exercised by providing shares to Höllenhunde GmbH.

Development of share-based payments in kEUR	tonies Holding	tonies SE
Cumulated grant as at 1 January 2022	6,413	2,155
Exercise during 2022	– 1,235	– 15,819
Additional grant during 2022	919	24,539
Cumulated grant as at 31 December 2022	6,098	10,874
Exercise during 2023	– 699	– 15,819
Additional grant during 2023	1,416	4,945
Cumulated grant as at 31 December 2023	**6,816**	**0**

23. Personnel expenses

Employee benefit expenses include the following items:

Personnel expenses in kEUR	1. 1. 2023 – 31. 12. 2023	1. 1. 2022 – 31. 12. 2022
1. Wages and salaries	36,808	27,018
2. Cash-settled share-based payments	767	1,234
3. Social security contributions	6,103	4,677
4. Equity-settled share-based payments	4,945	24,241
Total	**48,623**	**57,170**

In 2023 additional employees were hired in order to support further growth. The decrease in personnel expenses in comparison to the comparative period mainly results from the equity-settled share-based payment program for Höllenhunde GmbH representing the two former Co-CEOs, which was set up in November 2021 with material expense effects only in 2022.

For further information on the effects from share-based payments refer to note 22.

The average number of employees increased from 365 in 2022 to 453 in 2023.

24. Other income

Other income includes the following:

Other income in kEUR	1.1.2023–31.12.2023	1.1.2022–31.12.2022
1. Income related to other periods	146	635
2. Other income	7,994	7,771
Total	**8,140**	**8,406**

Other income mainly includes income from realized and unrealized currency gains. Due to current currency developments, income from these currency gains has slightly decreased.

In the previous years, the aforementioned currency gains were reported under cost of materials, as they mainly resulted from purchases of raw materials and consumables in foreign currencies. However, as the internationalization of tonies progresses, foreign currency gains and losses are increasingly resulting from other business transactions as well. For reasons of clarity, they are therefore reported under other income (foreign currency gains) and other expenses (foreign currency losses) since 2023. The previous year's column has been adjusted accordingly.

The currency gains and losses included in the cost of materials in 2022 amounted to kEUR 656.

25. Other expenses

Other expenses include the following:

Other expenses in kEUR	1.1.2023–31.12.2023	1.1.2022–31.12.2022
1. Logistic and sales dependent costs	58,841	37,142
2. Marketing	29,654	25,013
3. IT costs	9,313	6,438
4. Legal, audit and consulting fees	8,025	6,423
5. Administration costs	4,823	2,722
6. Storage fees	3,660	2,117
7. Variable fees, contributions and insurance	1,773	1,496
8. Non-period expenses	593	985
9. Warranties	318	274
10. Miscellaneous other operating expenses	21,356	11,011
Total	**138,357**	**93,622**

To give a reliable and more relevant presentation of business transactions, the grouping of expenses within other expenses was adjusted in 2023 and 2022, due to growing business and complexity.

Other expenses have increased in 2023 compared to prior period mainly driven by the successful international expansion resulting in increased operating expenses such as logistics and sales dependent costs in the US.

Miscellaneous other operating expenses mainly include expenses from realized and unrealized currency losses. Due to current currency developments, expenses from these currency losses have increased.

In the previous years, the currency losses were reported under cost of materials, as they mainly resulted from purchases of raw materials and consumables in foreign currencies. However, as the internationalization of tonies progresses, foreign currency gains and losses are increasingly resulting from other business transactions as well. For reasons of clarity, they are therefore reported under other income (foreign currency gains) and other expenses (foreign currency losses) since 2023. The previous year's column has been adjusted accordingly.

The currency gains and losses included in the cost of materials in 2022 amounted to kEUR 656.

Research and development costs were included in other expenses in prior year with kEUR 4,400. In 2023 the IFRS requirements for capitalization were fulfilled. As a result, both internally and externally related costs have been capitalized for the first projects.

26. Financial income and finance cost

Financial results are broken down as follows:

Finance income in kEUR	1.1.2023–31.12.2023	1.1.2022–31.12.2022
1. Remeasurement to fair value of warrant shares	6,639	19,968
2. Finance income from forward exchange contracts	2,087	0
3. Other interest income	86	0
Total	**8,812**	**19,968**

Finance cost in kEUR	1.1.2023–31.12.2023	1.1.2022–31.12.2022
1. Interest expense from related party loans	0	0
2. Interest expense from current accounts	1,729	699
3. Interest expense from factoring	501	179
4. Interest expense from leasing	269	251
5. Adjustment of convertible bond liability to effective interest rate	584	125
6. Other finance cost	41	2,202
Total	**3,125**	**3,456**

All finance income and cost results from financial assets and liabilities not measured at FVTPL, except for the effects from the fair value remeasurement of warrant shares and convertible bond.

Interest from loans

For information about tonies' exposure to interest rates please refer to note 19.2.3.

27. Income taxes

27.1. Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

Income tax in kEUR	1.1.2023 – 31.12.2023	1.1.2022 – 31.12.2022
Current year tax expense		
Current tax prior year from tax loss carry back	2,091	0
Changes in estimates related to prior years	574	0
Total current year tax expense	**2,665**	**0**
Deferred tax income		
Origination and reversal of temporary differences and tax loss carry forwards (expense)	– 4,053	4,984
Total deferred tax income	**– 4,053**	**4,984**
Tax income on continuing operations (expense)	**– 6,718**	**4,984**

The applicable income tax rate for 2023 as well as for 2022 is 24.94 %.

The income tax liabilities amount to kEUR 2,739 (2022: kEUR 78).

IFRIC 23 is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. In this context, the Group assumed that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. Furthermore, the Group considered whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing. As a result, the Group does not see any material impact for the consolidated financial statements.

27.2. Reconciliation of effective tax

The reconciliation of effective tax is as follows:

Reconciliation of effective tax in kEUR	1.1.2023 – 31.12.2023	1.1.2022 – 31.12.2022
Earnings before tax from continuing operations	– 5,089	– 36,646
Expected tax using the company’s tax rate (24.94 %)	1,269	9,140
Current-year tax losses for which no deferred tax asset is recognised (tax losses all companies except tonies GmbH)	– 4,569	– 5,014
Non-recorded DTA of IFRS 2 adjustments	– 1,783	– 1,509
Non-deductible expenses / Trade tax adjustments	0	0
Tax rate difference Germany	4,049	5,892
Other	2,988	– 3,525
Effective tax income	– 6,718	4,984
Profit (loss) for the period	**– 11,807**	**– 31,663**

27.3. Movement in deferred tax balances

Deferred tax assets and liabilities are attributable to the following items:

Deferred tax assets and liabilities in kEUR	31.12.2023	Recognised in profit or loss	Recognised directly in equity	1.1.2023
1. Trade receivables	– 41	– 110	0	69
2. Inventories	1,395	104	0	1,291
3. Leasing	1,191	1,211	0	– 20
4. Loss contracts from forwards	652	– 35	0	687
5. Tax loss carryforwards	1,609	– 7,976	0	9,585
6. Others	– 31	– 31	0	0
7. Intangible Assets	– 29,032	2,789	0	– 31,821
Deferred tax assets (prior to netting)	**4,847**	**– 6,785**	**0**	**11,612**
Deferred tax liabilities (prior to netting)	**– 29,104**	**2,737**	**0**	**– 31,821**
Total (net presentation of DTL)	**– 24,257**	**– 4,048**	**0**	**– 20,209**

Deferred tax assets and liabilities in kEUR	31.12.2022	Recognised in profit or loss	Recognised directly in equity	1.1.2022
1. Trade receivables	69	0	0	69
2. Inventories	1,291	454	0	837
3. Leasing	– 20	– 22	0	2
4. Loss contracts from forwards	687	687	0	0
5. Tax loss carryforwards	9,585	1,157	0	8,428
6. Intangible assets	– 31,821	– 2,708	0	– 34,529
Deferred tax assets (prior to netting)	**11,612**	**2,277**	**0**	**9,336**
Deferred tax liabilities (prior to netting)	**– 31,821**	**2,708**	**0**	**– 34,529**
Total (net presentation of DTL)	**– 20,209**	**4,984**	**0**	**– 25,193**

The net tax effect from leasing comprises deferred tax assets of kEUR 26 (31.12.2022: kEUR 1,688) and deferred tax liabilities of kEUR 0 (31.12.2022: kEUR 1,708).

Starting from 2022 deferred tax assets and deferred tax liabilities have been netted as all effects relate to the same entity tonies GmbH and as such result in a more reliable and relevant information. The gross and net effects from deferred tax assets and liabilities are detailed in the table above.

27.4. Unrecognised deferred tax assets

As of 31 December 2023, deferred tax assets in respect of the recognition of a liability for share-based payments amounting to kEUR 767 (31.12.2022: kEUR 1,509) have not been recognised.

Deferred tax assets have only been recognised for tax losses resulting from tonies GmbH. For all other entities, the effect of tax losses amounting to kEUR 68,002 (31.12.2022: kEUR 57,010) have not been recognised. Tax loss carry-forwards existing within the Group have no expiration date, except for Luxembourg (limited to 17 years). However, the amount of tax loss carry-forwards that can be utilized in one financial year can be restricted to a certain amount.

28. Earnings per share

The Company is a private limited liability company, which allots interests (shares) of the Company to its shareholders.

Earnings per share (basic) and earnings per share (diluted) are calculated based on the earnings attributable to the tonies SE shareholders.

As of 31 December 2023, as well as of 31 December 2022, the 16,400,000 warrant shares were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

The loss attributable to the shareholders of tonies SE (basic and diluted) amounts to kEUR – 11,807 (2022: kEUR – 31,663). The weighted average number of interests in circulation (basic and diluted) amounts to 112,537,124 (2022: 99,946,893).

Profit attributable to ordinary shareholders (basic) in kEUR	**1.1.2023 – 31.12.2023**	**1.1.2022 – 31.12.2022**
Profit (loss) for the year, attributable to the owners of the Company	– 11,807	– 31,663
Dividends on non-redeemable preference shares	0	0
Profit (loss) attributable to ordinary shareholder	**– 11,807**	**– 31,663**

Weighted average number of ordinary shares (basic) in # shares	**1.1.2023 – 31.12.2023**	**1.1.2022 – 31.12.2022**
Issued ordinary shares at 1 January	111,817,305	98,441,701
Effect of share options exercised (ESOP)	1,375,604	1,375,604
Effect of share options exercised (RSU-US)	246,925	
Effect of shares issued related to a capital increase 2022		12,000,000
Weighted average number of ordinary shares at 31 December	**112,537,124**	**99,946,893**

EPS	**1.1.2023 – 31.12.2023**	**1.1.2022 – 31.12.2022**
Earnings attributable to shareholders in kEUR	– 11,807	– 31,663
Average number of shares outstanding	112,537,124	99,946,893
Basic earnings in EUR per share	– 0.10	– 0.32
Diluted earnings in EUR per share	– 0.10	– 0.32

29. Related parties

29.1. Parent and ultimate controlling party

The shareholders of tonies as at 31 December 2023 are the following entities, none of which is a controlling party from its shareholding:

Armira	27.5 %
Höllenhunde GmbH	8.5 %
Santo Ella Co-Invest GmbH & Co. KG	5.5 %
468 SPAC Sponsors	5.1 %
Treasury Shares	10.4 %
Public Float	43.0 %

tonies is currently not included in any consolidated financial statements at a level of its shareholders. None of the limited partners have a shareholding of more than 25 %. The shareholdings of Armira shown in the table above only represent a group of separate investment entities, which individually do have a shareholding in tonies of significantly below 25 % each.

29.2. Transactions with key management personnel

29.2.1. Key management personnel compensation

Key management personnel compensation comprised the following:

Key management personnel compensation in kEUR	1. 1. 2023 – 31. 12. 2023	1. 1. 2022 – 31. 12. 2022
Short-term employee benefits	1,033	811
Equity-settled share-based payments (vesting during period)	4,945	24,539
Cash-settled share-based payments (vesting during period)	129	0
Total	**6,107**	**25,350**

Compensation of the Group's key management personnel includes salaries and non-cash benefits. In addition, from an equity-settled share-based payment programme at tonies SE 1,375,604 shares have vested and transferred to Höllenhunde GmbH by tonies SE. For details we refer to the remuneration report 2023.

As of 1 May 2023, Jan Middelhoff has been appointed as managing director and CFO of tonies SE and all group entities. As a result, his remuneration is included in the above table for eight months. In addition, from a cash-settled share-based payment programme at tonies Beteiligungs GmbH 24,582 shares have vested, of which 16,388 shares (= 8/12) relate to the period as managing director and CFO. For details we refer to the remuneration report 2023.

29.2.2. Supervisory Board

The current members of the Supervisory Board receive a fixed basic remuneration for each month amounting to kEUR 5. The Chairperson of the Supervisory Board receives a fixed basic remuneration of kEUR 10, the Deputy Chairperson as well as the Chairperson of the Audit Committee (from June 2022) receive a fixed basic remuneration of kEUR 7.5 per month.

During the financial year, the Supervisory Board was composed of the following members:
- Anna Dimitrova: Chairperson of the Supervisory Board
- Christian Bailly: Deputy Chairperson of the Supervisory Board
- Dr. Stephanie Caspar: Member of the Supervisory Board (Until 30 September 2023)
- Dr. Thilo Fleck: Member of the Supervisory Board
- Helmut Jeggle: Member of the Supervisory Board, Chairperson of the Audit Committee
- Alexander Kudlich: Member of the Supervisory Board
- Alexander Schemann: Member of the Supervisory Board
- Erika Wykes-Sneyd, Member of the Supervisory Board (From 1 October 2023)

Supervisory board compensation in kEUR	1.1.2023–31.12.2023	1.1.2022–31.12.2022
Compensation	540	527
Total	**540**	**527**

29.2.3. Other key management transactions

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control were as follows.

Related parties in kEUR	1.1.2023–31.12.2023			1.1.2022–31.12.2022		
	Transaction volume			Transaction volume		
	Interest expenses	Sales of goods and services	Purchases of goods and services	Interest expenses	Sales of goods and services	Purchases of goods and services
Transactions with Höllenhunde GmbH	0	0	400	0	0	0
Transactions with PIXIPOP	0	0	468	0	0	396
Transactions with Armira Beteiligungen GmbH & Co. KG	0	0	48	0	0	48
Transactions with Elinor Partners	0	0	25	0	0	0
Total	**0**	**0**	**941**	**0**	**0**	**444**

Related parties in kEUR	31.12.2023		31.12.2022	
	Amounts outstanding		Amounts outstanding	
	Receivables	Payables	Receivables	Payables
Transactions with Höllenhunde GmbH	0	400	0	0
Transactions with PIXIPOP	0	221	0	176
Transactions with Armira Beteiligungen GmbH & Co. KG	0	0	0	0
Total	**0**	**621**	**0**	**176**

PIXIPOP Faßbender Kommunikations-Design & Illustration is controlled by Nina Faßbender, the wife of tonies SE Co-CEO Patric Faßbender and involved in the design of certain Tonies. Compensation is paid as a fixed amount per item sold.

Elinor Partners Josten und Kudlich GbR is co-controlled by Hannah Kudlich, the wife of supervisory board member Alexander Kudlich and involved in Executive search activities. Compensation is paid as a fixed amount based on a transaction.

30. Audit service fees

The total fees charged for services provided by the auditor Mazars Luxembourg for the years 2023 and 2022 in the Group amounted to:

Audit fees in kEUR	**1.1.2023–31.12.2023**	**1.1.2022–31.12.2022**
Audit services	288	268
Other services	0	0
Total	**288**	**268**

The item 'audit services' includes the fees and expenses for the audit of the consolidated financial statements and the statutory financial statements of tonies and its subsidiaries.

31. Events after the reporting period

The following subsequent events occurred after the end of the 2022 fiscal year and could have a significant impact on tonies future results of operations, financial position, and net assets.

As of 31 December 2023, the groups founders and Co-CEO's Patric Fassbender and Marcus Stahl resigned as managing directors. Tobias Wann has been appointed by the supervisory board as the new CEO and managing director of tonies SE and other group companies.

Düsseldorf, 09 April 2024

Management

Tobias Wann
CEO

Dr. Jan Middelhoff
CFO

Other Information

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- Imprint

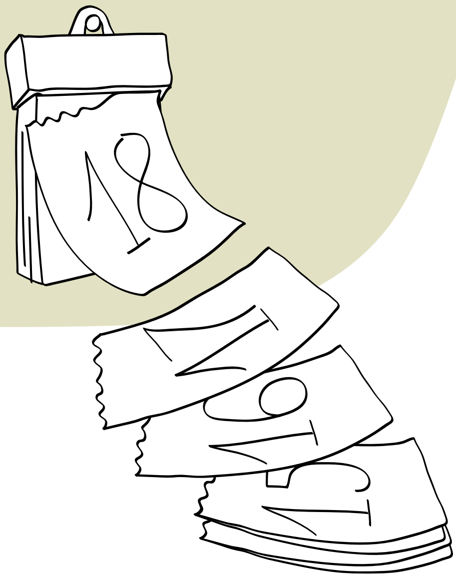
Financial Calendar 2024

15. 5. 2024
Publication of quarterly statement for Q1 2024

29. 5. 2024
Annual General Meeting 2024

22. 8. 2024
Publication of half-year report for H1 2024

13. 11. 2024
Publication of quarterly statement for Q3 2024



Imprint

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Disclaimer
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