

Remuneration Report

Contents of the remuneration report

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

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

1. The remuneration policy for the Management Board

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

1.1. Components of the remuneration of the Management Board

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

1.2. Fixed non-performance-related remuneration components

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

1.3. Variable performance-related remuneration components

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

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

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

Share-based long-term bonus of Co-CEOs

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

Virtual stock option bonus of the CFO

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

One-time share based long term bonuses

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

1.5. Previous share-based remuneration

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

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

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

Co-CEOs

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

CFO

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

Post-contractual non-competition clause

Co-CEOs

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

CFO

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

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

2.1. Promoting the sustainable development of tonies

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

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

2.2. Achievement of objectives

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

3. Allocation in financial year 2023

3.1. Remuneration granted and owed

Patric Faßbender, MB Member (since 1 March 2014)					
in EUR		2023	in %	2022	in %
Fixed compensation	Base salary (fixed compensation)	400,000	97.26	400,000	97.10
	Fringe benefits (Insurance, car allowance, etc.)	5,012	1.22	5,712	1.39
	Total	405,012	98.48	405,712	98.49
Variable compensation	Variable compensation	0	0	0	0
	Total	405,012	98.48	405,712	98.49
Other		–		–	
Total		405,012	98.48	405,712	98.49
Pension benefits		6,240	1.52	6,240	1.51
Total remuneration		411,252	100	411,952	100

Marcus Stahl, MB Member (since 1 March 2015)					
in EUR		2023	in %	2022	in %
Fixed compensation	Base salary (fixed compensation)	400,000	97.10	400,000	96.93
	Fringe benefits (Insurance, car allowance, etc.)	5,721	1.39	6,421	1.56
	Total	405,721	98.49	406,421	98.49
Variable compensation	Variable compensation	0	0	0	0
	Total	405,721	98.49	406,421	98.49
Other		–		–	
Total		405,721	98.49	406,421	98.49
Pension benefits		6,240	1.51	6,240	1.51
Total remuneration		411,961	100	412,661	100

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

¹ Actual amount depends on the target achievement for the 2023 financial year, which will be determined by the Supervisory Board within one month of the audited and approved consolidated financial statements of tonies being available.

² Claim under the equity incentive agreement has arisen due shares being vested, however so far no payment has been made as settlement was deferred to next settlement dates.

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

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

3.3. Review of the appropriateness of Management Board remuneration

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

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

4. Remuneration of the Supervisory Board in financial year 2023

4.1. Components of Supervisory Board remuneration

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

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

4.2. Presentation of the annual change in remuneration

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