

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 Jeggler (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 Jeggler who received an adjusted remuneration of EUR 7,500 starting 1 June 2023 reflecting his role as Chairperson of the audit committee.