tonies®

tonies SE

Annual Report 2022

tonies SE – at a glance

	2022	2021
Sales		
Revenue (in EUR m)	258.3	188.0
Revenue growth in % YoY	37.4 %	39.7 %
Tonieboxes sold (in k units)	1,427	1,082
Tonies sold (in m units)	17.9	15.5
Online revenue share (in % of gross revenue)	37 %	26 %
Results of operations (adjusted)		
Gross profit (in EUR m)	140.0	101.8
Gross margin (in % of revenue)	54.2 %	54.1 %
Gross profit after licensing costs (in EUR m)	108.3	66.5
Gross margin after licensing costs (in % of revenue)	41.9 %	35.4 %
Contribution profit (in EUR m)	70.9	40.0
Contribution margin (in % of revenue)	27.4 %	21.3 %
Adjusted EBITDA (in EUR m)	– 6.1	– 15.2
Adjusted EBITDA margin (in % of revenue)	– 2.4 %	– 8.1 %
Financial position & Assets and liabilities		
Cash (in EUR m)	54.9	75.6
Net working capital (in EUR m)	79.7	18.5
Free cash flow (in EUR m)	– 87.9	– 35.4
Team		
People employed group-wide (as of reporting date)	431	354

tonies SE

Annual Report 2022

One of the highlights in 2022:
Launch of “Sleepy Friends”, tonies’ first own licensed brand.

"Sleepy Friends"

Launch first own licensed brand

"Sleepy Friends", a series of Tonies and products with a special look and different content around the theme of sleep, is a milestone in tonies' strategy to focus more on in-house productions and self-developed licenses.

"We created the "Sleepy Friends" brand specifically for children's evening and bedtime routines, as putting them to bed is an important ritual for families", says Markus Langer, Chief Content Officer at tonies. "We also know that this time can be a real challenge for parents. With the "Sleepy Friends" brand, we offer a whole range of products and content that make it easier for parents and children to wind down together and are designed to ensure a more relaxed bedtime." The stories as well as the melodies and the design were completely thought up and implemented in-house.

Accessories and merchandise for additional revenue

The core of the "Sleepy Friends" range will initially consist of three Tonies, which feature soothing instrumental pieces, gentle nature sounds, bedtime stories or classical music in lullaby versions. The "Sleepy Friends" range is complemented by accessories and merchandise. With the children's fashion and toy manufacturer "Sterntaler", tonies has gained a strong licensing partner for this venture. Sterntaler's accessories and merchandise use the "Sleepy Friends" brand and are also specially tailored to the evening and bedtime routine, such as cuddle blankets or all-season sleeping bags.

In 2023, the new brand will be expanded to include more products related to the topic of falling asleep and will also be available in other languages outside the DACH region.

New !

SLEEPY FRIENDS

ZZZzzzz...

Brand partnerships

Team-up with Disney, Steiff or Calm

tonies is a true lovebrand. Together with other well-known brands, this popularity is leveraged through partnerships for the benefit of all – both brands and also customers, who receive unparalleled products and experiences.

Disney

In 2022, tonies and Disney released a joint holiday commercial. Together, tonies and Disney produced a dedicated tonies spot as an extension of Disney's global "From Our Family To Yours" campaign to showcase the magic and joy when playing with favorite Disney characters as Tonies. The spot focuses on the Toniebox and favorite Disney figurines from movies "Frozen", "Moana" and "The Lion King".

This was a special moment for tonies and a milestone in brand history. Being one of a select group of brands working closely together with Disney to tell this story made the whole team proud. It was also tonies' first-ever global campaign spot for all markets.

Steiff

A partnership that travels the world: Margarete Steiff GmbH and tonies have been working together for years in Germany. With the launch in the growing US market, tonies expanded this successful partnership and bringing the first two Soft Cuddly Friends to all children in the United States – the first Steiff animals to tell loving bed-time stories.

Calm

tonies joined forces with #1 mental health app Calm to bring a range of enchanting and effec-tive mindfulness content to the Toniebox. A spe-cial edition 'Calm Creative-Tonie' was launched, preloaded with mindfulness activities, breath work meditations and dreamy sleep stories for little listeners.

International expansion

Inspire more and more children around the world

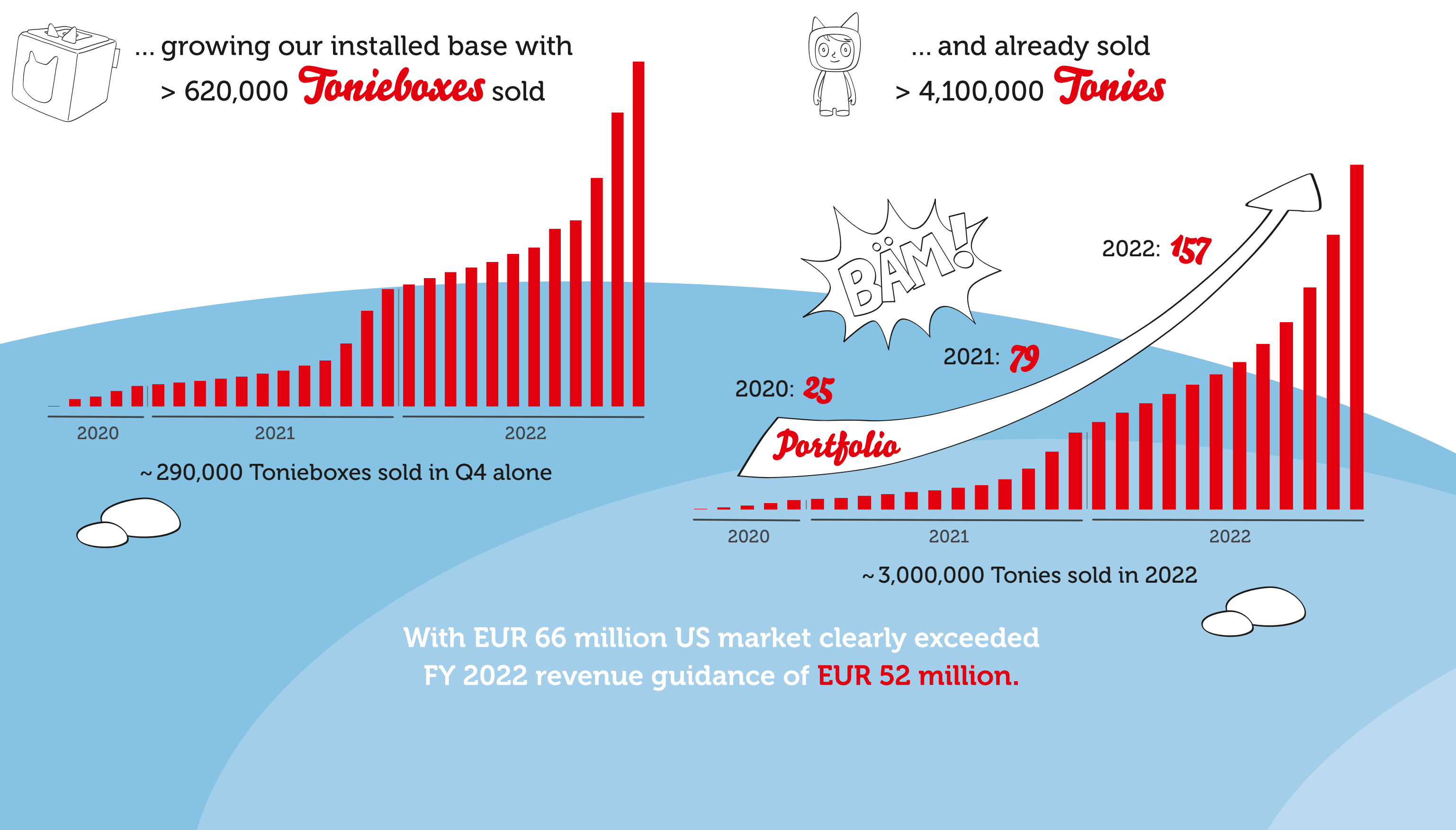
tonies' vision is that Tonieboxes are an integral part of the lives of children around the world. In 2022, tonies accelerated its international growth, made a first step in the Asian-pacific market and tripled revenue in the US YoY.

By replicating its successful and profitable business model in its home market Germany, where every second child owns a Toniebox, tonies expands internationally. The regional share of sales outside the DACH region increased substantially from 19 % in 2021 to 39 % in 2022. And around 50 % of Tonieboxes were sold outside of the DACH region in 2022.

Rising star in US

tonies is a true rising star among toy brands in the US with tremendous revenue growth of more than 200 % in 2022 compared to 2021. Especially the expansion and listing in big retail stores led to double the amount of POS to around 4,200 stores (including seasonal distincts) and significantly increased the accessibility for the products and visibility for the brand which fuels sales of Tonieboxes, Tonies and Accessories.

US market continues on very strong growth trajectory ...



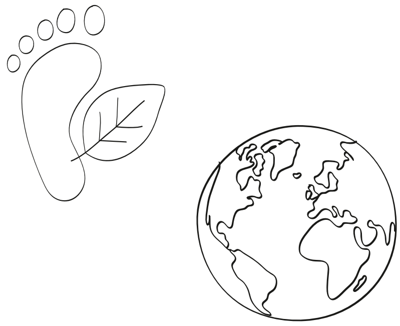
Available **now** in Hong Kong!

Launch in Hong Kong

With the launch in Hong Kong in October 2022, tonies continued its international expansion. It is a first step into the Asian-Pacific market. Bringing the beloved Tonieboxes and Tonies to Asia, a new and diverse cultural environment, made the team very proud.

By end of 2022, tonies is available in Germany, Austria, and Switzerland, in the US, in the UK and Ireland, in France and in Hong Kong. In April 2022, tonies launched an European webshop and can now also offer their popular products in English to customers in Belgium, Luxembourg, the Netherlands, Portugal and Spain – with more countries to be added in 2023 ...

Hello Hong Kong!



Sustainability

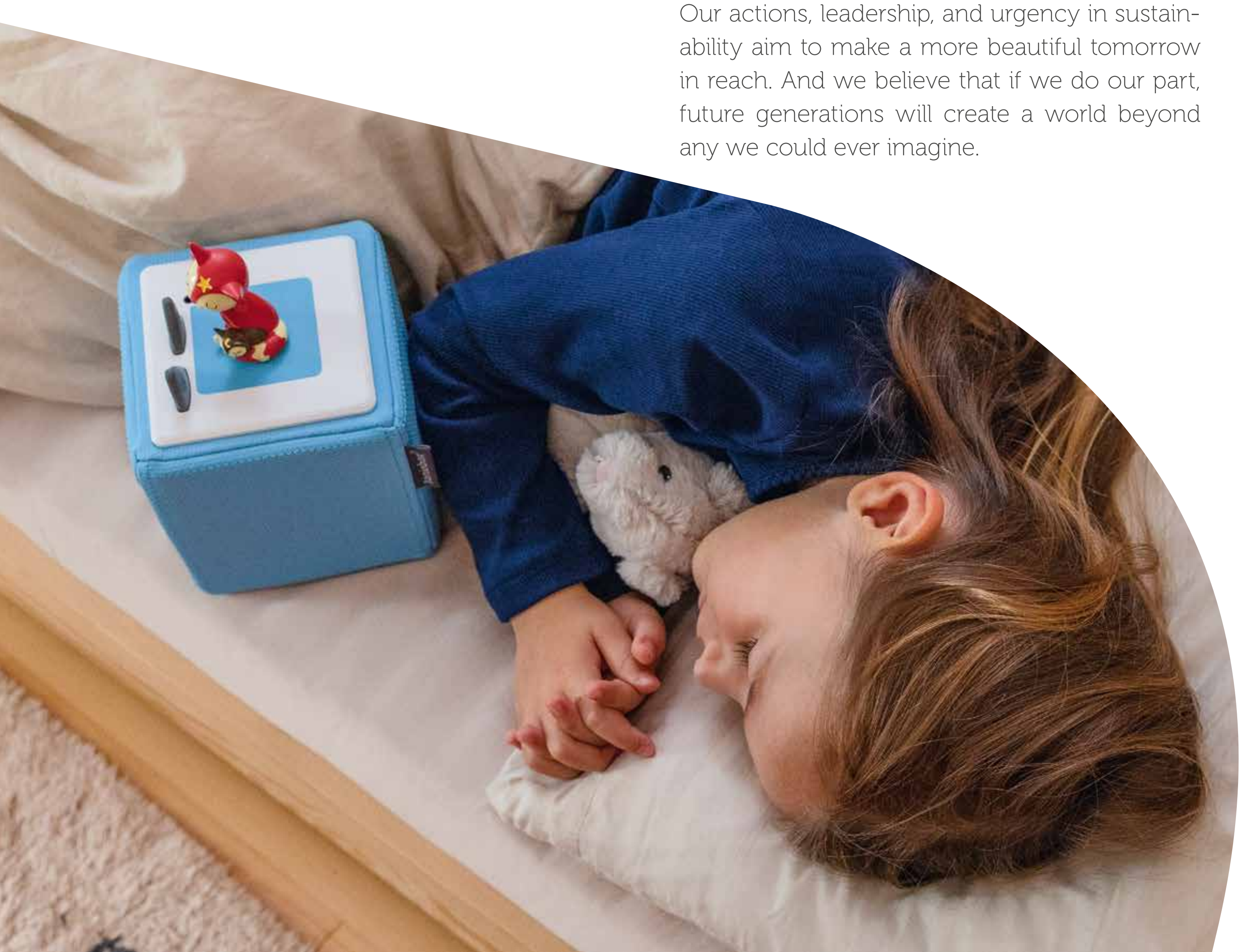
Drive the change for a healthy planet

For tonies, a healthy planet is a part of the vision, and so they are committed to leading change in their category toward a more sustainable future. Here is tonies' sustainability vision:

We believe that the greatest gift each generation can pass to another is a blank canvas of imagination, possibility, and wonder. As one generation dreaming for the next, we lead the change toward sustainability in our category and set high standards for all to rise to. As innovators for the betterment of children's lives, we will transform our offerings in support of a brighter future, and will foster awareness of the importance of green practices.

Our commitment is realized through a holistic approach that impacts all aspects of our business – from manufacturing processes to our supply chain, from the products we create and contents we craft to how we operate and engage with our stakeholders and our community. Our realization of this goal is met with the same gravity as our other measures of company-wide success.

Our actions, leadership, and urgency in sustainability aim to make a more beautiful tomorrow in reach. And we believe that if we do our part, future generations will create a world beyond any we could ever imagine.

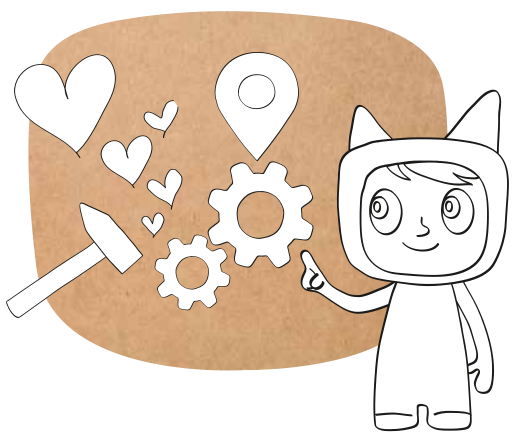


"Preloved Toniebox" has been a lighthouse project 2022 in terms of sustainability

In October 2022, tonies started its new sustainability project "Preloved Toniebox", initially in Germany and Austria. They lovingly refurbish used Tonieboxes from returns inventory and give them a new home – so that more children can enjoy tonies.

Unlike privately resold Tonieboxes, the official "Preloved Toniebox" comes with original spare parts, a two-year warranty, full battery life and new, flawless ears. Already in the first week after the launch, many ordered and received their "Preloved Toniebox", the limited turquoise Tonieboxes were even sold out after only a few minutes (!). By the end of the year, more than 11,000 "Preloved Tonieboxes" have been refurbished and sold.

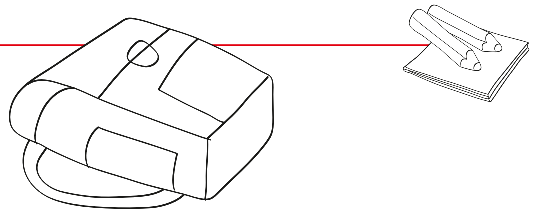
"Preloved Tonieboxes are a great alternative for many families who want a second Toniebox or simply prefer to buy second-hand", says Patric Faßbender, co-CEO of tonies. It is also a fantastic way to help reduce material waste and preserve a healthy planet for the future. In 2023, tonies plans to roll out the "Preloved Toniebox" project to more countries.



Tonies for Teachers

Support early childhood development

tonies® for teachers



Tonies for Teachers has continued to grow rapidly in the US in 2022.

The company's education initiative "Tonies for Teachers" has continued to grow at an accelerating pace in the US. Through conference exhibitions, a teacher ambassador program, and a Facebook community group, more and more early childhood educators are learning how to use tonies in their schools and libraries to support early childhood development.

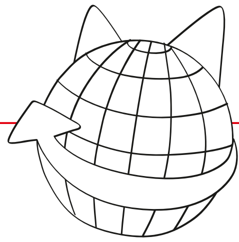
tonies has successfully entered a growing number of institutions, including every public library in the state of Delaware, over 10 entire school districts, and thousands of individual classrooms.

This success is leading to additional interest from state and local Departments of Education, Library Consortiums, and key purchasing decision makers.

Separately, tonies has also commissioned independent research to study and measure the developmental benefits of using a Toniebox, the results of which will be published in summer 2023 and used in both "Tonies for Teachers" communications as well as consumer marketing campaigns.

Retail partners

Expand accessibility to more than 12,000 POS globally



The impressive growth of tonies generates additional revenue for retail partners around the globe. This win-win development led to more than 12,000 POS globally where Tonieboxes and Tonies are available.

Around 7,000 POS in Germany, Austria and Switzerland including giants as Thalia, Media Markt or Müller are the core of a strong and profitable business in the DACH region. But also internationally tonies builds strong relationships with retail partners.

In France tonies celebrated the launch of the Toniebox Gulli edition which is exclusively available at major retailer Fnac – an event with Fnac management and media showcased the importance of this partnership.

The impressive growth in US is also driven by a fast expansion to more and more retail partners: Around 4,200 POS in the United States (including seasonal distincts) are offering Tonieboxes, Tonies and Accessories now – with over 1,000 target stores been added in 2022.

tonies' start in Hong Kong was supported by Toys'R'Us and J Select where the product was exclusively available in the first weeks after launch. Customers saw mind-blowing POS presentations in stores.

In UK, consumers can buy in 1,200 POS from Argos to Hamleys; the new partnership with world famous toy store Hamleys was one highlight of the year. Tonies kicked it off with a star-packed Gruffalo-themed storytelling event with the star of the show being a giant, larger-than-life Toniebox!

Accessories & Digital

Expanding product offering to build additional revenue streams

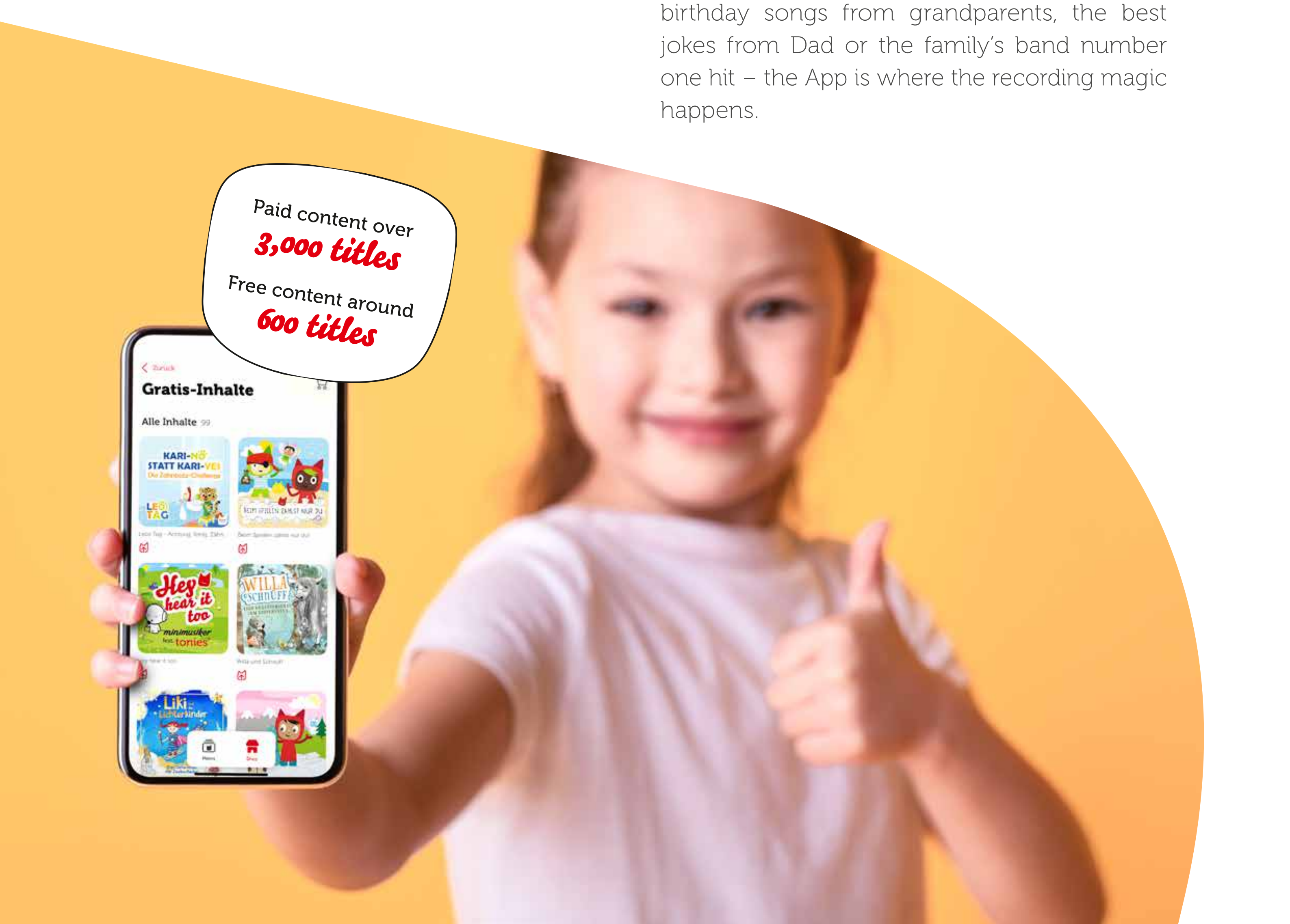
tonies is continuously developing its Digital category to enhance the user experience. Free content or own recordings in the app support customer loyalty.

In 2022, tonies' revenue from Accessories & Digital grew by +65.8% YoY to EUR 11.9 million. This increase was driven by headphones, carriers, shelves and chargers.

tonies also significantly expanded its audio library offering. With the audio library, tonies includes a digital platform that provides consumers with more content from their favorite series, while also offering lots of exclusive content.

In 2022, tonies increased the paid content offering by almost 50% to over 3,000 titles. The free content offering more than doubled compared to 2021 to around 600 titles.

Customers can discover these additional songs and stories in the mytonies audio library and can add those titles to their Creative-Tonies. Also, with the mytonies App customers can make their very own content. Whether it is birthday songs from grandparents, the best jokes from Dad or the family's band number one hit – the App is where the recording magic happens.



Lovely designed tonies Accessories are the perfect companions for Toniebox and Tonies and much beloved among customers.

Electronic

With tonies Headphones and USB Charging Station little listener will be set up for the next audio adventure!

Transport

Perfect for on the go! With storage bags, like the tonies Carry Case or the Listen & Play Bag, Tonies or Toniebox are always safely stored.

Home & Deco

Products like the tonies Topper make Tonieboxes even more beautiful and individual. With the tonies Shelf all Tonies get their own stage in the kid's room.

Content

Company

Consolidated Financial Statements

Other Information

Company

- Letter to Shareholders
- Report of the Supervisory Board
- Remuneration Report
- Our Shares

Letter to Shareholders

Dear shareholders,

2022 has been another record year for tonies: We achieved a group revenue of EUR 258 million – more than ever before – and fully delivered on our profitability guidance.

While a revenue of EUR 258 million alone would be a reason to celebrate together with our team, it is an even more amazing achievement especially in a year like 2022 – as it was not only the year with the highest revenue in tonies' history, but also the year with the biggest macroeconomic challenges since we founded the company in 2013. In 2022, tonies faced significant and persistent macroeconomic challenges, which were characterized by drastic raw material price increases, tense supply chains and deteriorating global consumer sentiment due to recession and other (financial) consequences as the ramifications of the war in Ukraine have been far-reaching.

Beyond the profound impact on economies, it is above all a humanitarian tragedy. We mourn the thousands of lives lost in the war, including many children. tonies fosters a company culture that allows to pause in the business context when one is shocked and distracted by thoughts and deep compassion. We all tried to keep our focus and worked hard despite this emotional distraction while our thoughts are with the local families.

And despite all these hurdles, we achieved an outcome that is even ahead of the ambitious plan we had before we kicked-off 2022 when we aimed for a full-year group revenue of EUR 250 million. Both of us are extremely proud of all Tonies (that's how our employees call themselves) and their great commitment during these challenging times. We cannot thank them enough for all their dedication, creativity and enthusiasm demonstrated around the world in our headquarter in Dusseldorf, in our offices in London, Paris, California, in our smaller hubs in Germany and US or from our employees' home desks.

As said, we faced a deteriorating global consumer sentiment in 2022. Still exceeding our guidance means that our brand and our products are strong enough to keep customers' trust. This demonstrates the resilience of our business model. We were overwhelmed by this positive feedback and the continued high demand even in challenging times for many households and families. One special recognition has been the NPD Award for tonies as Europe's No. 1 Toy in the category Infant/Toddler/Preschool based on 2022 sales figures of Europe's top gaining toy properties. A huge thank you to all customers who stayed loyal and to those who became tonies newbies buying their first Toniebox in 2022 – which is true for 1.4 million (globally sold Tonieboxes in 2022). We hope that the magical storytelling with our Tonieboxes and Tonies helped in those tough times, making lives a little brighter and happier.

But it is not only about trust from customers, we also owned and reinforced trust from our partners in this challenging year. We saw some fantastic new partnerships in 2022 such as our collaboration with #1 mindfulness App "Calm" to support children's mental health. The joint Holiday campaign we made together with long-term partner Disney was a very special moment for us as a brand. Today, we look forward to all the new partnerships, which we as insiders already are excited about, and which will be announced in the next months – with some fantastic and beloved content brands, which will join our tonies family. Both of us also love to meet long-term partners and talk about our joint success and how to leverage it together in the future. It was such a great feeling to meet some of them again face to face in 2022 (after the pandemic forced us to limit get-togethers in person), being it on trade fairs and conferences, during business trips or as hosts in our Dusseldorf office. Such meetings are the best way to foster our partner relationships and maintain trust.

Building and maintaining this trust is also crucial when it comes to investors and the capital market. Therefore, everyone in our team worked extremely hard to deliver on our promises. And we did better than we promised, exceeding our original guidance for 2022. In October, we even increased our adjusted EBITDA margin guidance and ended the year at the upper end of this new range. In terms of revenue, we also closed 2022 above our forecasts for both the Group and the US. Our strong track record helped us when we successfully conducted a capital increase of EUR 60 million in November 2022 in a difficult market environment. A success that demonstrated the trust of both existing shareholders and new investors who participated in this capital increase. We are humbled and proud about the strong support – a super positive sign in these tough times, and a clear sign of strength and confidence in our strategy. The net proceeds will be used to build up inventories to support further growth and international expansion (in particular in the US) as well as to strengthen the balance sheet.

tonies is on its path to profitability – and 2022 was a major step here. While we already have a profitable business in our home market DACH for many years, we aim to replicate this successful business model also in other countries. Coming from an adjusted EBITDA margin of –8.1% in full-year 2021, we clearly wanted to improve this number and guided for a range of –5% to –2% for full-year 2022. In the end, we improved sharply and now can announce an adjusted EBITDA margin of –2.4%. This increase is a strong message. We managed this achievement despite higher prices for raw materials and logistics and thanks to an improved contribution profit driven by lower licensing costs and efficient fulfilment. Once again, we see the importance of a great team doing a fantastic job here on our joint efforts to further increase our profitability. As we just underlined our clear path to profitability, we are keen to make the announcement that we are aiming for a positive adjusted EBITDA margin in 2023!

This will be even more impressive as we will continue our investment in international growth. In our experience, kids are born the same around the globe: They share a magical joy of discovery, unlimited creativity as well as a strong sense and urgency for great storytelling. Thus, it is our mission to bring the magic and joy of our Tonieboxes to more little ones globally and to enrich their life.

Especially the development in the US is amazing: We are THE rising star in America's children's rooms, could continue our rapid growth trajectory and saw revenues more than tripling compared to full-year 2021 reaching more than EUR 66 million in 2022. The total number of point of sales across the States increased significantly fueled by stronger retail adoption with key retail partners such as Target and Best Buy. At the end of 2022, Tonieboxes and Tonies were available in around 4,200 stores across the US compared to around 2,000 at the end of 2021. More stores to come in 2023, stay tuned for a next big retail partner announcement soon.

International growth requires significant investment which is backed by a profitable DACH business. Thus, it is incredibly important for the entire group that our home market continues its growth. For 2022, we saw revenue increased by around 5% YoY to EUR 158 million in DACH. We also still grow when it comes to POS (point-of-sales) where we added around 500 new doors in 2022 for a total of around 7,000 POS in DACH.

When we say all kids around the world are the same, we are dared to proof this belief. And we did in October 2022 when we entered the Asian-Pacific region for the very first time with our launch in Hong Kong, a new and diverse cultural environment. We know that there are already many tonies fans in Hong Kong, as parents really appreciate our screen-free and educational approach. We are convinced that children in Hong Kong will love our products as well. Hong Kong was a logical next step given its high population density and affinity with our core markets of the US and UK.

While we look forward to continuing our global success story in Hong Kong, we also see further growth in our other core markets United Kingdom/Ireland and France where we offer our products via retailers and online. In France we collaborated with major retailer Fnac for events and campaigns to boost sales. One highlight from UK was the new partnership with world famous toy store Hamleys. Many of our team members, both of us included, remember running around Hamleys as a child, and so to see our products being stocked on the very same shelves is a dream come true. Particularly our strong growth in the UK helped us to more than double revenue from "Rest of World" to around EUR 34 million in 2022.

Our new EU Webshop also contributes revenue to the "Rest of World" category. In April 2022, we launched it initially in Belgium, Luxembourg, the Netherlands, Portugal, and Spain. We knew from numerous customer enquiries that there is a high interest in our products in many European countries, and now we wanted to give these customers access to our tonies world. We will add even more European countries in 2023, targeting a total of around 20 countries in our EU Webshop by the end of the year.

As shown, our international expansion continues to gain momentum. The strong international demand and proven customer satisfaction in all markets encourage us that we pursue the right strategy. Specifically, two numbers show that we are fully on track with our international expansion: the regional share of revenue outside the DACH region rose from 19% in 2021 to 39% in 2022. Also almost half of the Tonieboxes were sold outside of the DACH region.

In total, we sold almost 5 million Tonieboxes globally since launch which still feels incredible for us as the founders who had this idea for our own children. It is such a privilege and gives us goosebumps to see little ones around the world – millions of them – enjoying our products. It is this magical moment and the glow in the eyes of children when they place their Tonies figurine on top of the box, which keeps us and the whole team at tonies motivated. Speaking about the figurines: 58 million Tonies have been sold globally. In 2022, additional 18 million Tonies where bought around the globe. We fuel this purchase interest for new stories by continuously adding new content to our portfolio. In 2022, further great licenses were added to the portfolio, including the global launch of PJ Masks and Cocomelon for the US and the UK as well as own content.

Especially the successful launch of "Sleepy Friends", our first own license brand, was crucial for our mission to increase the number of in-house productions and self-developed licenses. "Sleepy Friends" focuses on bedtime routine, one key use case of our product. We can demonstrate the power of our data driven business model here when identifying use cases (e.g. a high playtime around bedtime) and develop content based on this analysis to meet customer demand. The brand comprises Tonies with bedtime stories and lullabies, cuddle blankets and sleeping bags, and has become one of our bestsellers from the start. We have found great licensing partners for "Sleepy Friends", such as Sterntaler for the blankets and sleeping bags, and are looking to build a comprehensive franchise and accessories portfolio – a milestone for us as this is the first time we are licensing out an own developed brand to partners. It is especially pleasing to see that our original content is already beloved and part of bedtimes routines with "Sleepy Friends" Tonies showing a very high average weekly playtime. Own and original content created by tonies will become increasingly important in the next years. On the one hand, it helps us to fill gaps in our portfolio and to produce and add customer-desired content that is not offered by our licensing partners. On the other hand, it will increase margins and further support our profitability goals. In 2023, the "Sleepy Friends" brand will be rolled out to other markets after initially being launched in Germany, Austria and Switzerland in 2022. Also, we will add new products to this brand, starting with a "Sleepy Friends" nightlight.

While growth and profitability are key goals for our business, we want to achieve this by leading change in our category toward a more sustainable future. As a company that serves children, we are particularly aware of the importance to ensure that the next generation has a healthy and sustainable world to inherit. Our commitment is realized through a holistic approach that impacts all aspects of our business - from manufacturing processes to our supply chain, from the products we create and contents we craft to how we operate and engage with our stakeholders and our community. A lighthouse project for sustainability was introduced in October 2022: "Preloved Tonieboxes". Used Tonieboxes from the returns inventory are refurbished with original spare parts and offered as so-called "Preloved Tonieboxes" at a reduced price in the online store, including a two-year warranty. This project aims to extend the product lifetime and to give the popular Tonieboxes a second life and a new home with another family. By offering our "Preloved Tonieboxes", we are sending a clear signal that sustainability is a crucial element for tonies, and customers were delighted: by the end of 2022, more than 11,000 "Preloved Tonieboxes" had already been sold. With Tonieboxes and Tonies figurines, we create new worlds for our little ones. Through our actions and our commitment to sustainability, we aim to create a better world for everyone.

As we want to continue our growth in the coming years, we need to be set up internally for this growth. 2022 has brought some major progress here: we hired some fantastic and specialized new team members – to a total of more than 400 Tonies around the world – while improving efficiency to ensure that every employee can unleash his or her full potential and contribute to our mission in the best possible way. The team established new and improved processes to ensure the scalability in our operations for further international expansion and planned increasing production of our own content. In 2023, a dedicated and cross-functional project will be launched to take scalability to the next level, providing a foundation to achieve our ambitious goals for the coming years.

We are looking ambitiously and confidently to 2023, when we are targeting group sales of EUR 354 million. This would mean further growth of 37% for the group compared to the previous year. We expect most of the expected revenue growth to be achieved in the US, where revenue is planned to increase to EUR 116 million. All this while reaching a profitability milestone with a positive adjusted EBITDA margin in 2023. In addition, we will continue to delight our customers with new product highlights and are convinced that we will successfully drive our further international expansion in 2023.

We entered the new year stronger than ever and are thrilled to move on this course to make 2023 the most magical year in tonies history. We want to thank all our customers, business partners and employees for their trust and support in this path. And finally, we want to express our sincere gratitude to you, our shareholders. We highly value your continued confidence in our company, especially in times of volatile capital markets. We are looking forward to continuing this exciting journey together with you.

Your tonies Co-Founders and Management Board

Luxembourg, 12 April 2023

Patric Faßbender
Co-Founder & Co-CEO

Marcus Stahl
Co-Founder & Co-CEO

Report of the Supervisory Board

Dear Shareholders,

As I reflect back on my first full year as Chairperson of your tonies Board, I am proud how our colleagues have navigated a very challenging environment and brought happiness to so many children and families. This is at the heart of our vision to change the way children listen to stories and music.

tonies succeeded in delivering on its commitments and showed a very strong business performance in 2022 on both revenue and profitability. This result is particularly remarkable as it was achieved in a challenging macroeconomic environment characterized by a deteriorating consumer sentiment, an ongoing impact of the COVID-19 pandemic, the war in Ukraine and strained supply chains.

On behalf of the supervisory board (the **"Supervisory Board"**) of tonies SE (the **"Company"**, the **"Group", "tonies"**), 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. My thanks are equally due to the members of the management board (the **"Management Board"**) who have steered tonies through a difficult market environment. To you, our shareholders, I extend my special gratitude for your continued confidence in tonies, its management and employees.

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. We thereby strongly promote the long-term success of the Company.

2022 – another big step forward

tonies has proven once again that it is an exciting company with a product that kids and parents love. tonies has created its own category with an unlimited growth potential. It can help children grow and develop their curiosity in an engaging and safe way. Under the leadership of the founders Marcus and Patric, the company has thrived, grown and will continue to capitalize on the great opportunities ahead. In 2022, we have seen another big step forward.

Despite the ongoing challenges posed by the economic and geopolitical crisis and ongoing effects from the COVID-19 pandemic, the management team has successfully advanced the business and met and in some cases even exceeded the Company's guidance. In particular the strategically important US market continued on its rapid growth course, underlining that international expansion is fully on track.

To further drive growth, tonies raised additional funds in 2022, firstly through a convertible bond of EUR 10 million and secondly through a capital increase of EUR 60 million. This has been a great success in these unprecedented times of very challenging conditions in the equity markets and has shown that the management and the company have the full support of both its long-standing partners and its ever-growing investor base.

The Supervisory Board is pleased to support the management team in achieving its goals and continuing its growth.

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 2022.

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 preliminary results for the financial year 2021 as well as the budget for the financial year 2022;
- Approval of corporate and capital markets related communication plans as well as press releases relating to financial guidance for the financial year 2022;
- Approval of the role of Marcus Stahl as Advisory Board member of Stahl Partner für Bäcker GmbH;
- 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 2021 to be submitted to the Annual General meeting 2022;
- Approval of the allocation of profits/losses of the Company (Ergebnisverwendung) to carry forward losses of the financial year 2021 to be approved by the Annual General Meeting 2022;
- Approval of the Remuneration Report (Vergütungsbericht) of the Company for the financial year 2022 and the Remuneration Policy (Vergütungssystem) of the Company to be resolved upon by the Annual General Meeting 2022;
- Approval of the re-election of Mazars Luxembourg as the independent auditor (réviseur d'entreprises agréé) for the financial year 2022 to be resolved upon by the Annual General Meeting 2022;
- Approval of the draft documentation for the Annual General Meeting 2022 including discharge to all board members and auditors of the Company and appointment of Helmut Jeggle, Chairperson of the Audit Committee, as delegate to approve the final documentation for the Annual General Meeting 2022;
- Approval of restricted stock units (RSUs) for key leaders and key employees of the group subject to grants to be individually approved;
- Approval of next steps on funding including finalizing convertible bond option from Berenberg and working on a syndicated loan agreement with existing banks;
- Approval of an additional fixed yearly remuneration to the chairman of the audit committee in the amount of EUR 30,000 per annum;
- Approval of the terms and conditions as well as related documents concerning issuance of convertible bearer notes for an amount of up to EUR 30,000,000 in three tranches;

- Approval of the initial directional budget for the financial year 2023 and next steps of its refinement as well as support for the top five company priorities for 2023 and approval of the proposed cash settlement of an existing virtual stock option program;
- Approval of the renewal of certain merchandising licensing agreements with major licensors as well as entering into an engagement letter with an existing bank regarding a syndicated loan for the Company;
- Approval of the launch of the private placement transaction for new class A shares of the Company by way of an accelerated book building;
- Approval of the increase of the Company's share capital through the issuance of 12,000,000 new class A shares of the Company under its authorized capital;
- Coordination with the Management Board and approval of all Supervisory Board reserved matters;
- Review and approval of the separate and consolidated financial statements for the 2022 financial year and results for 2022;
- 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 contacts 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. The entire Management Board was present at all plenary meetings of the Supervisory Board in fiscal year 2022.

2. Composition of the Supervisory Board and respective changes within the context of the Business Combination

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. Stephanie Caspar and Dr. Thilo Fleck.

3. Meetings of the Supervisory Board and its committees

The Supervisory Board held five meetings in financial year ended 31 December 2022.

All meetings were held via video conference initiated from Luxembourg and all members of the Supervisory Board were present at such meetings. The Supervisory Board appointed once a delegate to deliberate upon and determine certain transactions specifics approved during its meetings.

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 2 June 2022. Mazars Luxembourg also performed the audit of the consolidated financial statements and the management report as of 31 December 2021 and 31 December 2022. 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 2022. The annual financial statements of the Company are thus approved.

On behalf of the Supervisory Board, I would like to take this opportunity to thank the Management Board and all the employees of the Company and its subsidiaries for their outstanding performance and great commitment in the financial year 2022.

Luxembourg, 12 April 2023

For the Supervisory Board

Anna Dimitrova
Chairperson

Remuneration Report 2022

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"** and each member, an **"MB Member"**) and supervisory board (the **"Supervisory Board"**) of tonies SE (**"tonies"**) for the financial year 2022 as well as a statement of the amount and structure of remuneration.

1. The remuneration policy for the Management Board

Already in financial year 2021, the Supervisory Board of tonies SE intensively discussed and reviewed the remuneration policy for its Management Board 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. The variable component is the share-based long-term bonus remuneration.

1.2. Fixed non-performance-related remuneration components

The fixed components of the remuneration for the Board 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 component is the long-term variable remuneration, which is comprised of the share-based long-term bonus. The payout amounts are based on the achievement of performance targets by tonies.

The MB Member shall receive a one-time share-based long-term bonus in the amount of EUR 1 million the first time that, within a period of thirty consecutive trading days, the closing price of the publicly traded shares of tonies in XETRA trading (or a comparable successor trading system) on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) exceeds EUR 12.00 on at least twenty (not necessarily consecutive) trading days.

The MB Member shall receive a one-time further share-based long-term bonus of EUR 1.5 million the first time that, within a period of thirty consecutive trading days, the closing price of the publicly traded shares of tonies in XETRA trading (or a comparable successor trading system) on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) exceeds EUR 18.00 on at least twenty (not necessarily consecutive) trading days. The bonus is due for payment to the MB Member within ten days of the fulfillment of the respective conditions of the bonus. Both one-time bonuses will only be paid out if the required events happen before 26 November 2023.

1.4. Previous share-based remuneration

As part of a business combination agreement involving the company Höllenhunde GmbH, the current MB Members 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 MB Member**		**Marcus Stahl MB Member**	
Share Plan	Höllenhunde ESOP		Höllenhunde ESOP	
Allocation date	26.11.2021		26.11.2021	
Vesting date	26.11.2022	26.02.2023 26.05.2023 26.08.2023 26.11.2023	26.11.2022	26.02.2023 26.05.2023 26.08.2023 26.11.2023
Number of shares at the beginning of fiscal 2022	0			0
Number of shares granted	687,802	171,950 at each vesting date	687,802	171,950 at each vesting date
Number of shares vested	687,802		687,802	
Number of shares granted and not yet vested	687,802		687,802	

1.5. Commitments in connection with the termination of employment

Termination by regular expiry of the order
The contracts of the MB Members expire on 31 December 2025. Both parties can terminate the contract with a three months' notice to the end of the calendar year, but no earlier than 31 December 2023.

Post-contractual non-competition clause
The current service agreement of the MB Members includes a two-year post-contractual non-competition clause. During the term of this post-contractual non-competition clause, the MB Member shall receive a monthly non-competition compensation of 50 % of the contractual fixed remuneration lastly received by the MB Member. In the event of an extraordinary termination for good cause, the party entitled to terminate the service agreement has the right to revoke the non-competition clause by written declaration to the other party within one month of the extraordinary termination.

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

No short or long-term incentives were granted in the financial year 2022.

3. Allocation in financial year 2022

3.1. Remuneration granted and owed

in EUR		Patric Faßbender MB Member (since 1 March 2014)				Marcus Stahl MB Member (since 1 March 2015)			
		2021	in %	2022	in %	2021	in %	2022	in %
Fixed compensation	Base salary (fixed compensation)	216,670	94.89 %	400,000	98.59 %	216,670	95.13 %	400,000	98.42 %
	Fringe benefits (Insurance, car allowance, etc.)	11,674	5.11 %	5,712	1.41 %	11,101	4.87 %	6,421	1.58 %
	Total	228,344	100 %	405,712	100 %	227,771	100 %	406,421	100 %
Variable compensation	Variable compensation	162,000	41.50 %	0	0	162,000	41.56 %	0	0
	Total	390,344	100 %	405,712	100 %	389,771	100 %	406,421	100 %
Other		–	–	–		–	–	–	–
Total		390,344	100 %	405,712	100 %	389,771	100 %	406,421	100 %
Pension benefits		1,032	0.26 %	6,240	1.51 %	1,032	0.26 %	6,240	1.15 %
Total remuneration		391,376	100 %	411,952	100 %	390,803	100 %	412,661	100 %

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

Since tonies group only exists since 2021, the development of the remuneration is only reported starting 2021.

Annual change	Percentage change 2022 compared to 2021	Explanation
Management Board compensation		
Patric Faßbender MB Member (since 1 March 2014)	+0.00%	New contract as of December 2021 following Business Combination
Marcus Stahl MB Member (since 1 March 2015)	+0.00%	New contract as of December 2021 following Business Combination
Business development of tonies		
Revenue development	+37%	Exceeding plan
Adj EBITDA development	% change n/a as negative	Exceeding plan significantly
Average salary development of employees with full time employment		
Salary development of all employees or a reference group	+9.6%	

3.3. Review of the appropriateness of Management Board remuneration

The Supervisory Board conducted a review of the remuneration of the Management Board already in financial year 2021 and came to the conclusion that the amount of the remuneration of the Management Board is appropriate from a legal perspective 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 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 2022

4.1. Components of Supervisory Board remuneration

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

For 2021, remuneration was paid at a prorated basis. For details, please refer to the table below.

in EUR	Financial Year	Fixed compensation	Total
Chairperson of the Supervisory Board Anna Dimitrova (since 27 November 2021)	2022	120,000	120,000
	2021	10,000	10,000
Deputy Chairperson of the Supervisory Board Christian Bailly (since 27 November 2021)	2022	90,000	90,000
	2021	7,500	7,500
Member of the Supervisory Board Dr. Stephanie Caspar (since 27 November 2021)	2022	60,000	60,000
	2021	5,000	5,000
Member of the Supervisory Board Dr. Thilo Fleck (since 27 November 2021)	2022	60,000	60,000
	2021	5,000	5,000
Member of the Supervisory Board, Chairperson of the Audit Committee Helmut Jeggle (since 27 November 2021)	2022	77,500	77,500
	2021	7,500	7,500
Member of the Supervisory Board Alexander Kudlich (since 27 November 2021)	2022	60,000	60,000
	2021	5,000	5,000
Member of the Supervisory Board Alexander Schemann (since 27 November 2021)	2022	60,000	60,000
	2021	5,000	5,000
Total	**2022**	**527,500**	**527,500**
	2021	**45,000**	**45,000**

4.2. Presentation of the annual change in remuneration

The remuneration has not changed compared to 2021 except for Helmut Jeggle who received an adjusted remuneration of EUR 7,500 starting 1 June 2023 reflecting his role as Chairperson of the audit committee.

tonies SE shares in review

Share price development

A challenging market environment, characterized by the war in Ukraine and a macroeconomic environment marked by drastic increases in raw material prices, strained supply chains, and deteriorating global consumer sentiment, had a negative impact on tonies share price. This was particularly visible in the first half of 2022. The share price declined significantly from its high on 4 January of EUR 11.20 to its low of EUR 3.61 on 19 July. Since then, the share price recovered considerably, closing at EUR 6.00 on 31 December.

tonies SE share (as of 31 December 2022)

	2022
Number of shares	
Issued	126,847,586
Outstanding	111,817,305
Share price in EUR	
Last (31 December)	6.0
High	11.20
Low	3.61
Market capitalization in EUR million (31 December)	761
ISIN	LU2333563281
Ticker symbol	TNIE
WKN	A3CM2W

Over the course of 2022, tonies benefited from unabated strong demand for its products and a profitability performance above market expectations, which was also reflected in an adjusted EBITDA guidance raised on 27 October, while the revenue forecast was confirmed for both the Group and the US.

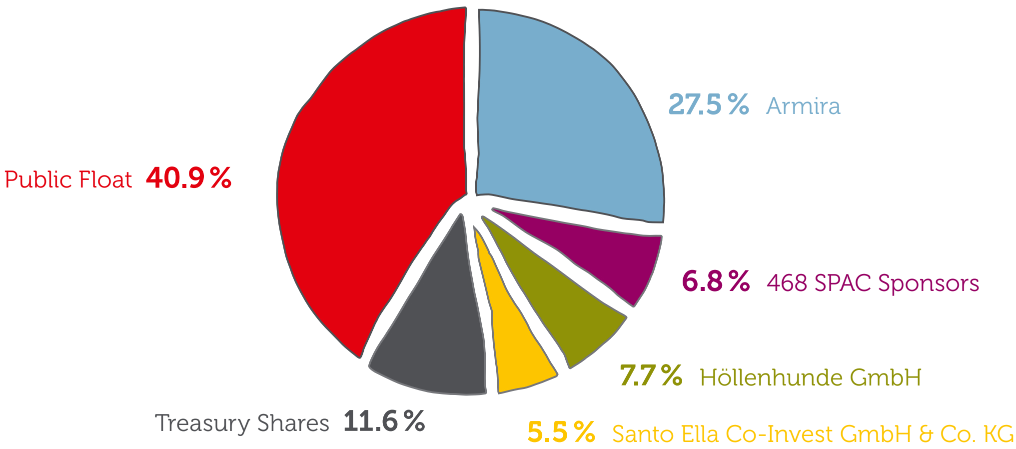
tonies conducted two different capital measures in 2022. On 28 June 2022, tonies issued unsecured convertible bonds with an aggregate principal amount of EUR 10 million, with two EUR 10 million upsize options. The proceeds from the issue were used to support further growth and to strengthen its financial flexibility in an unprecedented market environment. tonies decided not to exercise the two upsize options of the convertible bond (expired on 15 December 2022) after it successfully conducted a capital increase on 9 November 2022. 12,000,000 new class A shares in the Company were placed with institutional investors at a placement price of EUR 5.00 per share, raising gross proceeds of EUR 60 million in an accelerated bookbuilding. The net proceeds are intended to be used to build up inventory for further growth and international expansion (in particular in the US), as well as to strengthen the balance sheet.

An average trading day saw a trading volume (XETRA) of around 42,912 shares. The market capitalization totaled EUR 761 million (including treasury shares) as of year-end 2022.

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

at December 31 2022; source: tonies



tonies SE coverage

By 31 March 2023, the tonies SE share was covered by five research analysts with four analysts recommending the Company with Buy ratings and one analyst without a rating recommendation. The average target price was EUR 9.2.

Broker	Analyst	Price target (EUR)	Rating	Last update
Alster Research	Oliver Wojahn	7.3	Buy	10/3/2023
Berenberg	Gerhard Orgonas	13.0	Buy	6/2/2023
BNP Paribas Exane	Christoph Blieffert	3.0 – 7.5	–	2/2/2023
Hauck & Aufhäuser	Christian Salis	8.0	Buy	13/3/2023
Warburg	Thilo Kleibauer	8.5	Buy	3/2/2023


toniebox

Consolidated Financial Statements

- Consolidated Management Report
- Corporate governance and responsibility statement of tonies SE
- Independent Auditor's Report
- 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
- Notes to the Consolidated Financial Statements

Consolidated Management Report

for the year ended 31 December 2022

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 and entertainment. 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), **US** and **Rest of World** (including UK and France as largest markets) with local teams in place. The Group generated the majority of its revenue in fiscal year 2022 in the DACH region, which accounted for EUR 158.3 million of the total revenue of EUR 258.3 million in total revenue. Due to the continued successful international expansion, revenue in international markets is growing rapidly and represents an increasingly larger share of total revenue – in 2022, around 39% of revenue was generated in international markets compared to 19% in 2021.

With around 5 millionEdnieboxes and 58 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 retail (brick-and-mortar retail partner stores and retail partner online channels) and through the Group's digital channels, consisting of its own online shops and the Amazon marketplace in the various countries. In Hongkong, tonies products are marketed through a distributor model. For retail revenues, 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 digital channels amounted to around 37% of the Group's gross revenue in 2022 compared to about 26% in 2021, an increase mainly driven by regional mix effects (i.e. international markets with higher online penetration accounting for a higher share of group revenues).

tonies **marketing** relies heavily on a brand 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.

The Group is managed from its headquarters in Luxembourg and operated its business in 2022 from six different locations in Germany, the United Kingdom, the US and France. In the US and France, tonies GmbH sells to its customers through its own subsidiaries. tonies GmbH also covers distribution for the European webshop. Sales for the United Kingdom and the Republic of Ireland are coordinated by tonies' UK based subsidiary. However, the contractual partner for customers is currently tonies GmbH.

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-appointent 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 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 2022.

The shareholders of tonies as at 31 December 2022 are the following entities, none of which is a controlling party from its shareholding:

Armira	27.5 %
468 SPAC Sponsors	6.8 %
Höllenhunde GmbH	7.4 %
Santo Ella Co-Invest GmbH & Co. KG	5.5 %
Treasury Shares	11.8 %
Public Float	40.9 %

Own share transactions

On 28 November 2022, the Company transferred 1,375,604 class A shares of the Company held in treasury to Höllenhunde GmbH for an amount of EUR 0.016 per class A share, which corresponds to the par value of such class A shares, in accordance with the terms of an equity stock option plan dated 23 November 2021.

The Company held 15,030,281 class A shares of the Company in treasury as of 31 December 2022.

Branches

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

1.3. Group structure

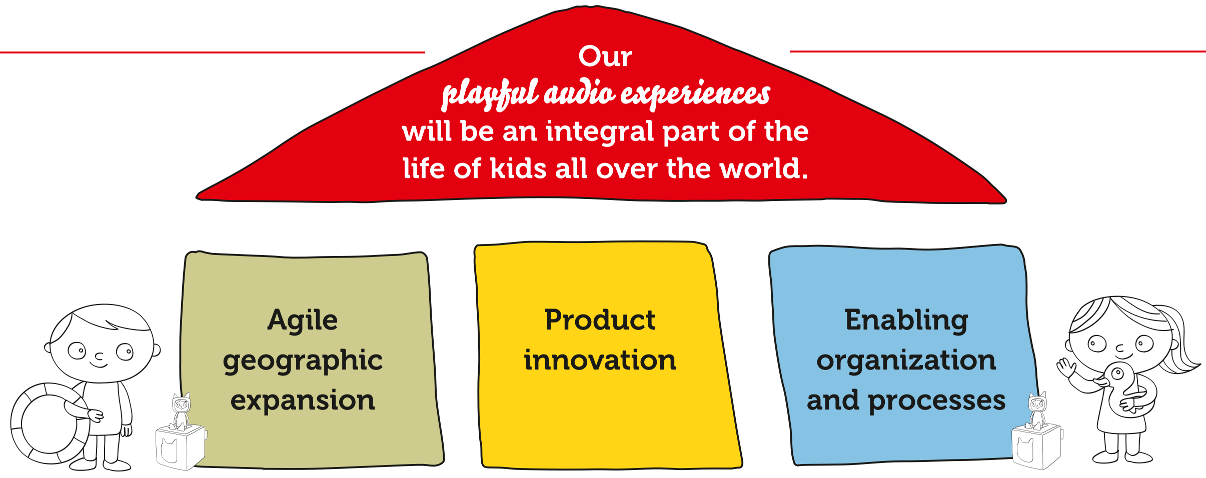
tonies SE heads the Group. The Company's headquarters are located at 9, Rue de Bitbourg, L-1273 Luxembourg, Luxembourg.

As of 31 December 2022, 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 (formerly Boxine 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 is run by tonies US Inc. (formerly Boxine US Inc.) and in France by tonies France SAS (formerly Boxine France SAS). tonies UK Ltd (formerly Boxine UK Ltd) is the sales company for markets in the UK and Ireland.

To reduce the complexity of the Group structure, changes were made in March 2022 so that tonies Beteiligungs GmbH is a 100 % subsidiary of tonies Holdings GmbH. From tonies SE's perspective, this has not resulted in any changes to the shareholding structure within the Group.

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. To achieve this vision, tonies' strategy is based on three key pillars. The first one is the agile geographic expansion, currently focusing on further penetration in existing markets. The second pillar is product innovation that is crucial to continue delivering value to our customers. The third pillar focuses on the organization and processes required to enable success in 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, US, and Rest of World, each led a by a dedicated C-level executive.

DACH: Our DACH market, which is already profitable in double digits in terms of adjusted EBITDA margin, is a huge success story: Almost every second child in our target group in Germany has a Toniebox. In this mature market, the focus is on further increasing profitability. This involves distribution channel optimizations, active portfolio management including decisions on discontinuing less profitable products and optimization of unit economics.

US: 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 fueled by rapid growth in all distribution channels. The US is expected to account for more than 40 % of global sales in 2025, becoming the world's largest market for tonies. Continuing to reach this level in the US is one of tonies' key priorities.

Rest of World: This region currently consists of United Kingdom, Ireland and France as core markets with local teams as well as so-called non-core markets including Hong Kong as well as several countries served by the European webshop (e.g. Belgium, Luxembourg, Netherlands, Portugal and Spain). In non-core markets, tonies follows an agile approach with either only serving the markets via digital channels or in a distributor model. The October 2022 launch in Hong Kong is an example for such a distributor model, where we are working with a local partner.

Product innovation

Product innovation at tonies consists of a combination of physical and digital products, as well as content consisting of licensed and proprietary content.

Physical: Innovations in the area of physical platforms will be a key driver in securing our leading position in the category, including a further development of the Toniebox. While regular startersets (Toniebox plus Tonie) and the launch of Tonie figurines will keep our portfolio attractive, new Tonie formats such as the Steiff Soft Cuddly Friends will help us to expand our tonieverse for families. Moreover, tonies has already expanded its accessories portfolio to over 140 stock keeping units worldwide ranging from headphones to wooden shelves and will continue to develop this highly profitable area further. Especially with increasing brand recognition and new franchises, merchandising will become more relevant in the upcoming years.

Digital: Digital excellence will become increasingly important as it enables great customer experience (e.g., via our tonies app) and offers new opportunities. Two examples for new opportunities are improved creator experiences via enhanced share functions, which enables customers to share their favourite recordings with others, and new models for digital enhanced monetization like the option to purchase and assign digital content to physical Content Tonies and Creative Tonies.

Content: In addition to the physical part of our products, high-quality audio content is the core of our tonies experiences. While we will continue to offer licensed global blockbusters and local hero stories, we will increasingly build-up own license brands ("tonies Originals"). The first launch has been "Sleepy Friends," which focuses on bedtime routine, one key use case of our product. The brand has become one of our bestsellers from the start. This underlines our strategic approach of focusing increasingly on in-house productions and self-developed licenses which will increase margins and further support our profitability goals.

Enabling organization and processes

Data: tonies is a data-driven company. We want to further leverage existing and additional data to actively steer the company during its scale-up. Therefore, data experts have been hired and train the teams to become more data informed.

Scalable operations: Scalable operations are and will be a focus area at tonies in the upcoming years and with "Tune up tonies" we have set up a dedicated initiative. This includes building up processes and setups that enable tonies' growth plans. Moreover, it includes further stabilizing, standardizing and de-risking operations and production. One example for this is that tonies was able to secure alternative sources of supply for scarce semiconductor chips.

Teams and Culture: Excited teams are one of the drivers for innovation and success at tonies. Enabling teams to perform to the best of their potential will continue to be a priority. One part of this is to keep our tonies culture alive as more people work remotely and the Company becomes more international and diverse. We therefore have developed our five tonies principles: (1) We work towards a shared purpose and vision, (2) We give space to grow and never stop learning, (3) We are One Team, (4) We are passionate and ambitious, (5) We are accountable and outcome driven.

Sustainability: Sustainability is a field in which all internal and external stakeholders expect continuous progress. tonies has developed its sustainability vision and a roadmap that the Company will execute against. Initiatives will range from more sustainable product offerings to increased transparency and reduction of CO_2 emissions in our operations.

Profitability: Performance management is the key to becoming a profitable company on group level. Especially in a challenging macroeconomic environment, it is important to actively steer this area. On the one hand, our business model is designed to ensure that new markets become profitable within a few years of their launch, with the DACH region serving as a blueprint. On the other hand, we will continue to optimize profitability variables including our distribution channels, product portfolio, procurement, and marketing efficiencies. Moreover, the Company will remain cost-conscious and maintain a sound cost base throughout its international growth.

1.6. Performance assessment system

Considered from the perspective of tonies Holding GmbH and its subsidiaries prior to the Business Combination, the Group is managed by the Management Board and the wider management team, the tonies Leadership Team ("TLT") and the Extended tonies Leadership Team ("ETLT"). The TLT comprises the Management Board and the C-level (i.e. the functional senior executives of the Group, the Managing Director of the DACH business, the President of the US business and the Managing Director of the other international businesses). The ETLT comprises the TLT, the General Managers of international markets, the Managing Directors of the internal product development unit, Tonie Lab, and the General Counsel. Weekly meetings between Management Board and the TLT/ETLT, and, at least quarterly meetings with the Supervisory Board ensure a good exchange of information on operational and strategic issues.

The operating business is managed at the level of the respective Managing Director or General Manager for DACH, UK, US and France. All other international activities are combined under "Other" and covered by a separate Director. In fiscal year 2022, the profitability of the business was not yet managed and monitored at the level of any segments below the Group level - this is being developed and expected for the near future.

tonies most important financial key performance indicators (KPIs) are revenue and adjusted EBITDA margin. Management Board uses adjusted EBITDA margin 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. In addition, tonies also uses a range of further KPIs to manage its business. The Management Board uses them to measure operating performance, as a basis for strategic planning and because they will be used by investors and analysts to assess the performance of tonies. The KPIs are shown in the table below.

KPI	2022 (audited)	2021 (audited)
Revenue	EUR 258 million	EUR 188 million
Adjusted EBITDA margin (a)	– 2.4 %	– 8.1 %
Gross margin (b)	54.2 %	54.1 %
Gross margin after licensing costs (c)	41.9 %	35.4 %
Contribution margin (d)	27.4 %	21.3 %
Net working capital (e)	EUR 79.7 million	EUR 18.5 million
Free cash flow (f)	EUR – 87.9 million	EUR – 35.4 million

(a) For the definition, explanation and reconciliation of adjusted EBITDA margin refer to 2.3.2 Profitability on page 44
(b) For the definition and explanation of gross margin refer to 2.3.2 Profitability on page 44
(c) For the definition and explanation of gross margin after licensing costs refer to 2.3.2 Profitability on page 44
(d) For the definition, explanation and reconciliation of contribution margin refer to 2.3.2 Profitability of the Group on page 44
(e) For the definition and explanation of net working capital refer to 2.3.2 Profitability on page 44
(f) For the definition and explanation of free cash flow refer to 2.3.3 Financial position on page 47

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 2022[1], global growth decelerated over the year under the impact of high energy prices and major uncertainty. Monetary policy, which is being tightened very quickly in view of high inflationary pressure across the board, also put a drag on economic activity. Overall, production remained on an upward trend into the fall, with impetus coming from easing supply bottlenecks and the continuing normalization of activity in those sectors of the economy particularly affected by the COVID-19 pandemic. Towards the end of the year, however, economic momentum weakened noticeably further. The major advanced economies are currently particularly facing a period of weak economic activity despite considerable fiscal support measures. At the same time, the problems for the Chinese economy remain significant. While global output (measured on a purchasing power parity basis) at 3.2 percent is expected to grow by 0.3 percentage points more this year than expected in September, the Kiel Institute for the World Economy forecasts an increase of only 2.2 percent in 2023.

Due to tonies' unique business model, there is no market that is fully representative for its business development. However, according to Statista, the global toys and games market grew by around 13 % to EUR 263 billion in 2022. The regional markets most relevant for tonies recorded double-digit growth, with an increase of around 10 % in the DACH region and around 11 % in the US and UK.

2.2. Review of overall business performance

tonies delivered an overall very strong business performance in 2022, a challenging year marked by war in Ukraine and a macroeconomic environment characterized by drastic raw material price increases, tense supply chains and deteriorating global consumer sentiment.

Revenue amounted to EUR 258.3 million in 2022, representing a year-over-year growth of 37.4 %, with an increase in revenue in all regions and all product categories. The US market developed particularly strong, with sales more than tripling to EUR 65.6 million.

The Group's **adjusted EBITDA margin** improved significantly from – 8.1 % in 2021 to – 2.4 % in 2022, well above the initial guidance for 2022, where only of a slight improvement year-over-year was expected. This was attributable particularly to the positive effects from stronger unit economics through lower licensing costs and efficient fulfilment, whereas substantially higher prices for raw materials and inbound logistics, including need for higher usage of air freight, had an adverse impact on Group profitability.

Gross margin remained broadly flat at 54.2 % as negative impact of higher prices for direct materials and inbound logistics was offset by the shift of additional volumes to lower cost suppliers and an initial positive impact of price increases implemented in May. Gross margin after licensing costs increased materially from 35.4 % in 2021 to 41.9 % in 2022 as a result of lower licensing costs.

Contribution margin increased substantially from 21.3 % in 2021 to 27.4 % in 2022, driven primarily by lower costs for licensing (including some non-recurring effects related to provisions) and fulfilment.

Free cash flow amounted to EUR – 87.9 million, down from the figure for the previous year (2021: EUR – 35.4 million), due to a strong increase in **net working capital**, mostly inventory, within cash flow from operating activities.

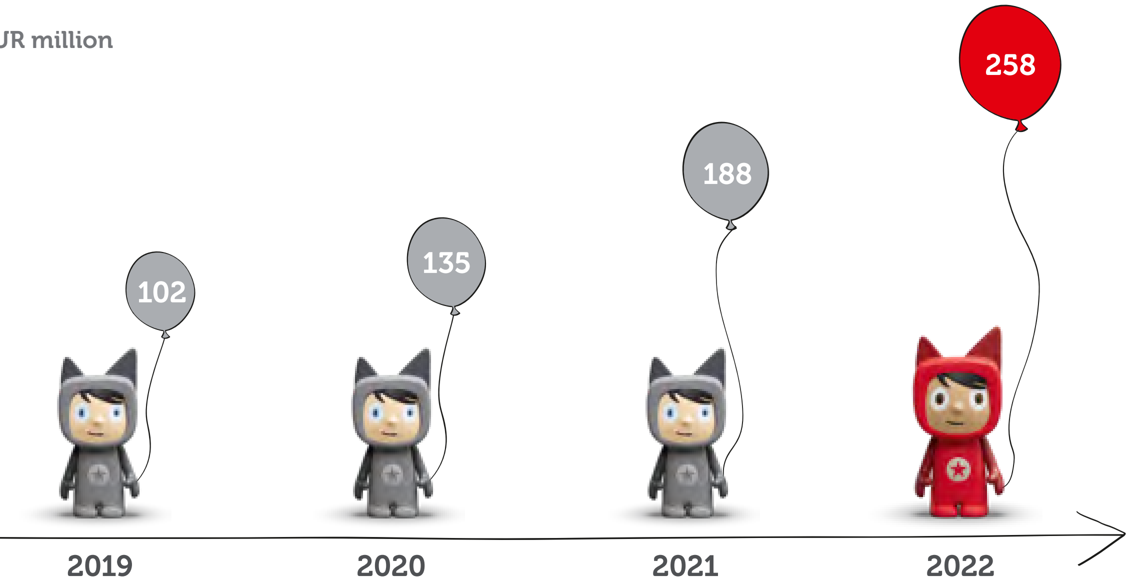
[1] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/englisch/2022/KKB_97_2022-Q3_Welt_EN.pdf

2.3. Results of operations of the Group

2.3.1. Revenue

Revenue increased by 37.4 % from EUR 188.0 million in 2021 to EUR 258.3 million in 2022.

Revenue in EUR million



FY 2019 based on German GAAP (HGB), 2020 and 2021 IFRS

The **DACH** market recorded revenue growth of 4.6 % to EUR 158.3 million. Here, despite the mature market profile, demand for Tonieboxes remained strong. By the end of the year 2022, tonies had around 7,000 retail point of sales (including seasonal listings) in DACH compared to around 6,300 at the end of the prior year. tonies is a highly established brand in the DACH market with a high and stable aided brand awareness of around 77 % within the parents target audience. As a result, tonies is present in every second German household with kids in its target group.

The **US** market achieved EUR 65.6 million in revenue, representing a growth of 223.2 %. This development was particularly driven by a continued retail adoption with key accounts such as Target and Best Buy, which resulted in a significant increase in points of sales in the US. By the end of the year 2022, tonies had around 4,200 retail point of sales (including seasonal listings) in the US compared to 2,000 at the end of the prior year. At the same time, US online revenue via the tonies webshop and Amazon marketplace more than doubled in 2022.

The ongoing international expansion progressed very well. In **Rest of World**, which mainly consists of UK, Ireland and France, tonies recorded revenue of EUR 34.4 million, representing a growth of 110.6 %. In April 2022, tonies launched its European webshop, enabling it to delight customers across Europe with innovative products. In October 2022, tonies also took its first step into the Asia-Pacific region by entering Hong Kong with a local distribution partner.

From a product category perspective, **Tonieboxes** revenue was up by 52.5 % in 2022 to EUR 87.3 million, significantly increasing tonies footprint and thus the foundation for future sales of Tonies figurines. Almost half of the over 1.4 m Tonieboxes sold in 2022 were sold outside of DACH region. 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 of **Tonies figurines** increased by 28.8 % to EUR 159.1 million driven by both licensed third-party Tonies including Paw Patrol, Frozen and Peppa Pig as well as Tonies with in-house produced content and own design such as "Sleepy Friends" and "Playtime Songs". In 2022, around 17.9 million Tonies figurines were sold across all markets.

In **Accessories & Digital**, revenue grew significantly by 65.8 % to EUR 11.9 million driven by headphones, carriers, shelves and chargers. While the DACH market saw a particularly strong demand for the car organizer, new storage bags for transporting the Tonieboxes were well received by customers in the US and the UK. In 2022, tonies licensed accessories or the first time under sub-brands "Sleepy Friends" and "Lieblings-Kinderlieder" with partners Sterntaler and Affenzahn.

In terms of distribution channels, both retail and own online remained strategically relevant for tonies. In 2022, the share of revenue via own online channels continued to increase and reached 37 % of the Group's gross revenue in 2022 compared to around 26 % in 2021. Key driver was country mix effects, as international markets, which show higher online penetration compared to DACH, account for a higher proportion of group revenues.

in EUR million	2022	2021	Change
Revenue	**258.3**	**188.0**	**37.4 %**
by geography			
DACH	158.3	151.3	4.6 %
US	65.6	20.3	223.2 %
Rest of World	34.4	16.3	110.6 %
by product category			
Tonieboxes	87.3	57.2	52.5 %
Tonies figurines	159.1	123.6	28.8 %
Accessories & Digital	11.9	7.2	65.8 %

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. EBITDA was historically adjusted for the following non-recurring effects: (i) effects of share-based compensation, (ii) own software development (as this is not currently capitalized), (iii) special projects and boni (essentially one large-scale procurement project that affected costs mostly in 2020 to some extent 2021), and (iv) costs and effects related to tonies IPO/business combination. In 2022, the adjustments comprised only costs for share-based compensation and own developed software. 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 – 8.1 % of revenue in 2021 (EUR – 15.2 million) to – 2.4 % of revenue in 2022 (EUR – 6.1 million). This was attributable particularly to the stronger unit economics and contribution margin driven by positive effects from lower licensing costs and efficient fulfilment, whereas substantially higher prices for raw materials and logistics had an adverse impact on Group profitability.

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

	2022		2021		Change
	EUR m	% of revenue	EUR m	% of revenue	EUR m
Revenue	**258.3**	**100.0 %**	**188.0**	**100.0 %**	**70.3**
COGS	– 118.3	– 45.8 %	– 86.2	– 45.9 %	– 32.1
Gross profit	**140.0**	**54.2 %**	**101.8**	**54.1 %**	**38.2**
Licensing costs	– 31.7	– 12.3 %	– 35.2	– 18.7 %	3.6
Gross profit after licensing costs	**108.3**	**41.9 %**	**66.5**	**35.4 %**	**41.8**
Other income	1.3	0.5 %	0.4	0.2 %	0.9
Personnel expenses	– 57.2	– 22.1 %	– 36.4	– 19.4 %	– 20.8
Other expenses	– 87.2	– 33.8 %	– 277.9	– 147.8 %	190.7
EBITDA	– 34.7	– 13.5 %	– 247.3	– 131.6 %	212.6
Depreciation and amortization	– 18.4	– 7.1 %	– 14.2	– 7.6 %	– 4.2
EBIT	– 53.2	– 20.6 %	– 261.6	– 139.1 %	208.4
Financial result	16.5	6.4 %	13.5	7.2 %	3.0
EBT	– 36.6	– 14.2 %	– 248.0	– 132.0 %	211.4
Tax income	5.0	1.9 %	7.5	4.0 %	– 2.6
Loss for the period	– 31.7	– 12.3 %	– 240.5	– 127.9 %	208.8

Adjusted EBITDA is calculated from EBITDA as follows:

	2022		2021		Change
	EUR m	% of revenue	EUR m	% of revenue	EUR m
EBITDA	**– 34.7**	**– 13.5 %**	**– 247.3**	**– 131.6 %**	**212.6**
(i) Share-based compensation	24.2	9.4 %	11.3	6.0 %	12.9
(ii) Own developed software (not activated)	4.4	1.7 %	3.3	1.8 %	1.1
(iii) Special projects and boni	0.0	0.0 %	3.3	1.8 %	-3.3
(iv) IPO-related costs	0.0	0.0 %	214.1	113.9 %	– 214.1
Adj EBITDA	**– 6.1**	**– 2.4 %**	**– 15.2**	**– 8.1 %**	**9.1**

The **contribution margin** is the contribution profit as a percentage of revenue. The contribution profit is calculated from the gross profit after licensing costs less various revenue-related costs that are together aggregated as fulfilment (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. Despite a largely unchanged gross margin, contribution margin increased significantly from 21.3% of revenue in 2021 to 27.4% of revenue in 2022. The increase was mainly driven by lower licensing costs including non-recurring effects of around EUR 6.2 million and more efficient fulfilment. Contribution profit of EUR 70.9 million in 2022 increased significantly compared to the prior-year level of EUR 40.0 million.

Reconciliation contribution margin

	2022		2021		Change
	EUR m	% of Revenue	EUR m	% of Revenue	EUR m
Gross profit after licensing costs	108.3	41.9%	66.5	35.4%	41.8
Logistics costs	– 23.6	– 9.1%	– 17.4	– 9.3%	– 6.2
Other sales dependent costs	– 13.9	– 5.4%	– 9.2	– 4.9%	– 4.7
Contribution profit	**70.9**	**27.4%**	**40.0**	**21.3%**	**30.9**

Gross margin remained largely unchanged at 54.2% compared to 54.1% in 2021. Negative effects on gross margin resulted from the challenging situation in the procurement markets, characterized by higher costs for materials and inbound freight. These negative effects were offset by positive effects. Here, additional volumes could be shifted to suppliers with lower costs as part of tonies multiple-source strategy, particularly for Tonies figurines. In addition, initial effects from price increases in the DACH region, which were implemented in May 2022, led to a slightly positive effect on gross margin and will have an even more positive impact on profitability going forward.

License costs decreased from 18.7% of revenue in 2021 to 12.3% in 2022 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, and a non-recurring effect of EUR 6.2 million due to the release of licensing provisions. **Gross margin after licensing costs** increased correspondingly from 35.4% in 2021 to 41.9% in 2022.

Personnel expenses rose from EUR 36.4 million in 2021 to EUR 57.2 million in 2022 due to investment in further international expansion and the build-out of central functions such as technology and operations at the headquarters. Furthermore, expenses for share-based compensation increased from EUR 11.3 million in 2021 to EUR 24.2 million in 2022, primarily due to a program granted to Co-CEOs as part of the business combination agreement that combined tonies with 468 SPAC I SE in November 2021. Furthermore, virtual shares and stock options were issued in both, 2021 and 2022. All costs for share-based compensation were excluded from the calculation of adjusted EBITDA.

Other expenses decreased significantly from EUR 277.9 million in 2021 to EUR 87.2 million in 2022 mainly due to non-recurring effects related to the business combination, which amounted to EUR 214.1 million in 2021. Other expenses include a range of different expenses, such as logistics costs, other revenue-based costs, marketing and other operating expenses, all of which have increased with continued international growth.

Depreciation and amortisation of EUR 18.4 million in 2022 (2021: EUR 14.2 million) mostly include the amortisation of intangible assets 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 increased from EUR 13.5 million in 2021 to EUR 16.5 million in 2022. The positive amount is mainly driven by a financial income in 2022 resulting from a revaluation of warrant shares at fair value after the decline of tonies SE share price in 2022 (see Note 26 – Financial income and finance costs for details). The remainder is mostly attributable to various credit lines.

Tax income decreased from EUR 7.5 million in 2021 to EUR 5.0 million in 2022, mainly attributable to a reduction of deferred tax liabilities from the purchase price allocation in context of the acquisition of tonies GmbH in 2019.

The **loss for the period** amounted to EUR – 31.7 million in 2022 compared to EUR – 240.5 million in 2021, which included special effects in the context of the business combination in 2021.

2.3.3. Financial position

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

	2022	2021	Change
	EUR m	EUR m	EUR m
EBITDA	– 34.7	– 247.3	212.6
Decrease (increase) in net working capital	– 61.2	– 3.5	– 57.8
Decrease (increase) in trade receivables	– 12.5	– 5.5	– 7.0
Decrease (increase) in inventories	– 52.8	– 8.5	– 44.3
Increase (decrease) in trade payables	4.1	10.5	– 6.4
Change in other positions	21.6	224.4	– 202.8
Cash Flow from operating activities	**– 74.4**	**– 26.4**	**– 48.0**
Acquisition of property, plant and equipment	– 3.4	– 3.3	– 0.1
Acquisition of intangible assets	– 10.1	– 5.6	– 4.5
Cash flow from investing activities	**– 13.6**	**– 8.9**	**– 4.6**
Increase (decrease) from equity financing (net of fees)	58.9	171.8	– 113.0
Increase (decrease) in borrowing and other effects	8.4	– 69.3	77.7
Cash flow from financing activities	**67.2**	**102.5**	**– 35.3**
Net increase (decrease) in cash	**– 20.7**	**67.1**	**– 87.8**
Change in cash resulting from exchange rate differences	0.0	– 0.6	0.7
Free cash flow	**– 87.9**	**– 35.4**	**– 52.6**

Cash flow from operating activities in 2022 was at EUR – 74.4 million (2021: EUR – 26.4 million). This was driven by EBITDA loss of EUR – 34.7 million and a strong increase in in net working capital by EUR 61.2 million from EUR 18.5 million in 2021 to EUR 79.7 million in 2022, mainly caused by higher investments in inventories to facilitate further international expansion. Net working capital outlines how much cash is bound in tonies' operations. Note that cash flow from operating activities for FY 2022 also reflects significant cash-out related to the business combination in November 2021, where certain costs were accrued for in FY 2021 and payment only occurred in early 2022.

Cash flow from investing activities reflects investments in property, plant and equipment and intangible assets totaling EUR – 13.6 million in 2022 (2021: EUR – 8.9 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) in 2022 amounted to EUR – 87.9 million (2021: EUR – 35.4 million). Free cash flow represents the Group's cash efficiency and enables an assessment of profitability. This metric also considers capital investments and changes in net working capital. It thus demonstrates changes in cash before financing activities are taken into account.

Cash flow from financing activities amounted to EUR 67.2 million in 2022 (2021: EUR 102.5 million) driven by a capital increase (before fees) 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. In 2021, as result of the business combination, there were EUR 191.3 million inflows from equity financing from primary proceeds, as well as EUR – 19.5 million cash outflow due to transaction costs. In addition, there was a net repayment of all outstanding financial liabilities in 2021, including accrued interest, totaling EUR – 69.3 million.

Overall, the Group's **cash** decreased from EUR 75.6 million in 2021 by EUR – 20.7 million to EUR 54.9 million in 2022.

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

2.3.4. Assets and liabilities

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

	2022		2021		Change
	EUR m	% of BS total	EUR m	% of BS total	EUR m
Assets	**481.8**	**100.0%**	**438.0**	**100.0%**	**43.8**
Non-current assets	**289.3**	**60.0%**	**298.2**	**68.1%**	**– 8.9**
Property, plant and equipment	7.0	1.5%	6.5	1.5%	0.5
Intangible assets (incl Goodwill)	276.8	57.5%	281.4	64.3%	– 4.6
Other	5.4	1.1%	10.2	2.3%	– 4.8
Current assets	**192.6**	**40.0%**	**139.9**	**31.9%**	**52.7**
Cash	54.9	11.4%	75.6	17.3%	– 20.7
Inventories	84.3	17.5%	31.5	7.2%	52.8
Trade receivables	34.8	7.2%	22.3	5.1%	12.5
Other	18.5	3.8%	10.4	2.4%	8.1
Equity and Liabilities	**481.8**	**100.0%**	**438.0**	**100.0%**	**43.8**
Equity	**334.6**	**69.5%**	**281.3**	**64.2%**	**53.3**
Share capital & premium	609.2	126.4%	550.4	125.6%	58.8
Other incl accumulated profit and loss	– 274.6	– 57.0%	– 269.1	– 61.4%	– 5.5
Liabilities	147.2	30.5%	156.7	35.8%	– 9.5
Non-current liabilities	**38.1**	**7.9%**	**43.1**	**9.8%**	**– 5.0**
Loans and borrowings (long term)	6.8	1.4%	0.0	0.0%	6.8
Lease liabilities (long term)	5.0	1.0%	0.7	0.2%	4.3
Share-based payment liabilities (long term)	6.0	1.3%	7.9	1.8%	– 1.9
Deferred tax liabilities	20.2	4.2%	34.5	7.9%	– 14.3
Current liabilities	**109.1**	**22.6%**	**113.6**	**25.9%**	**– 4.5**
Trade payables (short term)	39.4	8.2%	35.4	8.1%	4.1
Loans and borrowings (short term)	0.0	0.0%	0.3	0.1%	– 0.3
Other and provision	57.3	11.9%	45.7	10.4%	11.6
Warrant liabilities (short term)	12.4	2.6%	32.2	7.4%	– 19.8

At EUR 481.8 million, total assets showed an increase compared to year-end 2021 (EUR 438.0 million).

Assets consisted in particular of **non-current assets**, which accounted for 60.0 % of total assets in 2022 (EUR 289.3 million) and in absolute terms remained on a similar level as in 2021. 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 281.4 million in 2021 to EUR 276.8 million in 2022 stemmed primarily from regular write-downs on the brand and the technology. Investment in the Group's intangible and tangible assets continued in 2022. 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 139.9 million per 31 December 2021 to EUR 192.6 million per 31 December 2022. Cash decreased from EUR 75.6 million per 31 December 2021 to EUR 54.9 million in the year under review. The strong, planned international growth led to an increase in inventories from EUR 31.5 million per 31 December 2021 to EUR 84.3 million per 31 December 2022. Strategically, tonies aims for keeping sufficient goods in stock to further support the rapid growth trajectory, particularly in the US. Trade receivables increased from EUR 22.3 million per 31 December 2021 to EUR 34.8 million per 31 December 2022. Other assets (current) rose from EUR 10.4 million per 31 December 2021 to EUR 18.5 million per 31 December 2022. This item includes VAT receivables and prepaid expenses.

Compared to year-end 2021, **equity** rose by EUR 53.3 million to EUR 334.6 million. In November 2022 (first closing on the 9th, second closing on the 29th), tonies successfully placed 12,000,000 new class A shares in the Company with institutional investors at a placement price of EUR 5.00 per share, raising gross proceeds of EUR 60.0 million in an accelerated bookbuilding. The net proceeds are intended to be used to build up inventory for further growth and international expansion (in particular in the US), as well as to strengthen the balance sheet. Correspondingly, equity ratio increased by 5.2 percentage points to 69.5 % per 31 December 2022 and remained at a very high level (31 December 2021: 64.2 %).

Non-current liabilities decreased slightly to EUR 38.1 million per 31 December 2022 (31 December 2021: 43.1 million). tonies had an increase in loans and borrowings (long term) by EUR 10.0 million due the issuance of unsecured convertible bonds with an aggregate principal amount of EUR 10.0 million, part of which is shown in Equity. As further major items, provisions for share- based payment decreased from EUR 7.9 million per 31 December 2021 to EUR 6.0 million per year-end 2022, while deferred tax liabilities declined from EUR 34.5 million per 31 December 2021 to EUR 20.2 million per 31 December 2022.

Current liabilities decreased from EUR 113.6 million per 31 December 2021 to EUR 109.1 million per year-end 2022. Trade payables increased from EUR 35.4 million per 31 December 2021 to EUR 39.4 million per 31 December 2022. Other (current) liabilities and provisions increased to EUR 57.3 million per 31 December 2022 compared to EUR 45.7 million per year-end 2021. This item also included provisions for copyright collecting agencies and storage media fees. Starting this year, Warrant liabilities are disclosed separately. This item decreased due to the revaluation of warrants on tonies SE for former SPAC sponsors and shareholders which amounted to EUR 12.4 million compared to EUR 32.2 million per year-end 2021.

2.3.5. Comparison between actual business performance and outlook

Initially, tonies expected group revenue of EUR 250 million, corresponding to a year-over-year growth around 33 %, and US revenue of EUR 52 million, representing a year-over-year increase of around 156 % in the year 2022. Adjusted EBITDA-margin was expected to improve slightly compared to FY 2021 (– 8.1 %).

Based on the business development in the first nine months of 2022 and assumptions regarding the business performance in the fourth quarter, the Management Board of tonies SE updated its guidance for fiscal 2022 on 27 October 2022. While revenue outlook was confirmed, tonies raised its outlook for adjusted EBITDA margin to a range of – 5 % to – 2 %. The higher margin guidance was the result of a higher than originally anticipated contribution margin driven by lower fulfilment costs and lower licensing costs, including non-recurring effects due to the release of licensing provisions.

At EUR 258 million, group revenue slightly exceeded the forecast of EUR 250 million, driven by stronger-than-originally-expected US revenue of EUR 66 million, which significantly exceeded the forecast of EUR 52 million for fiscal 2022. The main driver here was the continued rollout of tonies in the US, especially with major retail partners, partly supported by the appreciation of the USD against the EUR. The appreciation led to a positive effect of around EUR 6 million on group and US revenue. The adjusted EBITDA margin was – 2.4 %, which is at the upper end of the updated forecast range of – 5 % to – 2 %.

Outlook versus performance 2022

	Original guidance for 2022	Guidance for 2022 as updated on 27 October	Results 2022
Group revenue (EUR million)	250	250	258
US revenue (EUR million)	52	52	66
Group adjusted EBITDA (% of revenue)	Slightly better than FY 2021 (– 8,1 %)	– 5 % to – 2 %	– 2.4 %

2.3.6. Overall assessment of the economic situation

Overall, the management considers the Group's economic situation good on the basis of the business performance described and the financial position. In particular, inflows in connection with the capital increase in November 2022 result in a solid liquidity situation to support the Group's ongoing growth.

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 which attracts, excites, values and retains our diverse teams around the globe.

At the end of December 2022, the Group employed 431 people. This represented an increase of 22 % compared to 354 employees at the end of 2021.

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

In May 2022, we brought – for the first time – all tonies employees from all our countries together for a global tonies event in Germany, a truly exciting and positively overwhelming event with lots of room for knowledge sharing, building, cross-team and cross-country collaboration.

We are what we value

One important aspect of preserving this unique culture is to have a guide for how we navigate through daily work life and how we behave as employees towards each other as well as towards partners, which is why we introduced in 2022 our tonies principles. Our principles help us provide the same level of quality across all aspects of our business and they equip our teams to act in our all-best interests.

The tonies *principles*

Employee engagement

We are convinced that our employees' feedback plays a crucial role in creating a desirable employee experience and continuing to attract and retain top talent. Hence, we ask our employees monthly to share their feedback via a fixed set of questions as well as via open-comment feedback through a pulse survey. The results help us to measure and continuously improve the level of employee satisfaction with the experience tonies' provides as an employer.

Diversity & Inclusion

We believe it is crucial for the success of our company to have a diverse workforce comprised of individuals with different ideas, strengths, interests and backgrounds. We strive for diversity and inclusion in an environment where all our employees are heard and appreciated – regardless of gender, nationality, ethnic origin, religion, different abilities, age, sexual orientation or identity.

To support this mindset, we hosted 2022 a virtual Unconscious Bias training with an external trainer. Furthermore, the People & Culture team participated in an Unconscious Bias deep dive training with a focus on bias-free recruiting, development and coaching.

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 2022, 42 % of all leadership positions were filled with women.

Learning

We believe a continuous focus on learning and development is a key enabler in driving our company culture and success. To support this, we host monthly virtual so-called "Brown Bag Seminars" with internal as well as external speakers and trainers. Furthermore, we offered leadership trainings for new and existing leaders and encourage self-guided learning with an individual annual learning budget as well as access to the language learning platform Babbel.

Employee wellbeing

To support the health and well-being of our employees, we continued to offer employee well-being initiatives. In 2022 we focused on mental health, stress release as well as movement by offering an impulse lecture on mental health.

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.

2022 was a challenging environment for our global production and supply chain, primarily due to disruptions related to COVID-19 and the war in Ukraine, which resulted in disproportionately high air freight costs to ensure timely delivery for some of our products to our customers. 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 temporary supply disruptions.

Nonetheless, we continuously work on making our production processes more robust, 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.

Next to above mentioned disruptions in production, rising prices for direct materials have been one of the main challenges in 2022. Rising costs for labor, energy and raw materials – the main categories of raw materials for tonies are synthetic materials and electronic components – have put pressure on our cost management. Through a total cost approach in analyzing saving potentials and combining this with optimizations along the entire supply chain, we managed to keep our direct material spending within plan.

On the procurement and production side, managing our costs will be one of the key priorities in 2023, 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 Europe, Asia and also evaluate possibilities in the Americas. Furthermore, by adopting a multiple-source approach not just for suppliers, but also for crucial electrical components in 2022, we have made ourselves largely independent of microprocessor shortages. We plan to expand this component-based multiple-source strategy to further components to reduce our supply risk.

5. Research and development

The Group does not conduct any basic research, but it is continually developing its product family to meet market requirements and ensure the market viability of the product family in the future. The Group is aided in this by its close contact with markets and the innovative strength of its employees, related business partners and contract manufacturers. The establishment of an in-house development department, the Tonie Lab, supports a focus on the targeted development of new products based on the Toniebox technology and the further development of possible use cases and potential new target groups.

In the year under review, the Group's in-house development of its products and the required infrastructure amounted to EUR 4.4 million. Development costs have not been capitalised to date because the capitalisation criteria under IAS 38 are not met. However, the corresponding costs were excluded from the calculation of adjusted EBITDA.

The vast majority of development expenses went towards the existing tonies ecosystem for optimisation and scaling purposes, as well as towards developing new Tonies and the download platform for audio content.

6. Marketing

Our marketing relies heavily on a brand building strategy. By presenting our Tonieboxes and Tonies as category-defining products, we have created our own distinctive identity on the market, which provides us with a high recognition value and creates differentiation from similar products on the market. We regard the maintenance of our strong brand identity as crucial for our customer acquisition and for driving our revenue and profit growth.

High reach campaigns and a strong and growing community accumulated to an aided brand awareness of around 77% within our target group of parents in the DACH region in 2022. This is not only because of an already existing strong brand identity but is achieved through a mix of product and brand communication as well as an ongoing development of the brand and our products.

To keep new and existing costumers engaged, we go for a multi-channel approach in marketing. We leverage existing target groups generated via newsletter subscriptions, social media followers or website visitors, but also rely on widespread campaigns e.g., out of home, TV spots or sponsoring, high reach influencer or more unconventional tactics to excite and win customers. To guarantee a wide reach within the community and new costumers, we also focus on performance marketing and other online advertising campaigns that contribute to strong online sales. Therefore, we not only focus on our most reliable channels like Facebook or Instagram, but also place targeted Google or Amazon ads. To always be ahead of our competitors, we even invest into new channels like TikTok to not only reach or core target group (parents) but also go beyond for more brand and product awareness. That gives us the opportunity to react to ongoing changes and trends within the marketing and social media landscape more quickly and adapt the way people consume media and advertising today.

In addition, we focus on strategic point-of-sale activations for key accounts and in specialty retail such as retail give aways, product or season related instore decorations and promotion items, special POS furniture and innovative POS concepts to experience the brand with all senses. Doing so, we guarantee a consistent appearance of our product portfolio and the brand to provide orientation and sales support for retailers and costumers.

Our unique brand identity with its distinguished visual elements and our heartwarming and almost familiar approach makes the tonies brand recognizable in every language and market and accompanies the strong product portfolio in the best possible way.

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 organization. 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 a bottom up 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 qualitatively, and for key risks also quantitatively based 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.

All risks and opportunities are reviewed on a regular basis whether they are still valid and correctly assessed. Afterwards the documentation is updated and aggregated in the risk register.

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 were on the agenda in 2022.

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, monitoring, and corrective 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.

The system of internal controls is currently in the process of being rolled out and amended in the Group's subsidiaries. It will be reviewed on an annual basis. Furthermore, tonies is preparing for the certification of the quality management standard ISO 9001, which will bring further process stability and a continuous improvement process, taking into account opportunities and risks.

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.

tonies meets the requirements of Section 91 (2) and (3) Aktiengesetz (German Stock Corporation Act – AktG) throughout the Group.

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 and procurement markets. The current macroeconomic situation remains challenging particularly due to ongoing effects from COVID-19, especially in China, and the war in Ukraine. The consequences include deteriorating consumer sentiment as a result of high inflation, especially due to rising commodity and energy prices, limited availability of raw materials and freight capacities, and the EUR devaluating against the USD.

Accurately forecasting revenue growth, margins, cash flow and general business performance is one of the key challenges in these unpredictable global conditions and in times of substantial growth. Mistakes in the monitoring and control of our business planning could lead to wrong decisions and affect our revenue growth, profitability, and liquidity.

To manage this international Group successfully under these conditions, constant monitoring and prudent corporate management are fundamental measures. Ongoing cost and efficiency management is important for our corporate management, which will be pursued even more intensively in view of these framework conditions.

As financial management measures, we use, on the one hand, careful trade monitoring (revenue, sell-outs, activations) and regular business reviews to confirm plan fulfilment. On the other hand, we act based on scenario-based budget planning and cash planning.

We have gained extensive experience in recent years and significantly improved our planning process. To address the remaining uncertainties, we introduced a comprehensive management concept. Each week, we track our most important key performance indicators relating to revenue, analyse trends, update our planning in the event of significant changes. Our financial key figures are discussed in detail and analysed on a monthly basis. These are compared with planning so that any necessary measures can be taken quickly, and the Company can be agile when responding to changing conditions.

To improve sales, an increased cost bases is taken into account 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 online sales.

In terms of procurement, we already addressed concentration risk by launching a project for a multiple source strategy in 2020 and are now gradually shifting further purchasing volumes to other new suppliers for all relevant elements that we source. In addition to reduced dependency, the broader supply base also creates better conditions, something that has proved particularly valuable during the turbulence caused by the COVID-19 pandemic, with a positive effect on gross margin.

We are taking a broad range of measures to alleviate the effects on the contribution margin and plan to increase our contribution margin further in 2023.

Tools, processes and structures

As a fast-growing and international company, we face risks related to our operational business processes, structures as well as roles and responsibilities. To counter these risks and prepare the Group to scale up its business even further, a cross-functional and multi-dimensional project has been initiated. The project includes, for example, the implementation of tools to reduce manual activities and increase efficiency.

We can rely on an experienced management team with business experience in several national and international industries. The Group encourages close alignment between departments, for example by using objectives and key results (OKR's) as a companywide goal-setting framework.

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 exchange rate and political uncertainty in the production countries.

The USD exchange rate in particular 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 addresses the USD risk through the selective use of currency hedging instruments (e.g. purchase of USD based on planned FX rate to pay supplier invoices) and potential country risks through the careful selection of contract manufacturers and increasing diversification of suppliers. Potential capacity bottlenecks are countered by commissioning other contract manufacturers in different countries for production.

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 for 2023.

Information Technology

To be successful as a global company, we continuously invest in expanding and modernising our IT platforms. At the centre of this are our ERP system and our online shop and, increasingly also our digital products such as the "mytonies" app. Interfaces between our systems ensure data is transferred smoothly.

Most of our revenue is still generated in retail (brick-and-mortar retail partner stores and their online channels). At the same time, online sales channels are becoming increasingly important for our business, so the risk of a system failure could result in a revenue risk, especially during strong sales periods such as around Christmas, where the load on our systems is particularly high. So far, we have been able to cope with all peak demand phases without major problems thanks to our experience and advance planning.

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.

Existing and potential further regulations of the General Data Protection Act make cooperation with US IT companies more difficult or, in a worst case, even impossible. The risk is centred on companies in certain areas where these companies are market leaders, such as cloud service. This entails the risk of high migration costs in case we would have to switch to other service providers.

Optimisation of the IT systems used and further digitalisation of all company processes with the help of existing ERP systems and a product lifecycle management system pose risks but, also open up opportunities to further bolster business success and promote continued growth.

A centralised IT approval process has been established for the structured expansion of our IT infrastructure. In addition, existing and new systems are evaluated from a risk perspective to decide on further security actions. tonies currently employs a highly qualified team of around 70 IT staff.

Solvency risks

Given the 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 November 2022, we successfully conducted a capital increase, securing EUR 60 million of capital. We did so in a difficult capital markets and funding environment, which underlines strong investor confidence in tonies and its value creation strategy. In addition to existing financial resources, tonies also has credit lines totaling EUR 26 million that are not currently utilised. These lines are limited until the end of 2022, but historically have always been renewed. Parts of these credit lines may be needed during the summer months, in part due to the seasonal nature of business and our working capital, revenue is comparatively low in the summer and significant inventories also begin to be built up in the summer to meet the demands of the fourth quarter, the seasonally strongest period of the year. There is a risk that additional financial resources in the form of equity or debt will be needed in the future. 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. Another risk that has become more pronounced again is the risk of a bank defaulting and its possible spill over onto the financial markets.

Dependence on key partners

In various areas of our business model, we cooperate with key partners such as licensors and development partners, 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. 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 launched our first own licence brand, "Sleepy Friends", which focuses on bedtime routine, one of the key uses case for our product. 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.

In the years of the start-up phase, the close cooperation with IT development partners was very beneficial for fast and successful progress. Particularly strong dependencies and interdependencies between partners and tonies products have been reduced in the past and will be reduced continuously. For this purpose, we are building up our own knowledge base and conducting in-house development.

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, are at the risk of 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 additional approval process based on research and experience is required for transactions that exceed credit insurance limits. In addition, we switch to prepayment for doubtful customers.

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, we achieved around EUR 66 million in revenue in 2022, just two years after the market launch. Our 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 our clear focus in 2023, we see a wide range of further opportunities for substantial growth in many other countries in the future. In 2023, we will also further roll out our European webshop. In addition, we will continue to work with distribution partners, as for example in in Hong Kong, and local retailers to give many more children in even more countries access to our exciting tonies world and thus realize the corresponding sales potential.

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 2022, 37% of our revenue was generated via digital channels, compared to 26% in 2021. 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 in Hungary and two new partners for the production of Tonies in China 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, Playmobil and Sterntaler.

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.

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 impact on the global economy.

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 2022 , experts expect increasingly dampening factors to dominate the global economy in 2023. Until the end of 2022, the global economy was supported by a number of factors that are becoming increasingly less important in 2023. For example, the potential for production to normalize as a result of the COVID-19-related losses in the contact-intensive sectors of the economy is largely exhausted. The additional savings accumulated during the pandemic, which helped to maintain consumption levels in the face of shrinking real incomes, are increasingly melting away. The high order backlogs in industry are increasingly being worked off, so declining orders will have a greater impact on production in the future. The labour markets, which have so far remained very robust, are a lagging indicator for the economy, and their supporting influence on consumer behaviour and incomes is likely to lose significance in the coming months. At the same time, the negative influences on the economy emanating from the financial environment are intensifying. Higher financing costs are putting the brakes on investment and consumption. In many countries, the financial cycle also appears to be turning. Real estate prices are now softening after a long period of strong increases. When the financial cycle turns, financial imbalances tend to emerge, further slowing economic activity. Global economic growth will slow significantly in the coming year. Following GDP growth of 3.2 % in 2022, which is roughly in line with the medium-term trend rate, global output is expected to increase by only 2.2 % in 2023.

[2] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/englisch/2022/KKB_97_2022-Q3_Welt_EN.pdf

As mentioned in the macroeconomic review of 2022, due to tonies unique business model, there is no market that fully reflects its business development. According to Statista, the global toys and games is expected to increase by around 10 % to EUR 290 billion in 2023. The markets most relevant for tonies are expected to grow, with an expected increase of around 7 % in the DACH region, around 8 % in the US and around 6 % in the UK. The most relevant regional market for the Group here is the "connected toys" sub-market, which is expected to grow by 16 % p.a. between 2020 and 2025[3]. In addition to the strong growth of the business, there is thus also strong tailwind for tonies from the market side.

8.2. Outlook for tonies in 2023

tonies forecast is based on the assumption that there will be no further material deterioration of consumer sentiment in 2023 and that COVID-19 will not lead to far-reaching closures of production in industry and retail. Taking these factors into account, we expect tonies to generate group revenue of EUR 354 million in 2023, corresponding to a year-over-year growth of around 37 %. This substantial further increase is expected to be driven primarily by continued international expansion. In particular, the further rollout of tonies in the US where revenue is expected to rise from EUR 66 million in 2022 to EUR 116 million in 2023, based on the assumed EUR/USD exchange rate of 1.08 USD. This means that the US will contribute the majority of the expected revenue growth for the Group.

In addition to further increasing the already very strong presence on the profitable DACH market, we will continue to invest heavily into our growth, especially in the US, but also in other active markets such as the UK and France. At the same time, the European webshop will be rolled out into further European countries.

We expect adjusted EBITDA margin to further improve and turn positive in 2023 based on continued improvement in our contribution margin driven by a higher gross margin, and operating leverage on our cost base.

In summary, the management is confident it is well equipped to maintain tonies successful development in the future.

Luxembourg, 12 April 2023

tonies SE

Patric Faßbender
CEO and Co-Founder

Marcus Stahl
CEO and Co-Founder

[3] Market study by a leading consultancy company for tonies GmbH

Corporate governance and responsibility statement of tonies SE

1. Structure and general remarks

tonies SE is a Luxembourg governed company, which shares are traded on the regulated market of the Frankfurt Stock Exchange, (the **"Company"**, the **"Group"**). 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

The Company 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

The Company 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 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 the Company 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. The Company 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 general 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 two 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 authorisation 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 current members of the Management Board:

Name	Nationality	Age	Position	Start of Term	Expected End of Term
Patric Faßbender	German	52	Co-CEO	2021	2025
Marcus Stahl	German	55	Co-CEO	2021	2025

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 taken together 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 table shows the current members of the Supervisory Board:

Name	Nationality	Age	Profession	Start of Term	Expected End of Term	Other functions in the Company
Anna Dimitrova	German	46	Chief Strategy & Transformation Officer and member of the Executive Committee at Vodafone Germany	2021	2024	– Chairperson of the Supervisory Board – Member of the Audit Committee
Alexander Kudlich	German	43	General Partner at 468 Capital	2021	2024	–
Alexander Schemann	German	46	Founder and Managing Partner at Armira	2021	2024	–
Dr. Stephanie Caspar	German	49	Former President Classifieds Media and member of the Executive Board at Axel Springer SE	2021	2024	–
Christian Bailly	German	41	Managing Partner at Armira	2021	2024	– Deputy Chairperson – Member of the Audit Committee
Helmut Jeggle	German	52	Founder and Managing Partner at Salvia GmbH	2021	2024	– Chairperson of the Audit Committee
Dr. Thilo Fleck	German	48	Lawyer, Partner at Berner Fleck Wettich	2021	2023	–

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 2022

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 their knowledge, the audited consolidated financial statements for the period ended 31 December 2022, 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 as of that date and results for the period then ended.

In addition, management's report includes a fair review of the development and performance of the Group's operations during the period and of business risks, where appropriate, faced by the Group as well as other information required by the Article 68ter 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.

Patric Faßbender
Co-Founder & Co-CEO

Marcus Stahl
Co-Founder & Co-CEO

Independent Auditor’s Report

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 2022, 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 true and fair view of the consolidated financial position of the Group as of 31 December 2022, 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 258m (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, 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 Matter

A first audit report was issued on 12 April 2023 on the same consolidated financial statements, which included an other matter paragraph to draw the user's attention to the fact that the consolidated financial statements of the Group as at 31 December 2022 had not been prepared in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation") requiring public companies in the European Union to publish their financial statements under such a format.

The Group's consolidated financial statements covered by this audit report are prepared in compliance with said Delegated Regulation, so the above-mentioned caveat no longer applies.

This audit report supersedes the audit report issued on 12 April 2023 and covers all subsequent events up to the date of this report.

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 the 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 2 June 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 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 2022 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 2022, 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, 25 April 2023

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 k EUR	Notes	31.12.2022	31.12.2021
Assets			
Property, plant and equipment	7	7,026	6,524
Right-of-use assets	7	5,407	865
Intangible assets (excl. Goodwill)	8	114,598	119,213
Goodwill	8	162,236	162,236
Deferred tax assets	27	0	9,336
Non-current assets		**289,267**	**298,174**
Inventories	10	84,322	31,530
Right of return asset	20	115	445
Trade receivables	11	34,792	22,311
Other assets (short term)	11	18,421	9,979
Cash	12	54,918	75,593
Current assets		**192,568**	**139,858**
Total assets		**481,834**	**438,032**
Equity			
Share capital	12	2,030	1,575
Share premium	12	607,166	548,791
Other reserves	12	– 3,301	– 2,480
Retained earnings	12	– 239,594	– 26,084
Profit (Loss)	12	– 31,663	– 240,505
Equity attributable to owners of the company		**334,638**	**281,297**
Non-controlling interests		**0**	**0**
Total equity		**334,638**	**281,297**
Liabilities			
Loans and borrowings (long term)	15	6,849	0
Lease liabilities (long term)	9	4,989	675
Share-based payment liabilities (long term)	22	6,049	7,934
Deferred tax liabilities	27	20,209	34,530
Non-current liabilities		**38,096**	**43,139**
Income tax liabilities		78	646
Loans and borrowings (short term)	15	1	332
Lease liabilities (short term)	9	586	209
Trade payables (short term)	16	39,412	35,360
Warrant liabilities	17	12,435	32,216
Other liabilities (short term)	16	35,353	21,974
Provisions (short term)	18	21,236	22,859
Current liabilities		**109,100**	**113,596**
Total liabilities		**147,196**	**156,735**
Total equity and liabilities		**481,834**	**438,032**

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 k EUR	Notes	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Continuing Operations			
Revenue	20	**258,282**	**187,973**
Changes in inventories		47,574	2,773
Cost of materials	21	– 165,891	– 88,982
Gross profit		**139,965**	**101,764**
Licensing costs	21	– 31,668	– 35,233
Gross profit after Licensing costs		**108,297**	**66,531**
Other income	24	1,322	396
Personnel expenses	23	– 57,170	– 36,405
Other expenses	25	– 87,193	– 277,871
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**– 34,745**	**– 247,349**
Depreciation and amortization	7/8	– 18,414	– 14,202
Earnings before interest and taxes (EBIT)		**– 53,159**	**– 261,551**
Finance income	26	19,968	19,984
Finance costs	26	– 3,456	– 6,481
Earnings before tax (EBT)		**– 36,647**	**– 248,048**
Tax income	27	4,984	7,543
Profit (loss) for the period		**– 31,663**	**– 240,505**
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation to presentation currency		– 821	– 632
Total comprehensive income for the period		**– 32,484**	**– 241,137**
Profit attributable to:			
Owners of the Company		– 31,663	– 240,505
Non-controlling interests		0	0
Total comprehensive income attributable to:			
Owners of the Company		– 32,484	– 241,137
Non-controlling interests		0	0
Earnings (loss) per share (in k EUR)			
Basic	28	– 0.32	– 5.02
Diluted	28	– 0.32	– 5.02

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

Consolidated Statement of Cash Flows

IIFRS Consolidated Statement of Cash Flow in k EUR	Notes	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Profit (loss) for the period		**–31,663**	**–240,505**
Depreciation and amortization	7/8	18,414	14,202
Finance (income) expenses	26	–16,512	–13,503
Tax income	27	–4,984	–7,543
EBITDA		**–34,745**	**–247,349**
Decrease (increase) in trade receivables	11	–12,481	–5,461
Decrease (increase) in inventories	10	–52,792	–8,468
Increase (decrease) in trade payables	16	4,052	10,479
Decrease (increase) in net working capital		**–61,221**	**–3,450**
Loss on disposal of property, plant and equipment	7/8	0	6
Decrease (increase) in other assets	11	1,224	–7,128
Increase (decrease) in other provisions	18	–1,623	9,670
Increase (decrease) in other liabilities	16	192	7,989
Increase (decrease) in share-based payment liabilities	22	–1,885	4,463
Increase in equity settled share-based payment transaction	22	24,241	2,155
Other non-cash (income) expenses		0	207,339
Cash flow from operating activities before income taxes		**–73,817**	**–26,305**
Income tax paid	27	–565	–124
Cash flow from operating activities		**–74,382**	**–26,429**
Purchase of property, plant and equipment	7	–3,404	–3,308
Acquisition of intangible assets	8	–10,147	–5,631
Cash flow from investing activities		**–13,551**	**–8,939**
Proceeds from issue of share capital by shareholders of the Parent Company	13	60,000	0
Capital Reorganization (Acquisition of subsidiaries)		0	191,288
Proceeds from borrowings	15	10,000	37,332
Transaction costs	15	–1,150	–19,457
Acquisition of NCI		0	–2
Repayments of borrowings	15	–332	–100,021
Interest paid	15	–694	–6,453
Payment of lease liabilities	16	–588	–172
Cash flow from financing activities		**67,236**	**102,515**
Net increase in cash		**–20,697**	**67,147**
Change in cash resulting from exchange rate differences		21	–632
Net cash at the beginning of the period	12	75,593	9,079
Net cash at the end of the period	12	54,918	75,593

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

The prior years cash flow from capital reorganization is a total of the following cash in- and outflows:

Cash inflow	**406,229**
Increase in share capital at tonies SE before closing from issuance of 7.5 Mio foundation shares	120
Increase in share capital at tonies SE before closing from issuance of 30 Mio shares (less Redeemed Shares at closing)	480
Increase in share premium at tonies SE before closing from issuance of 30 Mio shares (less Redeemed Shares at closing)	299,361
Increase in share capital at tonies SE from issuance of 10.5 Mio PIPE shares	168
Increase in share premium at tonies SE from issuance of 10.5 Mio PIPE shares	104,832
Other cash inflows from capital reorganization	1,268
Cash outflow	**– 214,941**
Cash outflow to Legacy Shareholders Boxine (cash consideration for shares in tonies Beteiligungs GmbH & tonies Holding GmbH)	– 214,941
Total cash flow from capital reorganization	**191,288**

Consolidated Statement of Changes in Equity

IFRS Statement of Changes in Equity in k EUR	Notes	Share capital	Share premium	Translation reserve	Transaction costs reserve	Retained earnings	Profit (Loss)	Total	Non-controlling interest	Total equity
Balance as of 1.1.2022		1,575	548,791	– 608	– 1,871	– 26,084	– 240,505	281,297	0	281,297
Total comprehensive income										
Profit (loss) for the period	13						– 31,663	– 31,663		– 31,663
Other comprehensive income	13			– 821		– 240,505	240,505	– 821		– 821
Total comprehensive income		0	0	– 821	0	– 240,505	208,842	– 32,484	0	– 32,484
Contributions and distributions										
Capital increase	13	455	58,374					58,829		58,829
Equity-settled share-based payment	22					24,241		24,241		24,241
Total contributions and distributions		455	58,374	0	0	24,241	0	83,070	0	83,070
Convertible reserve						3,276		3,276		3,276
Total transactions with owners of the Company		455	58,374	0	0	27,517	0	86,346	0	86,346
Other Changes						– 522		– 522		– 522
Balance as of 31.12.2022		2,030	607,166	– 1,430	– 1,871	– 239,594	– 31,663	334,638	0	334,638

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 k EUR	Notes	Share capital	Share premium	Translation reserve	Transaction costs reserve	Retained earnings	Profit (Loss)	Total	Non-controlling interest	Total equity
Balance as of 1.1.2021		**100**	**203,201**	**23**	**0**	**–26,084**	**0**	**177,240**	**21,293**	**198,533**
Total comprehensive income										
Profit (loss) for the period							–240,505	–240,505		–240,505
Other comprehensive income				–632				–632		–632
Total comprehensive income		**0**	**0**	**–632**	**0**	**0**	**–240,505**	**–241,137**	**0**	**–241,137**
Contributions and distributions										
Capital reorganization	13	1,737	126,208		–1,668			126,277		126,277
Transaction costs	13				–203			–203		–203
Treasury shares acquired	13	–262						–262		–262
Listing fee	13		201,184					201,184		201,184
Reduction in capital reserves	13		–5,249					–5,249		–5,249
Equity-settled share-based payment	13		2,155					2,155		2,155
Total contributions and distributions		**1,475**	**324,298**	**0**	**–1,871**	**0**	**0**	**323,902**	**0**	**323,902**
Changes in ownership interest										
Changes in NCI without a change in control			21,293					21,293	–21,293	0
Total changes in ownership interest		**0**	**21,293**	**0**	**0**	**0**	**0**	**21,293**	**–21,293**	**0**
Total transactions with owners of the Company		**1,475**	**345,590**	**0**	**–1,871**	**0**	**0**	**345,194**	**–21,293**	**323,902**
Balance as of 31.12.2021		**1,575**	**548,791**	**–608**	**–1,871**	**–26,084**	**–240,505**	**281,297**	**0**	**281,297**

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

Notes to the Consolidated Financial Statements

1. General information

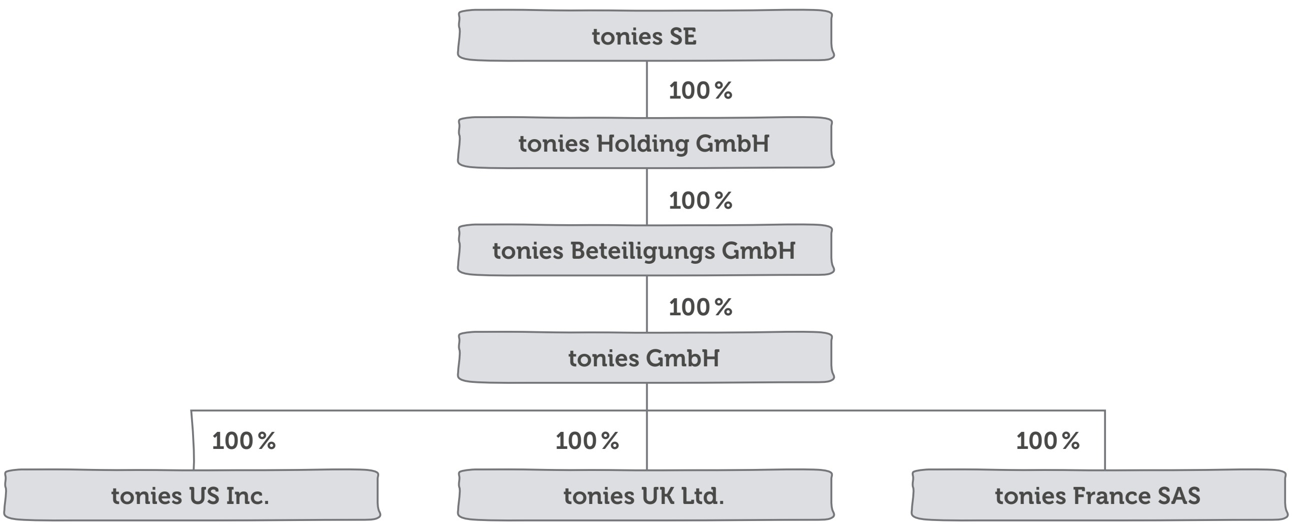
tonies SE (the **"Company"** or **"tonies"**) was incorporated in Luxemburg on 18 March 2021 and was registered with the Luxembourg Trade and Companies Register under number B252939 on 29 March 2021. The registered office of the Company is in rue de Bitbourg 9, L-1273, Luxembourg. These consolidated 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.

The subsidiaries A. VI Holding GmbH, A. VI Beteiligungs GmbH, Boxine GmbH, Boxine US Inc., Boxine UK Ltd. and Boxine France SAS were renamed tonies Holding GmbH, tonies Beteiligungs GmbH, tonies GmbH, tonies US Inc., tonies UK Ltd. and tonies France SAS in Q1 2022.

Per 31 December 2022, the Group structure of tonies SE is as follows:



The former subsidiaries tonies Issuance GmbH & Co. KG and tonies Advisors GmbH & Co. KG were merged into tonies Advisors Verwaltungs GmbH via accretion ("Anwachsung"). Subsequently, tonies Advisors Verwaltungs GmbH was merged into tonies Holding GmbH. The mergers/transactions took place during 2022 and has no impact on tonies SE consolidated financial statements.

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 2022. 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 12 April 2023.

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' functional 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.

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. Reverse Acquisition

In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, commonly called 'reverse acquisitions', the issuing entity is the acquiree. A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes (the accounting acquiree). The entity whose equity interests are acquired (the legal acquirer) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. The accounting acquiree must meet the definition of a business for the transaction to be accounted for as a reverse acquisition.

When the accounting acquiree is not a business, the recognition and measurement principles of IFRS 3 do not apply to the transaction which should be accounted for in accordance with IFRS 2 instead. The transaction remains however a reverse acquisition and the guidance of IFRS 3 in this respect remains applicable.

Post business combination, the financial statements are presented as a continuation of the financial statements of the accounting acquirer. The IFRS 2 accounting for the merger is the following:

(i) the assets and liabilities of the accounting acquirer recognised and measured at their pre-combination carrying amounts in accordance with relevant IFRS;
(ii) the assets and liabilities of the accounting acquiree recognised and measured in accordance with relevant IFRS;
(iii) the retained earnings and other equity balances of the accounting acquirer before the business combination recognised in accordance with relevant IFRS;
(iv) the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal acquirer, including the shares issued to effect the combination:
  - **Share capital** – The share capital account of the accounting acquirer is carried forward. However, the balance is adjusted to reflect the par value of the outstanding share capital of the legal acquirer, including the number of shares the legal acquirer issued to effect the acquisition to the shareholders of the legal acquiree and PIPE (Private Investment in a Public Entity) investors in this transaction.
  - **Share premium** – The share premium account of the accounting acquirer is carried forward and adjusted for any change in par value of the outstanding capital stock and is increased to reflect the difference between the par value and the fair value of the shares issued to the shareholders of the legal acquiree and PIPE investors and the cash consideration paid to accounting acquirer's shareholders in the transaction if any.
(v) the expense recognized, as a listing fee, for the difference of the fair value of the shares deemed to have been issued by the accounting acquirer and the book value of the accounting acquiree's identifiable net assets.

3.1.3. 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.

3.1.4. Non-controlling interests

Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Since Q1 2022 the Group does not have any non-controlling interests.

3.1.5. 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 generally recognised in profit or loss and presented within cost of materials.

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. During 2021, after being five years in business and a detailed analysis of useful life, these were adjusted from ten to five years for tooling purchases up to 31 December 2020 and set at three years for tooling acquired from 2021 due to much higher use than initially expected. The effect on the 2021 consolidated financial statements was about kEUR 666.

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 re-assesses 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.

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 although these funds can be transferred 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

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.

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 € 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 2022. 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:

- Amendments to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Improvements to IFRS 2018 – 2020

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		
IAS 1 (A)	Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	1 January 2023
IAS 8 (A)	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	1 January 2023
IFRS 17	IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) and Amendments to IFRS 17/99 on comparative information	1 January 2023
IAS 12 (A)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 8.30 EU endorsement is still pending		
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

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 2022 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 14 – **Accounting for convertible bond:** key assumptions about the likelihood of a conversion of the bond resulting in a partly classification split between equity and liabilitities;
- 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 – **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 (until 22 February 2022 A. VI Holding GmbH)	Düsseldorf, Germany, (until 22 February 2022: Hamburg)	100
tonies Beteiligungs GmbH (until 2 March 2022 A. VI Beteiligungs GmbH)	Düsseldorf, Germany (until 2 March 2022: Munich)	100
tonies GmbH (until 1 March 2022: Boxine GmbH)	Düsseldorf, Germany	100
tonies UK Ltd. (until 31 March 2022: Boxine UK Ltd.)	Bishops Stortford, UK	100
tonies US Inc. (until 14 April 2022: Boxine US Inc.)	Palo Alto/California, US	100
tonies France SAS (until 28 March 2022: Boxine France SAS)	Paris, France	100

6. Operating segments

The Group manages its operations as a single segment for the purposes of assessing performance and making operating decisions. The Management Board, which consists of the two Co-CEOs, represents the CODM, who regularly reviews the operating results and makes decisions about the allocation of the Group's resources. Based on the management view, the primary performance indicators are Net Revenue and Adjusted EBITDA margin as reported to the CODM. Adjusted EBITDA is defined as earnings before financial result (net), taxes, depreciation and amortization adjusted for certain effects. Adjustments relate to expenses incurred where management believes adjustments should be made due to extraordinary and non-operational character.

The Group generates its revenue solely through its activities as the producer of the innovative audio system 'Tonies'. The revenue comprises income from selling the speaker box called Toniebox and of various figures marketed under the name Tonies. As the Group operates with the same products around the world throughout its whole business, the CODM reviews operating results, makes decisions about resources to be allocated and assesses performance on an entity-wide level. Hence, all of the Group's assets, liabilities as well as the relevant profit measure (Adjusted EBITDA) are thus only allocable to the one segment and monitored accordingly.

For the purpose of internal management control and resource allocation, the Group has performed corporate management and control at the overall entity level for the financial years 2022 and 2021 based on German GAAP financials. The following tables comprise the reconciliation of information on the reportable segment from management reporting under German GAAP to the amounts under IFRS reported in the financial statements.

Reconciliation of information on reportable segments to the amounts reported in the financial statements

in kEUR	tonies Group according to IFRS
1.1.2022 – 31.12.2022	
I. Revenue	258,282
II. Adj. EBITDA	–6,104
EBITDA Adjustments	28,641
Consolidated EBITDA	–34,745
Depreciation/Amortization	–18,414
Finance Income/Expense	16,512
Consolidated Profit (Loss) before tax	–36,647

in kEUR	tonies Group according to management reporting	Reconciliation	tonies Group according to IFRS
1.1.2021 – 31.12.2021			
I. Revenue	190,600	–2,627	187,973
II. Adj. EBITDA	–16,524	1,318	–15,206
EBITDA Adjustments			–232,143
Consolidated EBITDA			–247,349
Depreciation/Amortization			–14,202
Finance Income/Expense			13,503
Consolidated Profit (Loss) before tax			–248,048

The 2021 reconciling items related to revenue result from the reclassification of marketing subsidies from operating expenses to reduction of revenue according to IFRS 15. For 2022 the IFRS presentation has already been incorporated in the local financial statements.

The 2021 reconciling items related to EBITDA result from decreased other expenses from leasing contracts under IFRS 16, a reduction of costs of materials due to hedge accounting and decreased other expenses from expected credit losses on trade receivables. In addition to the IFRS adjustments, the reconciliation also includes the effect of holding costs from tonies and tonies Holding GmbH.

With respect to the Group's primary performance indicator, adjusted EBITDA was calculated on the basis of the Group's operating loss as follows:

in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Adjusted EBITDA		
Loss for the period	**– 31,663**	**– 240,505**
+ Income tax	– 4,984	– 7,543
+ Finance cost	3,456	6,481
– Finance income	– 19,968	– 19,984
Earnings before interest and taxes (EBIT)	**– 53,159**	**– 261,551**
+ Depreciation and amortization	18,414	14,202
EBITDA	**– 34,745**	**– 247,349**
+ Extraordinary expenses resulting from special projects and boni	0	3,348
+ Expenses resulting from own developed software	4,400	3,323
+ Extraordinary expenses resulting from IPO-related costs	0	214,139
+ Expenses resulting from share-based payment	24,241	11,333
+ Expenses resulting from results from prior periods	0	0
Total EBITDA Adjustments	**28,641**	**232,143**
Adjusted EBITDA	**– 6,104**	**– 15,206**
Adjusted EBITDA margin	– 2.4 %	– 8.1 %

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	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Revenue breakdown by country		
Germany	145,728	139,679
All foreign countries		
United States (US)	65,586	20,296
United Kingdom (UK)	25,426	13,187
Austria	6,522	6,740
Switzerland	6,060	4,928
Republic of Ireland	4,618	1,722
France	3,958	1,422
Other	384	0
Total	**258,282**	**187,973**

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	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Non-current asset breakdown		
Germany	288,003	297,122
United States (US)	919	768
France	157	209
United Kingdom (UK)	188	75
Total	**289,267**	**298,174**

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

Major customer

Gross revenue from one customer of the Group represented approximately kEUR 24,365 (9 %) (2021: Gross revenue from one customer kEUR 21,500 (11 %)) of the Group's total Gross revenue.

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:

Property, plant and equipment & Right-of-use assets in kEUR	Right-of-use	Land and building	Technical equipment and machinery	Tools	Other operating and office equipment	Assets under construction	Total
Cost							
Balance as of 1.1.2021	631	77	1,915	2,613	1,355	337	6,928
Additions	579	300	304	1,122	140	1,442	3,887
Disposals	0	0	0	0	– 5	0	– 5
Reclassification	0	159	0	0	0	– 159	0
Balance as 31.12.2021	1,210	536	2,219	3,735	1,490	1,620	10,810
Additions	5,291	32	469	757	1,823	323	8,695
Disposals	0	0	0	0	– 47	0	– 47
Reclassification	0	409	276	935	0	– 1,620	0
Balance as of 31.12.2022	6,501	977	2,964	5,427	3,266	323	19,458

Property, plant and equipment & Right-of-use assets in kEUR	Right-of-use	Land and building	Technical equipment and machinery	Tools	Other operating and office equipment	Assets under construction	Total
Depreciation							
Balance as of 1.1.2021	167	30	235	515	193	0	1,140
Depreciation	178	66	334	862	840	0	2,280
Reclasification	0	0	0	0	0	0	0
Balance as 31.12.2021	345	96	569	1,377	1,033	0	3,420
Depreciation	749	91	1,028	1,012	772	0	3,652
Disposal	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

Property, plant and equipment & Right-of-use assets in kEUR	Right-of-use	Land and building	Technical equipment and machinery	Tools	Other operating and office equipment	Assets under construction	Total
Carrying amounts							
Carrying amounts on 31.12.2021	865	440	1,650	2,358	457	1,620	7,390
Carrying amounts on 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:

Intangible assets in kEUR	Brand	Technology	Customer relationship	Order backlog	Patents, licenses and similar rights and values	Total
Cost						
Balance as of 1.1.2021	34,738	90,688	4,819	669	8,093	139,007
Additions	0	0	0	0	5,631	5,631
Balance as of 31.12.2021	34,738	90,688	4,819	669	13,724	144,638
Additions	0	0	0	0	10,147	10,147
Balance as of 31.12.2022	34,738	90,688	4,819	669	23,871	154,785

Intangible assets in kEUR	Brand	Technology	Customer relationship	Order backlog	Patents, licenses and similar rights and values	Total
Amortization						
Balance as of 1.1.2021	2,895	7,557	549	669	1,833	13,503
Amortization	2,316	6,046	439	0	3,121	11,922
Balance as of 31.12.2021	5,211	13,603	988	669	4,954	25,425
Amortization	2,316	6,046	439	0	5,961	14,762
Balance as of 31.12.2022	7,527	19,649	1,427	669	10,915	40,187

in kEUR	Brand	Technology	Customer relationship	Order backlog	Patents, licenses and similar rights and values	Total
Carrying amounts						
Carrying amounts on 31.12.2021	29,527	77,085	3,831	0	8,770	119,213
Carrying amounts on 31.12.2022	27,211	71,039	3,392	0	12,956	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.

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

The carrying amount of goodwill as of the balance sheet date is shown in the following table:

Carrying Amounts	Goodwill (kEUR)
Carrying amount as of 1.1.2021	162,236
Additions recognised from business combinations	0
Carrying amount as of 31.12.2021	**162,236**
Carrying amount as of 1.1.2022	162,236
Additions/(–)disposals recognised from business combinations	0
Carrying amount as of 31.12.2022	**162,236**

tonies consists of only one cash-generating unit (CGU). The goodwill resulting from the acquisition of tonies GmbH is attributable in full to this CGU. There were no triggering events in the reporting period. No impairment has been recognised in the reporting periods. The goodwill is tested for impairment annually and on ad hoc basis in case of triggering events.

The recoverable amount of the CGU is based on the value in use, which is estimated by discounting expected future cash flows (DCF method) based on a detailed budget for 2023–2025. For the years 2026–2033 the revenue growth rates have been reduced from 40.2% (2025) to 1% and other growth factors have been reduced accordingly while EBITDA-margin stayed stable from 2026. The reason for the extended planning period is the high growth rate until 2025 which is not realistic to entirely drop to the long-term growth rate applied. The Group assumes a substantial increase in demand due to additional market penetration and additionally developed markets. Price increases due to material and freight price increases are being covered partly through a general sales price increase from May 2022. The key assumptions used in estimating the recoverable amounts are outlined below. The values assigned to the key assumptions represent management's assessment of future developments in the relevant industry and are based on historical values from external and internal sources. In addition, the expected sales growth on new markets entered (especially UK, USA and France) as well as other international markets that will be approached from Germany have been considered. Finally, the assessment of the optimization potential on the procurement side has been considered. Both, expansionary capital expenditure and cost optimization potential, have only been considered to the extent that the entity was committed as of 31 December 2022.

Impairment-test input variables in %	2022			2021	
	Year 1–3	Year 4–12	13 cont.	Year 1–5	6 cont.
Discount rate	9.51%	9.51%	9.51%	8.48%	9.48%
Revenue growth rate	39.89%	8.00%	0.50%	39.10%	1.50%
EBIT growth rate	1.82%	11.85%	1.00%	10.50%	1.50%

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

The cash flow forecasts contained specific estimates for five years and a perpetual growth rate thereafter. The planned Revenue growth rate and Gross profit growth rate were determined on a group basis.

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 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.

Two property leases contain an extension option exercisable by the Group up to one year before the end of the non-cancellable contract period. 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. In 2021, the previously unrecognized extension option of one property lease was exercised. This resulted in an increase of the lease liability in the amount of kEUR 224.

The Group has entered into a rental contract for new office spaces in 2019. The commencement date of the contract has been postponed from 2020 to the beginning of 2022. The effect on the lease assets and lease liability as at 1 January 2022 was kEUR 4,769.

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			
2021			
Balance as of 1.1.2021	454	10	464
Depreciation charge for the year	139	39	178
Additions to right-of-use assets	224	355	579
Balance as of 31.12.2021	**539**	**326**	**865**
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**

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 amortization 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.

To calculate the credit spreads, the spot rates (risk-free rates) at the issue date of the loans were first determined. 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 individual risk-free rate plus the credit spread.

Leases in kEUR	**2022**	**2021**
Amounts recognised in profit or loss		
1. Interest on lease liabilities	251	24
2. Expenses relating to short-term leases	163	372
Amounts recognised in the statement of cash flows		
1. Total cash outflow of leases	588	592

10. Inventories

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

Inventories in kEUR	**31.12.2022**	**31.12.2021**
1. Finished goods	70,034	22,748
2. Raw materials	12,302	6,824
3. Work in progress	1,986	1,958
Total	**84,322**	**31,530**

Write downs of inventory recognised as an expense have been performed in 2022 amounting to kEUR – 1,988 (turnover and scrap) and in 2021 amounting to kEUR 1,012 (turnover and scrap).

As of 31 December 2021, part of the inventories of tonies GmbH were assigned as collateral for liabilities to banks totaling kEUR 332. The security comprises the assignment of ownership of the warehouse with changing stock of finished goods. In 2022, the collateral was released following the repayment of the above-mentioned liabilities with the banks. There were no other collaterals for liabilities in the financial year or in the prior year. For further information see note 15.

11. Trade receivables and other assets

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

Trade receivables in kEUR	31.12.2022	31.12.2021
Financial assets		
1. Trade receivables	34,792	22,269
2. Receivables from related parties	0	42
Total	**34,792**	**22,311**

Other assets in kEUR	31.12.2022	31.12.2021
Other financial assets		
1. Receivables from employees	19	1,587
2. Receivables from marketplaces	7,927	1,881
3. Deposits	158	318
4. Prepayments to suppliers	0	292
5. Other receivables financial	1,553	0
Sum of other financial assets	**9,657**	**4,078**
Other non-financial assets		
1. Receivables resulting from input taxes and VAT	5,245	4,796
2. Deferred expenses and accrued income	3,509	1,032
3. Other receivables non-financial	10	73
Sum of other non-financial assets	**8,764**	**5,901**
Total	**18,421**	**9,979**

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

The Group participates for the major subsidiary tonies GmbH 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. As of 31 December 2022, the Group's factored receivables amount to kEUR 19,319 (31.12.2021: kEUR 18,207). As of 31 December 2022, receivables outstanding from factoring to the bank amount to kEUR 11,534 (31.12.2021: kEUR 12,081).

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.

12. Cash

Cash comprises cash and cash at bank. As of 31 December 2022, tonies, had cash with a carrying amount of kEUR 54,918 (2021: kEUR 75,593). As the amount of cash is below EUR 500 no amount is presented.

Cash in kEUR	31.12.2022	31.12.2021
1. Cash	0	0
2. Cash at bank	54,918	75,593
thereof restricted	872	696
Total	**54,918**	**75,593**

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

In addition, funds held at payment providers in an amount of kEUR 7,581 are presented under other assets. Restricted cash is related to the deposits of payment providers.

13. Equity

The changes in the various components of equity from 1 January 2021 through 31 December 2022 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.

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.

The stock option program granted in November 2021 has been classified as an equity-settled share-based payment plan in accordance with IFRS 2. Correspondingly, kEUR 2,155 were recognized in share premium in the financial year 2021 and kEUR 24,539 in the financial year 2022. For further information, please refer to note 22.

From the capital increase mentioned in note 13.1 the share premium increased by kEUR 58,374 to kEUR 607,166.

13.3. Other reserves

Other reserves include the following:

(i) Translation reserves for exchange differences in translation to presentation currency amounting to kEUR 514 in 2022 (31. 12. 2021: kEUR – 608). 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). 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).

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 increased from 64 % to 68 % due to tonies' capital increase in 2022. A part of the new funding received during the capital market transactions was used in order to repay essentially all of its outstanding financial debt. As at the year end, the Group had unused credit facilities in the amount of kEUR 26,000 (2021: kEUR 25,667) out of a total line of credit of kEUR 26,000 (2021: 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	31.12.2022	31.12.2021
Non-current liabilities		
Non-current portion of the bond	6,849	0
Current liabilities		
Current portion of secured bank loans	1	332
Total	**6,850**	332

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 2022 the fair value of the liability component amounts to kEUR 6,849. The bond liability involves a nominal interest of 5 % p.a.

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

Terms and repayment schedule

Loans and borrowings	Original currency	Matures in	Interest type	Effective interest rate in %	Nominal value kEUR	Carrying amount kEUR
31.12.2022						
Bond	EUR	n/a	fix	5.00	10,000	6,849
Secured bank loans	EUR	n/a	fix	4.05	1	1
Total					**10,001**	**6,850**
31.12.2021						
Secured bank loans	EUR	n/a	fix	4.05	332	332
Total					**332**	**332**

As of 31 December 2022, the Group has outstanding credit lines from overdraft facilities from secured bank loans amounting to kEUR 26,000 (31.12.2021: kEUR 25,668).

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

Loan covenant

The Group has issued a convertible bond with a carrying amount of kEUR 6,849 at 31 December 2022 (31.12.2021: secured bank loans of kEUR 332).

tonies was obliged to maintain several financial ratios regarding secured bank loans at the level of tonies GmbH subgroup.

Failure to comply with a financial covenant constitutes a material reason for terminating the bond or the loan and alternatively entitles to demand the provision or strengthening of collateral. This might lead to the immediate repayment of the outstanding amount. In some cases, covenants were breached in 2021 but waivers were granted accordingly, and new covenants were agreed.

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 1.1.2022	**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**

Loans and borrowings & Lease liabilities (Reconciliation of movements) in kEUR	Bank loans	Lease liabilities	Other loans	Total
Balance as of 31.12.2021	**14,752**	**477**	**43,020**	**58,249**
Changes from financing cash flows				
Proceeds from loans and borrowings	332	0	37,000	37,332
Repayment of borrowings	– 14,752	0	– 85,269	– 100,021
Payments of lease liabilities	0	– 172	0	– 172
Interest paid	– 1,836	– 24	– 4,293	– 6,153
Total changes from financing cash flows	**– 16,256**	**– 196**	**– 52,562**	**– 69,014**
Liability-related				
New lease liabilities	0	579	0	579
Interest expense	1,836	24	4,293	6,153
Conversion of capital reserves	0	0	5,249	5,249
Total liability-related other changes	**1,836**	**603**	**9,542**	**11,981**
Balance as of 31.12.2021	**332**	**884**	**0**	**1,216**

16. Trade payables and other liabilities

Trade payables in kEUR	31.12.2022	31.12.2021
1. Trade payables	34,315	23,047
2. Trade accrued expenses	4,816	10,985
3. Return liability	280	1,328
Sum of Trade payables	**39,412**	**35,360**

Other liabilities in kEUR	31.12.2022	31.12.2021
Other financial liabilities		
1. Liabilities for licenses	15,543	12,231
2. Liabilities for customer bonus	0	233
3. Payables to employees	496	187
4. Derivative financial liabilities	2,202	0
5. Other liabilities financial	0	58
Sum of other financial liabilities	**18,241**	**12,709**
Other non-financial liabilities		
1. Payroll tax and social security contributions	1,087	3,974
2. Liabilities resulting from input taxes and VAT	5,037	2,421
3. Liabilities from wages and salaries	1,067	1,127
4. Accrued expenses (non-financial)	6,298	657
5. Other liabilities non-financial	3,623	1,086
Sum of other non-financial liabilities	**17,111**	**9,265**
Total	**35,353**	**21,974**

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	31.12.2022	31.12.2021
1. Warrants	12,435	32,216
Sum of Warrant liabilities	**12,435**	**32,216**

Regarding the valuation of the warrants we refer to note 19.1.

18. 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**

Other provisions in kEUR	Warranties	Licenses	Legal	Other	Total
Balance as of 1.1.2021	**246**	**12,489**	**0**	**454**	**13,189**
Added	921	6,189	3,247	2	10,359
Utilised	245	0	0	444	689
Balance as of 31.12.2021	**922**	**18,678**	**3,247**	**13**	**22,859**
Date of maturity					
Current	922	18,678	3,247	13	22,859
Non-current	0	0	0	0	0
Total other provisions	**922**	**18,678**	**3,247**	**13**	**22,859**

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 31.12.2022						
1. Trade and other receivables (Level 3)	11	0	53,212	0	53,212	53,212
2. Cash (Level 3)	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 (Level 2)	15	0	0	6,849	6,849	6,849
2. Secured bank loans (Level 3)	15	0	0	1	1	1
3. Trade and other payables (Level 3)	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**

Financial instruments in kEUR	Note	Mandatorily at FVTPL – others	Financial assets at amortised costs	Other financial liabilities	Total	Fair Value
Balance as of 31.12.2021						
1. Trade and other receivables (Level 3)	11	0	32,290	0	32,290	32,290
2. Cash (Level 3)	12	0	75,593	0	75,593	75,593
Financial assets not measured at fair value		**0**	**107,883**	**0**	**107,883**	**107,883**
1. Secured bank loans (Level 3)	15	0	0	332	332	332
2. Trade and other payables (Level 3)	15	0	0	57,334	57,334	57,334
Financial liabilities not measured at fair value		**0**	**0**	**57,666**	**57,666**	**57,666**
1. Warrants (Level 2)	17	32,216	0	0	32,216	32,216
Financial liabilities measured at fair value		**32,216**	**0**	**0**	**32,216**	**32,216**

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.

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 2022, the fair value of Public warrants was estimated at EUR 5,400,000 (EUR 0.54 per warrant) using Black-Scholes option pricing model (level 3). As at 31 December 2021, the fair value of Public warrants was estimated at EUR 15,000,000 (EUR 1,50 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 held in escrow (See Note 12). 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 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). As at 31. December 2021, the fair value of the 6,400,000 Sponsor warrants was estimated at EUR 17,216,000 (EUR 2.69 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	31.12.2022	31.12.2021
Trade receivables (not factored, not insured)	7,154	9,377
Other financial assets	8,098	4,078
Cash	54,918	75,593

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 1.1.2022	**41**
Net remeasurement of loss allowance	– 33
Balance as of 31.12.2022	**8**
Balance as of 1.1.2021	**76**
Net remeasurement of loss allowance	– 35
Balance as of 31.12.2021	**41**

Credit risk	Weighted-average loss rate in %	Gross carrying amount in kEUR	Loss allowance in kEUR	Net carrying amount in kEUR
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**
31.12.2021				
Current (not past due)	0.35 %	7,398	26	7,372
1 – 30 days past due	0.42 %	1,217	5	1,212
31 – 60 days past due	0.59 %	0	0	0
61 – 90 days past due	1.17 %	535	6	529
More than 90 days past due	1.52 %	227	3	224
Total		**9,377**	**41**	**9,336**

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 not 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
31.12.2022						
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**	
31.12.2021						
Secured bank loans	332	345	345	0	0	4.05 %
Lease liabilities	884	999	243	580	176	
Trade and other payables	57,334	57,334	57,334	0	0	
Warrants	32,216	32,216	32,216	0	0	
Total	**90,766**	**90,894**	**90,138**	**580**	176	

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 is expected to be 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 k EUR	31.12.2022		31.12.2021	
	Fixed-interest or non-interest-bearing	Variable interest rate	Fixed-interest or non-interest-bearing	Variable interest rate
Loans and borrowings	6,849	0	0	0
Secured bank loans	0	1	0	332

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

Effects on profit before tax in k EUR	Loans and borrowings (+100 BP)	Loans and borrowings (–100 BP)
31.12.2022	0	0
31.12.2021	22	–22

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	31.12.2022			31.12.2021		
	kEUR	k $	k £	kEUR	k $	k £
Trade receivables	0	16,739	2,851	0	3,174	3,537
Cash	0	7,961	10,240	31	8,948	1,930
Trade payables	0	–6,233	–903	0	–8,467	–1,106
Net exposure	**0**	**18,467**	**12,188**	**31**	**3,655**	**4,361**

In the financial year 2022, forward exchange contracts amounting to k USD 40,000 were used by the Group to secure against currency risks from purchases in USD. The Group did not use any forward exchange contracts in the financial year 2021.

The following significant exchange rates have been applied:

	Average rate		Exchange rate as of	
	2022	2021	31.12.2022	31.12.2021
$	0.9444	1.1827	0.9376	1.1326
£	1.1501	0.8596	1.1275	0.8403

In 2022 foreign currency translation resulted in income of kEUR 11,225 (2021: kEUR 2,798) and expenses of kEUR 10,753 (2021: kEUR 2,491).

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 %)
31.12.2022	2,550	–3,117	977	–1,195
31.12.2021	860	–1,051	391	–478

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	1.1.2022–31.12.2022	1.1.2021–31.12.2021
Primary geographical markets		
DACH	**158,310**	**151,347**
US	65,586	20,296
Rest of the world	34,386	16,330
Total	**258,282**	**187,973**
Major products		
Starterset	87,262	57,234
Content Tonies	154,747	119,016
Creative Tonies	4,372	4,545
Other (e.g. Accessories and mytonies)	11,901	7,178
Total	**258,282**	**187,973**

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 2022, potential product returns have been estimated based on the experience in the past resulting in a revenue reduction of kEUR 670 (31.12.2021: kEUR 1,328) and the recognition of a return liability of kEUR 280 (see Note 16). A corresponding right of return asset of kEUR 115 (31.12.2021: kEUR 445) 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

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.

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	1.1.2022–31.12.2022	1.1.2021–31.12.2021
1. Raw materials and consumables used	163,815	86,326
2. Purchased services	2,076	2,656
Total	**165,891**	**88,982**

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

The licensing costs reported separately in the statement of profit and loss comprise expenses for various licenses and concessions in the amount of kEUR 31,668 (2021: kEUR 35,233). The reduction compared to 2021 despite increased revenues is due to the release of prior year provisions after successful negotiations 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 SE 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

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 2022, the scheme involves 21 (2021: 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 most of the beneficiaries of the program have sold their shares vested resulting in a payment of kEUR 6,116. Some beneficiaries sold more shares than vested. This results in a claim against the beneficiary and is shown separately as a receivable of kEUR 1,587 in other assets as of 31 December 2021 in the balance sheet.

In 2022 a total of kEUR 756 (2021: kEUR 9,178) was recognised as personnel expenses for these employees. The fair value has been calculated using the share prices as at year end date 2022 as the share prices are the best estimate for the future payments. The plan resulted in payouts of kEUR 1,295 in 2022 and kEUR 6,116 in 2021. Total liability from this plan as at 31 December 2022 is kEUR 4,356.

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.

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 2022, the scheme involves 19 management employees. As of 31 December 2022, no vesting has taken place.

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 for simplification.

In 2022 a total of kEUR 1,693 was recognised as personnel expenses for these employees. 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 are no payouts from this plan in 2022. Total liability from this plan as at 31 December 2022 is kEUR 1,693.

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 2022 a total of kEUR 24,539 (2021: kEUR 2,155) 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. There are no payouts from this plan.

Development of share-based payments in kEUR	tonies Holding	tonies SE
Cumulated grant as at 1 January 2021	3,471	0
Additional grant during 2021	9,245	2,155
Exercise during 2021	6,303	0
Cumulated grant as at 31 December 2021	6,413	2,155
Exercise during 2022	1,235	0
Additional grant during 2022	– 822	26,231
Cumulated grant as at 31 December 2022	**4,356**	**28,386**

23. Personnel expenses

Employee benefits expense include the following items:

Personnel expenses in kEUR	1. 1. 2022 – 31. 12. 2022	1. 1. 2021 – 31. 12. 2021
1. Wages and salaries	27,018	21,785
2. Cash-settled share-based payments	1,234	9,178
3. Social security contributions	4,677	3,287
4. Equity-settled share-based payments	24,241	2,155
Total	**57,170**	**36,405**

During 2022, the increase in personnel expenses in comparison to the comparative period mainly results from additional hiring in order to support further growth as well as the addition of further employees to the share-based payment program. Additionally, a new equity-settled share-based payment program 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 316 in 2021 to 365 in 2022.

24. Other income

Other income includes the following:

Other income in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
1. Income related to other periods	635	49
1. Other income	687	347
Total	**1,322**	**396**

25. Other expenses

Other expenses include the following:

Other expenses in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
1. Listing fee	0	201,184
2. Logistic costs	25,675	19,546
3. Marketing and sales costs	26,385	19,397
4. Legal, audit and consulting fees	6,423	16,653
5. Variable fees, contributions and insurance	13,957	9,023
6. IT costs	6,438	7,080
7. Administration costs	2,722	1,894
8. Warranties	274	233
9. Non-period expenses	985	125
10. Miscellaneous other operating expenses	4,334	2,736
Total	**87,193**	**277,871**

IT and other expenses include research and development costs of kEUR 4,400 (2021: kEUR 1,835).

During 2022, the decrease in other expenses in comparison to the comparative period is mainly driven by the listing fee described in the paragraph below. The increase in the other expense categories are in general related to the growth of the Group.

With regard to the capital reorganization in the financial year 2021, the resulting difference of the fair value of the shares deemed to have been issued by tonies Holding GmbH (kEUR 438,681) and the fair value of tonies' identifiable net assets (kEUR 237,497) was recognized as a listing fee in other expenses.

26. Financial income and finance cost

Financial results are broken down as follows:

Finance income in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
1. Remeasurement to fair value of warrant shares	19,968	19,984
2. Other interest income	0	0
Total	**19,968**	**19,984**

Finance cost in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
1. Interest expense from related party loans	0	4,293
2. Interest expense from current accounts	699	1,901
3. Interest expense from factoring	179	154
4. Interest expense from leasing	251	24
5. Adjustment of convertible bond liability to effective interest rate	125	0
6. Other finance cost	2,202	109
Total	**3,456**	**6,481**

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.

Other finance cost for 2022 includes the valuation of a loss contract liability from Forward Exchange contracts.

Interest from loans
For information about tonies' exposure to interest rates please refer to note 19.2.3.

27. Income taxes

Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

Income tax in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Current year tax expense		
Current tax prior year from tax loss carry back	0	– 10
Changes in estimates related to prior years	0	– 81
Total current year tax expense	**0**	**– 91**
Deferred tax income		
Origination and reversal of temporary differences and tax loss carry forwards (expense)	4,984	7,634
Total deferred tax income	**4,984**	**7,634**
Tax income on continuing operations (expense)	**4,984**	**7,543**

The applicable income tax rate for 2022 as well as for 2021 is 24.94 %.

The income tax liabilities amount to kEUR 78 (2021: kEUR 646).

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.

Reconciliation of effective tax

The reconciliation of effective tax is as follows:

Reconciliation of effective tax in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Earnings before tax from continuing operations	– 36,646	– 248,048
Expected tax using the company's tax rate (24.94 %)	**9,140**	**61,863**
Current-year tax losses for which no deferred tax asset is recognised (tax losses all companies except tonies GmbH)	– 5,014	– 16,086
Non-recorded DTA of IFRS 2 adjustments	– 1,509	– 2,137
Non-deductible expenses/Trade tax adjustments	0	– 50,175
Tax rate difference Germany	5,892	7,157
Other	– 3,525	6,921
Effective tax income	**4,984**	**7,543**
Profit (loss) for the period	**– 31,663**	**– 240,505**

Movement in deferred tax balances

Deferred tax assets and liabilities are attributable to the following items:

Deferred tax assets and liabilities in kEUR	31.12.2022	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
Deferred tax assets (prior to netting)	**11,612**	**2,277**	**0**	**9,336**
6. Intangible assets	31,821	–2,708	0	34,529
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**

Deferred tax assets and liabilities in kEUR	31.12.2021	Recognised in profit or loss	Recognised directly in equity	1.1.2021
1. Other Provision	0	–138	0	138
2. Trade receivables	69	62	0	7
3. Inventories	837	–85	0	922
4. Leasing	2	–32	0	34
5. Hedging transactions	0	–367	0	367
6. Tax loss carryforwards	8,428	5,541	0	2,887
Deferred tax assets	**9,336**	**4,981**	**0**	**4,355**
7. Intangible assets	34,529	–2,745	0	37,274
8. Transaction costs	0	92	–92	0
Deferred tax liabilities	**34,529**	**–2,653**	**–92**	**37,274**
Total	**25,193**	**7,634**	**–92**	**32,919**

The net tax effect from leasing comprises deferred tax assets of kEUR 1,688 (31.12.2021: kEUR 270) and deferred tax liabilities of kEUR of kEUR 1,708 (31.12.2021: kEUR 268).

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.

Unrecognised deferred tax assets

As of 31 December 2022, deferred tax assets in respect of the recognition of a liability for share-based payments amounting to kEUR 1,509 (31.12.2021: kEUR 2,137) 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 57,010 (31.12.2021: kEUR 19,311) 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 2021 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 – 31,663 (2021: kEUR – 240,505). The weighted average number of interests in circulation (basic and diluted) amounts to 99,946,893 (2021: 47,909,480).

Profit attributable to ordinary shareholders (basic) in kEUR	**1.1.2022 – 31.12.2022**	**1.1.2021 – 31.12.2021**
Profit (loss) for the year, attributable to the owners of the Company	– 31,663	– 240,505
Dividends on non-redeemable preference shares	0	0
Profit (loss) attributable to ordinary shareholder	**– 31,663**	**– 240,505**

Weighted-average number of ordinary shares (basic) in # shares	**1.1.2022 – 31.12.2022**	**1.1.2021 – 31.12.2021**
Issued ordinary shares at 1 January	98,441,701	42,380,118
Effect of shares issued related to a business combination on 26 November 2021	0	56,061,583
Effect of hare options exercised	1,375,604	0
Effect of shares issued related to a capital increase 2022	12,000,000	0
Weighted-average number of ordinary shares at 31 December	**99,946,893**	**47,909,480**

EPS	**1.1.2022 – 31.12.2022**	**1.1.2021 – 31.12.2021**
Earnings attributable to shareholders in kEUR	– 31,633	– 240,505
Average number of shares outstanding	99,946,893	47,909,480
Basic earnings in EUR per share	**– 0.32**	**– 5.02**
Diluted earnings in EUR per share	– 0.32	– 5.02

Within the 2021 financials, EPS was calculated based on the assumption that all transactions had occurred on 1 January 2021 which resulted in a higher weighted-average number of ordinary shares (98,425,701). Furthermore, the 16,000 shares issued to the Chairperson of the Supervisory Board were not included in the calculation.

29. Related parties

A. Parent and ultimate controlling party

The shareholders of tonies as at 31 December 2022 are the following entities, none of which is a controlling party from its shareholding:

Armira	27.5 %
468 SPAC Sponsors	6.8 %
Höllenhunde GmbH	7.4 %
Santo Ella Co-Invest GmbH & Co. KG	5.5 %
Treasury Shares	11.8 %
Public Float	40.9 %

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 do have a shareholding in tonies of significantly below 25 % each.

B. Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised the following.

Key management personnel compensation in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Short-term employee benefits	811	978
Total	**811**	**978**

Compensation of the Group's key management personnel includes salaries and non-cash benefits. For 2021 the above table includes kEUR 196 paid to former managing directors. 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.

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
- 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

Supervisory board compensation in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Compensation	527	79
Total	**527**	**79**

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	1.1.2022 – 31.12.2022			1.1.2021 – 31.12.2021		
	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	0	– 97	0	0
Transactions with PIXIPOP	0	0	– 396	0	0	– 291
Transactions with Armira Beteiligungen GmbH & Co. KG	0	0	– 48	– 249	0	– 47
Total	**0**	**0**	**– 444**	**– 346**	**0**	**– 338**

Related parties in kEUR	31.12.2022		31.12.2021	
	Amounts outstanding		Amounts outstanding	
	Receivables	Payables	Receivables	Payables
Transactions with Höllenhunde GmbH	0	0	0	0
Transactions with PIXIPOP	0	0	0	– 114
Total	**0**	**0**	**0**	**– 114**

PIXIPOP Faßbender Kommunikations-Design & Illustration is controlled by Nina Faßbender, the wife of tonies GmbH Co-CEO Patric Faßbender and involved in the design of certain Tonies. Compensation is paid as a fixed amount per item sold.

Furthermore for 2021, Holding GmbH received a loan of kEUR 5,000, with an interest rate of 6 % p.a., by Armira Beteiligungen GmbH & Co. KG. The loan repayment by dissolution of capital reserves in the amount of kEUR 5,249 was made in November 2021.

30. Audit service fees

The total fees charged for services provided by the auditor Mazars Luxembourg for the years 2022 and 2021 in the Group amounted to:

Audit fees in kEUR	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Audit services	268	549
Other attestation services	0	93
Total	**268**	**642**

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.

In early 2023 the US Silicon Valley Bank got into financial difficulties and was closed by US authorities. tonies US, Inc. held a bank account at SVB in the past. However, due to official guarantees tonies US was able to secure all funds and transfer these to a larger bank.

Düsseldorf, 12 April 2023

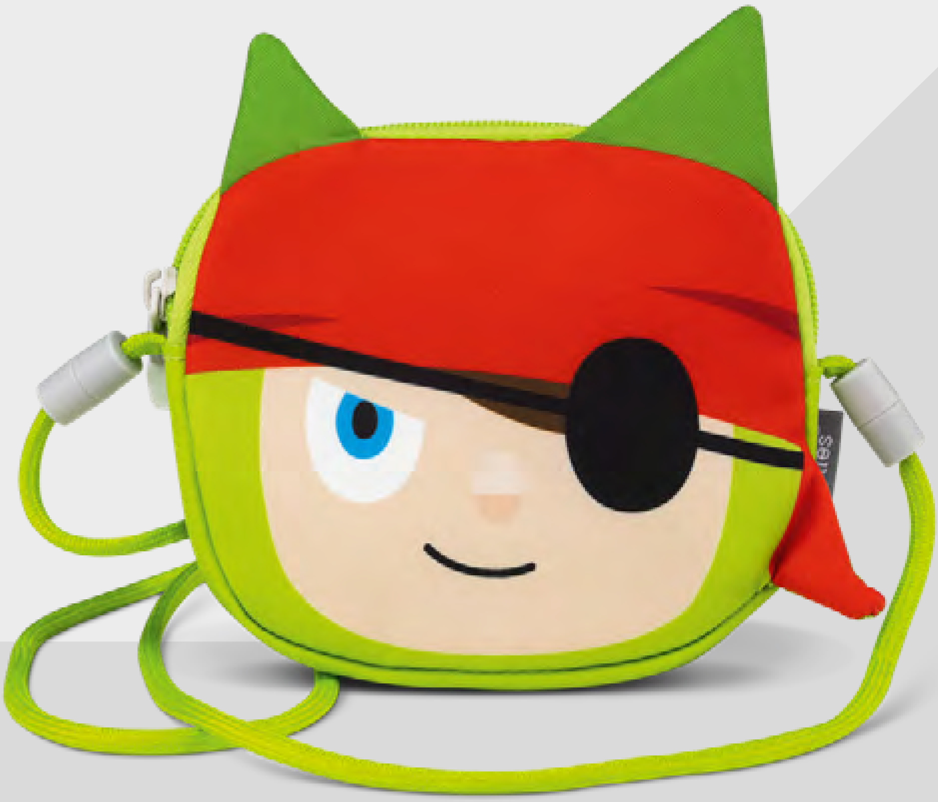
Management

Patric Faßbender
Co-Founder & Co-CEO

Marcus Stahl
Co-Founder & Co-CEO

Other Information

- Financial Calendar 2023
- Imprint



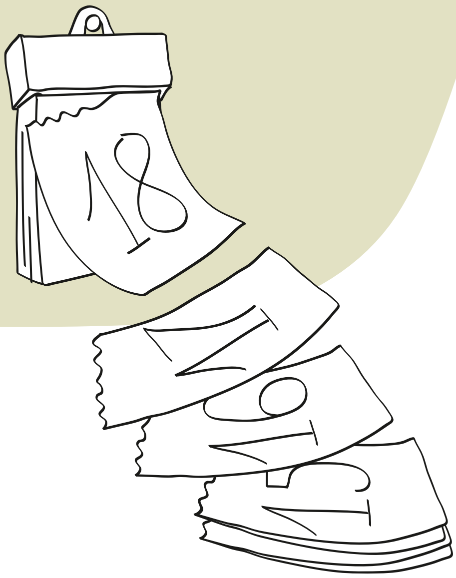
Financial Calendar 2023

11. 5. 2023
Publication of quarterly statement for Q1 2023

24. 5. 2023
Annual General Meeting 2023

23. 8. 2023
Publication of half-year report for H1 2023

13. 11. 2023
Publication of quarterly statement for Q3 2023



Imprint

Contact

tonies SE
9, Rue de Bitbourg
L-1273 Luxembourg

Investor Relations

ir@tonies.com

Press

presse@tonies.de

Concept & Design

pom point of media GmbH, Willich

tonies SE
9, Rue de Bitbourg
L-1273 Luxembourg

tonies SE
9, Rue de Bitbourg
L-1273 Luxembourg