tonies SE

Annual Report 2021

tonies®

tonies SE at a glance

	2020	2021	Change
Key performance indicators			
Revenue (in EUR m)	134.6	188.0	39.7%
Revenue growth (in % of prior year Revenue)	32.4%	39.7%	7.3%pts
Adj. EBITDA (in EUR m)	-0.3	-15.2	-14.9
Adj. EBITDA margin (in % of Revenue)	-0.2%	-8.1%	-7.9%pts
Sales			
Tonieboxes sold (in k)	922	1,082	17.4%
Tonies sold (in m)	11.1	15.5	39.5%
Online revenue share (in % of Gross revenue)	15.5%	25.5%	10.1%pts
Results of operations (adjusted)			
Gross profit (in EUR m)	67.5	101.8	50.8%
Gross margin (in % of Revenue)	50.1%	54.1%	4.0%pts
Gross profit after Licencing costs (in EUR m)	43.6	66.5	52.8%
Gross margin after Licencing costs (in % of Revenue)	32.4%	35.4%	3.0%pts
Contribution profit	26.6	40.0	50.5%
Contribution margin (in % of Revenue)	19.7%	21.3%	1.5%pts
Financial position			
Cash (in EUR m)	9.1	75.6	733%
Free Cash Flow (in EUR m)	-3.9	-35.4	-31.4
Team			
People employeed group-wide (as of reporting date)	240	354	48%

tonies SE

Annual Report 2021

tonies®

tonies® is a category of its *own*

tonies® is the largest interactive audio platform for kids in the world

Over **3,500,000 Tonieboxes** sold so far

EUR 188 m
of Group Revenue
achieved in 2021

39.7%
Revenue growth
in FY 2021

Over **40,000,000 Tonies** sold so far

EUR 20 m
US Revenue
in very strong first full year of business

21.3%
Contribution margin
Improved despite challenging macro environment

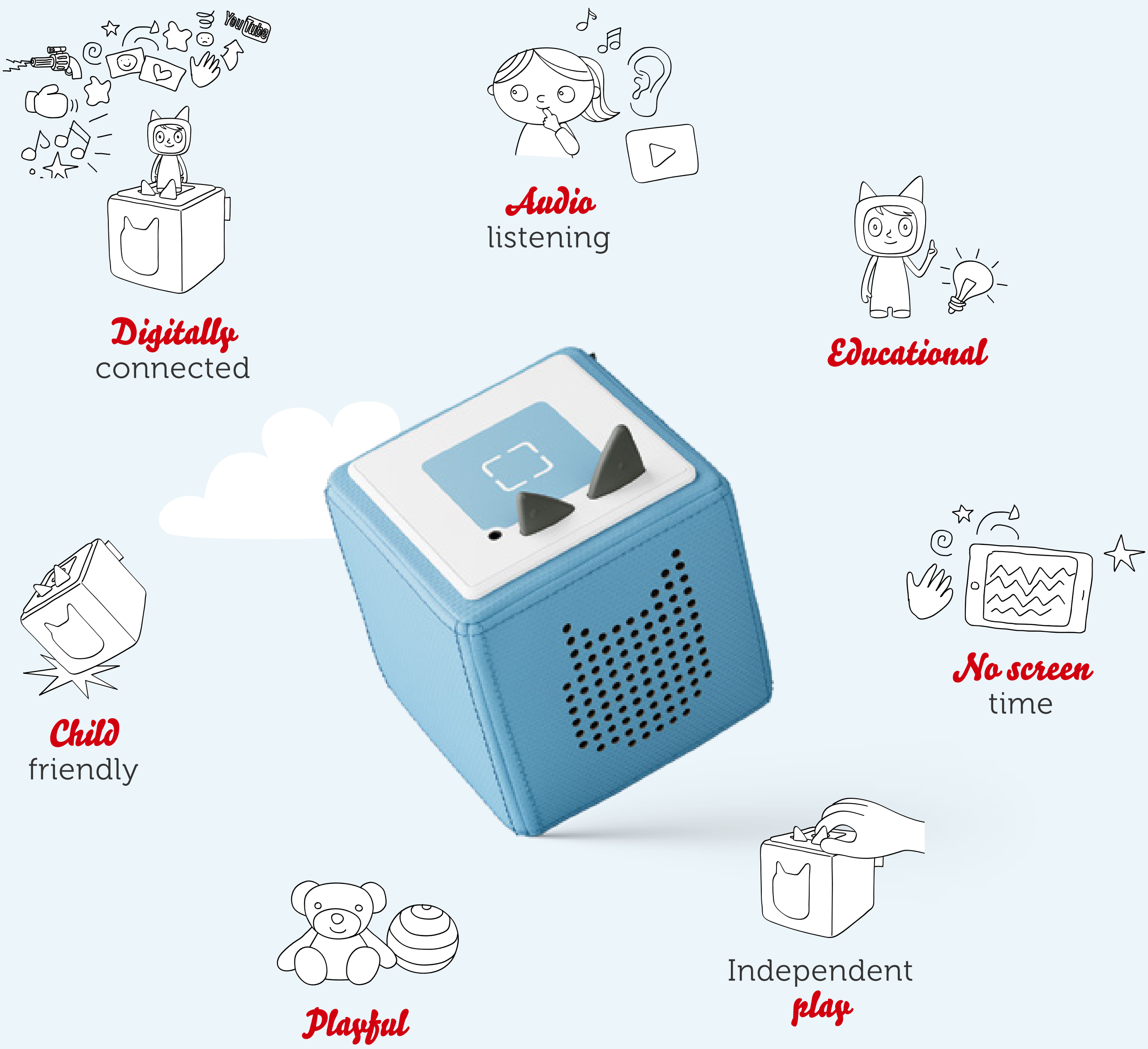
Over **>600 Tonies exist** in the tonies® portfolio

-8.1%
Adj. EBITDA
Margin reflecting international investments

Global expansion
by replicating DACH success story

Proof of concept
in DACH with ~2m activated boxes

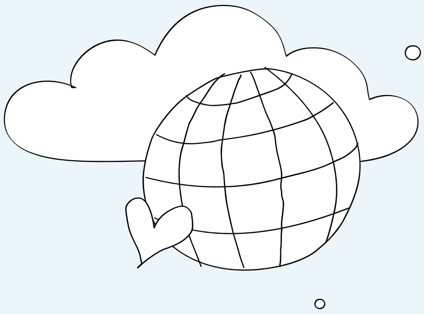
We are creator of a new multi-billion Euro category



We are the pioneers of connected, technology-enabled audio systems for kids and provider of premium, curated audio content

At home all over the *world*

Our current markets



Tonies & Toniebox *take off*

Let's go to UK & Ireland

Welcome to the USA

France is calling

Visit the EU Online Shop

Content

1

Company

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

„OUR VISION: CHANGE THE WAY CHILDREN LISTEN TO STORIES AND MUSIC."

Marcus Stahl & Patric Faßbender
Co-Founders and Co-CEOs

Dear shareholders,

We founded tonies over eight years ago as Boxine GmbH with the vision to change the way children listen to stories and music: We wanted to build an easy-to-use, digital audio platform that is intuitive and could be operated by children themselves, and combine it with playful, physical figurines – the Tonies. After countless hours of trial and error to realize our vision, the Toniebox with our Tonies figurines were born (connected thorough our powerful tech-backbone: the tonies cloud). We launched in the Christmas season of 2016 and were overwhelmed by the positive customer feedback and demand. As you can imagine, this was a very emotional moment – not only for us, but also for the first children that held their Tonieboxes and their Tonies.

What was first intended for our own kids and a few other children in the Düsseldorf area turned out to become much bigger – potentially a global phenomenon. Where we are today is beyond what we dared to dream in 2016: By now, most parents in the DACH region know tonies, our brand, and every third child in the relevant age group has a Toniebox. This makes us proud, yet also humbled by the incredible success that our initial idea had.

But the journey doesn't stop there: Children across the world are very similar. They all love to listen to stories and songs. This is why we are now bringing the Toniebox and our Tonies to many other countries in the world. Fueled by a German business, that is already profitable since 2018, our next big focus is going to be the US. First signs are very strong and encouraging: Our US customers adopt the Toniebox even faster than they did in Germany at the same maturity of the market. This gives us not only confidence, but also data points to underline that we are on the right track, to also delight children in the US with our products. Besides the US, we are also expanding into the UK where the business is rapidly growing and tonies is loved by our customers. Only recently, in September 2021, we had an excellent launch of our French business to further strengthen our European footprint.

We sell one Tonie every 2 seconds

2021 has been a very exiting year for us. Despite significant macro-economic headwinds, we sold over 1 million Complaints Tonieboxes as entry point into our world along with over 15 million Tonies figurines – this is one Tonie every 2 seconds. Supported by our loyal customer base, we continued to grow very rapidly, by 40%, to EUR 188m in revenue, exceeding our already ambitious plans. In the DACH region we built a profitable business with EUR 151m of revenue, that was growing 20% last year. This showed us that also in this mature market there is room for further growth. We are very excited about our US business, where we made already EUR 20 million of revenue in the first full year of business, and about our international expansion in general – in 2021 already 19% of our revenue came from our international markets.

We experienced significant challenges across the supply chain in 2021 and were confronted with shortages on key components like chips as well as higher prices for our raw materials. Thanks to our team we could mostly offset these effects. We were able to deliver all the time throughout the year to our customers and did not experience any supply issues. We started to diversify our supplier base prior to the Corona pandemic towards a multi-source strategy, coming originally from a single-source strategy for most components. As a result, we were able to significantly increase our Gross Margin by 4%pts in the year and offset some of the negative effects. Based on our hard work in the prior year, we are in good position to further strengthen our margins going forward.

In 2021, we had many additions to our tonies family: Our team increased by over 100 new Tonies (this is how we call ourselves too) to 354 by the end of the year. Besides many new team members in our international markets, we had many additions in our Tonies Leadership Team. While we will continue hiring to further strengthen our international markets, our central leadership team is by now fully staffed. Together with our fellow Tonies, we are ready to move forward on our vision.

354 employees

Our vision for the next years of tonies is built upon the following key pillars:

- We are a high-growth company. Expansion into selected core geographies where we anticipate the largest potential for tonies to build a healthy and profitable high-growth business is a key strategic pillar for us. In particular we focus on:
  - DACH: We will continue to develop and preserve our leading market position in our profitable home market as the audio platform brand for children.
  - US: We will accelerate our successful market share capture in the single-biggest and still untapped market opportunity for tonies to preserve the position as a market leading audio platform brand for children.
  - UK: We will further grow our strong position in the market to capture the full market potential at hand for tonies.
  - France: We will build-up a sizeable position in the category following our successful recent market entry.
  - International: We will focus on capturing the next, smaller market opportunities next to our core geographies that show a healthy opportunity / investment ratio
- Physical platform: The Toniebox is the entry point to our world of countless stories and songs. Together with our Tonies figurines, it is the core of what we are offering to our customers. We believe that this form-factor is setting us apart from any other audio or similar product. Thus, we will continuously improve and expand this platform offering a state-of-the-art experience.
- High-quality audio content: tonies offers an imagination-building listening experience to children. Therefore, curation of exciting stories and music content is essential to our success with own content becoming increasingly important.
- Digital excellence: We are a digital platform. Based on our data-informed analytical abilities, we know and anticipate what matters to our customers and strive to offer a best-in-class digital product experience.
- Scalable operations: Our business involves the flow of physical goods from multiple global sources to multiple global destination. Having stable, efficient, and scalable operations in place is thus critical for our success. We invest heavily into our tools and people as well as quality control to ensure that.
- Sustainability: We and our team cares deeply about environmental sustainability. We want to help lead the change in the category.
- Profitable growth: Profitability is a core goal for us. As a result, we focused our DACH market very early in our company history already towards profitability and increased it steadily since then. While our rapid, international growth strategy requires significant additional investments, we always balance this growth with profitability. By running our DACH market profitable and focusing on profitability, we build the right mindset in our company to increase group margins step-by-step each year.
- Excited teams & culture: All we have achieved so far has only been possible because of our team. At tonies we have a unique company culture that is lived by all Tonies. Despite the rapid development and growth of our company, we were able to treasure and keep this culture, and will do so in the future. For the journey ahead of us, we want to attract, excite, value and retain our diverse teams and preserve our unique culture.

As we are writing this, our first shareholder letter, we are saddened about the current geopolitical situation and are still seeing multiple macro-economic challenges. While we sincerely hope that the world returns to normal very soon, we are prepared to weather the situation ahead of us. The year 2022 will be marked by bringing the Toniebox and Tonies to even more children in the world and thereby hopefully making their lives a bit brighter and happier. With our unique tonies team and our business partners we are confident about fulfilling our vision in the coming years, on a global scale.

We want to thank you, our shareholders, as well as our business partners, our team and our customers for the trust that you have put in us, our team and our company. We will work tirelessly to justify your trust and are looking forward to this exciting journey together with you.

Your tonies Co-Founders and Management Board.
Luxembourg, 26 April 2022

Patric Faßbender
Co-Founder & Co-CEO

Marcus Stahl
Co-Founder & Co-CEO

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Report of the Supervisory Board

Dear shareholders,

it is a great privilege to address you as the Chairperson of supervisory board (the **"Supervisory Board"**) of tonies SE (the **"Company"**, the **"Group"**, **"tonies"**).

Today I write to you for the first time, and I have two goals: To share with you our strong performance and highlights of the last financial year, and to explain how the Supervisory Board operates and how I and my colleagues are overseeing and supporting the long-term success of the Company.

But before I do so, I would like to say what attracted me to join your Supervisory Board. tonies is an exciting company with a product that kids and parents love. It has a deep purpose of giving the kids the best audio experience they can have. tonies has created a category of its own and has unlimited potential to grow. It can help our kids 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 is now capturing the great opportunity ahead of us.

tonies is an exceptional company and I am excited and fully committed to the opportunity to support the way ahead.

Whilst my induction to tonies has been given digital, I am grateful to the Supervisory Board, the management board (the **"Management Board"**) and the broader team for the comprehensive on-boarding that I have received and the many extensive engagements covering all aspects of the business.

An exciting and very successful year

First, the Company was incorporated in Luxemburg under the name "468 SPAC I SE" and in April 2021 raised funds in the amount of EUR 300 million by way of a private placement of shares and warrants issued by the Company and subscribed by international investors. These instruments were subsequently listed on the Frankfurt Stock Exchange and in August 2021 the Company entered into a business combination agreement (the **"Business Combination"**) with tonies GmbH (previously: Boxine GmbH), the operating entity of the Group. On 26 November 2021, this transaction was successfully closed and at the same time further funds in the amount of around EUR 105 million were raised through a so-called PIPE transaction taking additional new investors on board.

Secondly, despite the challenges posed by the COVID-19 pandemic and constrains in the supply market, throughout the year, the management team successfully continued to develop the business which resulted in achieving the targeted financial objectives of the Company. The Supervisory Board is pleased to support the management team in achieving its objectives and continuing delivering 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 is following up closely 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 2021.

1. Special Purpose Acquisition Company and Business Combination

Prior to the Business Combination, the Company's purpose was the acquisition of one operating business with principal business operations in a member state of the European Economic Area or the United Kingdom or Switzerland active in the technology and technology-enabled sector with a focus on the sub-sectors marketplaces, direct-to-consumer (D2C), and software & artificial intelligence through a merger, capital stock exchange, share purchase, asset acquisition, reorganization or similar transaction.

On 30 August 2021, the Company entered into a Business Combination agreement with, amongst others, tonies GmbH. This Business Combination was approved by the governing bodies of the Company on the same date and ultimately approved by the general meeting of shareholders on 15 November 2021. The Business Combination became effective as of the notarial deed dated 26 November 2021 acknowledging the fulfillment of all closing conditions.

2. 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 issues 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:

- Review and approval of the structural set up of the Company as Luxembourg special purpose acquisition company listed on the Frankfurt Stock Exchange;
- Review and approval of the terms of potential targets for a Business Combination;
- Review and approval of the letter of intent regarding the Business Combination of the Company with tonies GmbH;
- Review of key findings from the financial, commercial and legal due diligence in relation to the Business Combination with tonies GmbH;
- Review and approval of the negotiations and terms of the Business Combination agreement (and related agreements) with tonies GmbH;
- Review and approval of the entering into and performance of related party transactions;
- 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 2021 financial year and results for the first half of 2021;
- Review of ongoing business performance, including revenue and profitability development, liquidity position, market position, expansion and business strategy of the Company;
- Introduction and review of the new compensation program for members of the Management Board;
- 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 2021.

3. 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.

Until the date following the consummation of the Business Combination (i.e. until 27 November 2021), the Supervisory Board consisted of four members Gisbert Rühl (as chairperson), Lea-Sophie Cramer, Johannes Maret and Florian Wendelstadt, which were involved in all steps and beyond relating to the successful Business Combination.

Since the date following the consummation of the Business Combination (i.e. since 27 November 2021), the Supervisory Board now 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.

4. Meetings of the Supervisory Board and its committees

Prior to the Business Combination, and in its former composition, the Supervisory Board held three meetings and adopted one written resolution in financial year ended 31 December 2021. Following the Business Combination, and in its current composition, the Supervisory Board held one meeting in financial year ended 31 December 2021.

Except for the meeting on 13 December 2021, which was held via conference video call initiated from Luxembourg, all meetings were held in Luxembourg and all members of the Supervisory Board were present at such meetings. The Supervisory Board appointed twice a delegate to deliberate upon and determine certain transaction specifics approved during its meetings.

In accordance with article 2, (1), (f) of the directive 2003/71/EC of the European parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, the function of the Audit Committee was assumed by the Supervisory Board until the Business Combination as the Company qualified as a small and medium-sized enterprise (SME)

The Audit Committee was set up during the Business Combination and its inaugural meeting was held on 21 December 2021.

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

The Audit Committee of the Company oversees its accounting and financial reporting processes of the Company, the audits of 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 21 April 2021 after the revocation, by mutual agreement, of Ernst & Young Luxembourg on that same date. Mazars Luxembourg also performed the audit of the consolidated financial statements and the management report as of 31 December 2021. 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 2021. 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 2021.

Luxembourg, 26 April 2022.
For the Supervisory Board

Anna Dimitrova
Chairperson

Remuneration Report 2021

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 2021 as well as a statement of the amount and structure of remuneration.

1. The remuneration policy for the Management Board

In financial year 2021, the Supervisory Board of tonies SE intensively discussed and reviewed the remuneration policy for its Management Board members, which is effective as of 1 January 2022 and will be presented to the next 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. Thevariable 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.

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 2021	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	0		0	
Number of shares granted and not yet vested	1,375,604		1,375,604	

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
Previous contracts for the MB Members included an annual bonus of EUR 100,000. As a carry-over, it was agreed to not set any performance objectives for this bonus in 2021 and instead grant the MB Members the EUR 100,000 in full.

No long-term incentive were granted in the financial year 2021.

3. Allocation in financial year 2021

3.1. Remuneration granted and owed

in EUR		Patric Faßbender MB Member (since 01.03.2014)				Marcus Stahl MB Member (since 01.03.2015)			
		2020	2020 (in %)	2021	2021 (in %)	2020	2020 (in %)	2021	2021 (in %)
Fixed compensation	Base Salary (Fixed compensation)	200,004	94.63%	216,670	94.89%	200,004	95.67%	216,670	95.13%
	Fringe benefits (Insurance, car allowance, etc.)	11,352	5.37%	11,674	5.11%	9,060	4.33%	11,101	4.87%
	Total	**211,356**	**100%**	**228,344**	**100%**	**209,064**	**100%**	**227,771**	**100%**
Variable compensation	Variable compensation	90,200	29.91%	162,000	41.50%	90,200	29.91%	162,000	41.56%
	Total	**301,556**	**100%**	**390,344**	**100%**	**300,296**	**100%**	**389,771**	**100%**
Other		–	–	–	–	–	–	–	–
Total		**301,556**	**100%**	**390,344**	**100%**	**299,264**	**100%**	**389,771**	**100%**
Pension benefits		1,032	0.34%	1,032	0.26%	1,032	0.34%	1,032	0.26%
Total remuneration		**302,588**	**100%**	**391,376**	**100%**	**300,296**	**100%**	**390,803**	**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 2021 compared to 2020	Explanation
	Management Board compensation	
Patric Faßbender MB Member (since 1 March 2014)	+29,34%	Increase mainly driven by bonus of EUR 100.000 of previous contract which was paid out in Nov 2021
Marcus Stahl MB Member (since 1 March 2015)	+30,14%	Increase mainly driven by bonus of EUR 100.000 of previous contract which was paid out in Nov 2021
	Business development of tonies	
Revenue development Adj EBITDA development	+ 40% % change n/a as negative	Exceeding plan significantly Below plan
Average salary development of employees with full time employment		
Salary development of all employees or a reference group	+12,43%	

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 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 2021

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 December 2021. For details, please refer to the table below.

4.2. Presentation of the annual change in remuneration

in EUR	Financial Year	Fixed compensation	Compensation for Committee work	Meeting fees	Total
Chairperson of the Supervisory Board **Anna Dimitrova** (since 27 November 2021)	2021	10.000	--		10.000
Deputy Chairperson of the Supervisory Board **Christian Bailly** (since 27 November 2021)	2021	7.500	--		7.500
Member of the Supervisory Board **Dr. Stephanie Caspar** (since 27 November 2021)	2021	5.000			5.000
Member of the Supervisory Board **Dr. Thilo Fleck** (since 27 November 2021)	2021	5.000			5.000
Member of the Supervisory Board Chairperson of the Audit Committee **Helmut Jeggle** (since 27 November 2021)	2021	5.000			5.000
Member of the Supervisory Board **Alexander Kudlich** (since 27 November 2021)	2021	5.000			5.000
Member of the Supervisory Board **Alexander Schemann** (since 27 November 2021)	2021	5.000			5.000
Total	**2021**	**42.500**	**--**		**42.500**

2

Consolidated Financial Statements

- Management Report
- Corporate Governance
- Independent Auditor's Report
- Comprehensive Income
- Financial Position
- Cash Flows
- Changes in Equity
- Notes to the Consolidated Financial Statements

Management Report 2021

1. Basic information on the Group

1.1. Business model

tonies SE and its subsidiaries (hereinafter referred to as the **"Group"**, the **"Company"** or **"tonies"**) develop, produce and sell a digital, interactive audio platform and entertainment system for children, comprising a smart player ("Toniebox"), audio figurines ("Tonies") and a strong cloud backbone. More than 3.5 million households now use a tonies audio entertainment system.

The Group is market leader for its product category and operates in the DACH region (Germany, Austria, Switzerland) and on various international markets (United Kingdom, Republic of Ireland, US, France). France was the most recent country to be added as a sales market through the establishment of a subsidiary as part of the ongoing international expansion.

tonies was founded in 2013 as Boxine GmbH (now tonies GmbH, a subsidiary of the Group) and established a new, multi-billion-euro category with its digital audit platform for children. The Company provides the award-winning, screen-free tonies audio entertainment system for children aged three and above. tonies offers children a digital listening and storytelling experience that captures their imagination and allows them to play intuitively and through the sense of touch. Since the product was launched at the end of 2016, tonies has sold 3.5 million Tonieboxes and more than 40 million Tonies.

The revolutionary platform comprises the Toniebox (a digital, connected, interactive audio player), audio figurines known as Tonies, which begin playing audio content when placed on the Toniebox as well as digital audio content. The Tonies cover a wide range of audio content such as songs, stories and entertainment that are licensed or increasingly even produced by partners including Disney, Viacom and Universal. Besides Content Tonies, which provide external content and account for the majority of revenue with tonies figurines, the Group also sells Creative Tonies that can play the customer's own content. In addition, the Group also sells accessories such as headphones for the Toniebox, transport solutions and stickers to customise your Toniebox.

The products are currently sold in retail stores, through its own online shop and on Amazon in the various countries. In terms of in-store sales, the Group supplies major retailers ("key accounts") in the consumer electronics, book and toy sectors, as well as specialist retailers operating in the areas of toys and books. Alongside retail and sales expertise, the Group – together with its suppliers – also has the design, manufacturing, and product development expertise it needs. In-house manufacturing processes, patents and the use of specially coded chips enable a closed system.

The Group generated the majority of its revenue of the 2021 financial year in the DACH region, which accounted for EUR 151 million out of EUR 188 million in total revenue. Due to the ongoing, successful international expansion, revenue on foreign markets is increasing rapidly and represents an ever-larger share of total revenue – in 2021, 19% of revenue was generated on international markets compared to 7% in 2020.

The Group operated its business in 2021 from six locations in Germany, in the United Kingdom, in the US and in France. In the US and France, tonies GmbH sells to its costumer through owned subsidiaries. Sales for the United Kingdom and the Republic of Ireland are coordinated by our UK based subsidiary. The contractual partner for customers however currently is tonies GmbH. The Group is managed from its headquarters in Luxembourg.

tonies works with various contract manufacturers to have its products produced according to its own requirements and specifications. The Tonies audio figurines are produced using the Group's tools and in accordance with its specifications in Tunisia and, since 2021, in China within the framework of a multiple source strategy at various contract manufacturers. The Tonieboxes are produced by a third party in China in line with the Group's technical and design requirements. Another producer of the Toniebox, based in Hungary, was also added in 2021 and began production at the end of 2021.

468 SPAC I SE was a special purpose vehicle that was incorporated on 18 March 2021 and registered with the Luxembourg Trade and Companies Register on 29 March 2021. Since 30 April 2021 it has been listed on Frankfurt Stock Exchange. As part of a successful business combination (**"Business Combination"**) via de-SPAC merger at the end of November 2021, shares in tonies Holding GmbH (formerly A. VI Holding GmbH) and its subsidiary, tonies Beteiligungs GmbH (formerly A. VI Beteiligungs GmbH), were contributed to 468 SPAC I SE, which changed denomination to tonies SE. Please see section 2.3. of this management report for more details.

1.2. Capital markets, governance and takeover law

General information

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

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

Subject to the provisions of the Luxembourg law, any amendment of the Company's Articles of Association 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 10,225,894.62, consisting of 639,118,414 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 114,847,586 total shares outstanding (including treasury shares) per 31 December 2021.

For an overview of the Group's shareholder structure and shareholders with more than 5% of voting rights, refer to Note 29.

Own share transactions

Pursuant to a decision of the Management Board and the delegate of the Supervisory Board of the Company taken on 24 November 2021 as approved by the extraordinary general meeting of shareholders dated 15 November 2021, the Company has repurchased 16,400,000 class A shares in the Company previously subscribed by its subsidiary 468 SPAC I Issuance GmbH & Co KG for an amount of EUR 0.016 per class A share, which corresponds to the par value of such class A shares. The transaction was completed on 13 December 2021. The respective shares shall be used to grant class A shares in case of the exercise of any of the 10,000,000 public warrants and 6,400,000 sponsor warrants issued by the Company.

On 26 November 2021, the Company redeemed 5.885 class A shares at EUR 10.00 per share as requested by the shareholders in connection with the Business Combination.

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 (formerly 468 SPAC I SE) heads the Group. The Company's headquarters are located at 9, Rue de Bitbourg, L-1273 Luxembourg, Luxembourg.

As of 31 December 2021, tonies SE held 100% in tonies Holding GmbH which held 86.4% in tonies Beteiligungs GmbH, with the remaining 13.6% of tonies Beiteiligungs GmbH held by tonies SE directly. This corporate structure is the result of the Business Combination. In turn, tonies Beteiligungs GmbH holds all shares in tonies GmbH (formerly Boxine GmbH), which runs the Group's operating business in the DACH region and all central functions and 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 4. also includes further explanations of opportunities and risks in relation to the Company's business.

1.5. Group strategy

Vision

Our vision is that our leading, interactive audio system is present in every child's room. The main way of achieving this is through constant penetration of the DACH market, where already one third of all children in the relevant age group already have a Toniebox, and – since the end of 2020 – through a major focus on international expansion. The successful and profitable DACH business serves as a blueprint for international growth.

Markets

In strategic terms, the US represents the greatest growth opportunity: In 2021, the first full financial year in the US, the Group generated already revenue of EUR 20 million, confirming an excellent product-market fit. In fact, the US is showing accelerated performance compared to DACH business was at the same point in time after sales began in the region.

Next to expansion in the US and the UK, another subsidiary was established in France in early 2021. It began operations on the French market at the end of the third quarter of 2021 and was very well received by our customers.

Product

The Group's operating objective is to optimise and expand sales channels and grow the Tonies portfolio for its markets. The product strategy priorities are expanding the accessories portfolio, the digital download portal "mytonies" (where additional content can be downloaded for figurines that customers have already purchased) and strengthening our international presence.

Operational excellence

The objective of the Group is to deliver profitable growth as result of our investments in our markets. Offsetting the impact of volatility and inflation in procurement and logistics markets is a key priority for the future.

One of the Group's aims in purchasing remains to optimise procurement prices among its contract manufacturers, by involving more new suppliers acquired as part of a multiple-source strategy and by way of higher procurement volumes. Diversifying the supplier portfolio should also reduce dependencies on individual countries and supply bottlenecks, especially for microchips.

Another ongoing operating target is the continual improvement of internal and external processes and systems to reduce costs and continually adapt the organisation to the Company's development.

Target achievement is tracked as part of the internal Group planning process, which includes a detailed five-year plan. Nonetheless, these targets will remain relevant even after this time.

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 and the wider management team, the Tonies Leadership Team ("TLT") and the Extended Tonies Leadership Team ("ETLT"). The TLT comprises the management and the C-level (i.e. the functional senior executives of the Group, the Managing Director of the DACH business and the Managing Director of the international business). 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 and the TLT/ETLT, monthly meetings with the main shareholder Armira (until Business Combination) and, at least quarterly meetings with the Supervisory Board (since Business Combination) guarantee 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 to be combined under "Other" in the future. In fiscal year 2021, the profitability of the business was not yet managed and monitored at the level of any segments below the Group level - this is planned for 2022.

The Group's business is managed primarily using the following key performance indicators:

- Net revenue (gross revenue less sales deductions, "Revenue")
- Adjusted EBITDA margin

To provide a key figure for the Group's operating business performance, we calculate Adjusted EBITDA ("Earnings before interest, Taxes, Depreciation, and Amortisation"). In 2021 and in planning for subsequent years, we adjusted our EBITDA for the following non-recurring effects: (i) effects of share-based payment, (ii) in-house software development (as this is not currently capitalised), (iii) one-off projects (essentially one large-scale procurement project that affected costs mostly in 2020, no adjustments for special projects planned for 2022), and (iv) costs and effects in connection with the IPO / Business Combination (provided these are not already directly reflected in equity). For 2020, we also adjusted for (v) income and costs attributable to prior periods.

The Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of Revenue.

In addition to our most important key performance indicators Revenue and the Adjusted EBITDA margin, other immaterial financial and non-financial key performance indicators are reported to the Management to manage the Group, including:

- Gross revenue and number of products sold by country cluster, product (Tonieboxes, Tonies, accessories, other) and sales channel (in particular the share of online channels)
- Margins at Group level: (i) gross margin, (ii) gross margin after licencing costs and (iii) contribution margin. 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).
- Free cash flow: The sum of cash flow from operating activities and cash flow from investment activities. This key indicator represents the Group's cash efficiency.

In addition, the relevant market is closely monitored, as is the type and distribution of similar systems in order to continue actively shaping the market and product development.

1.7. 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 financial year, the Group's in-house development of its products and the required infrastructure amounted to EUR 3.3 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 new download platform for audio content.

2. Economic report

2.1. Macroeconomic and sector-specific conditions

All statements in this section are based on expectations from a time before the ongoing geopolitical conflict in Ukraine. The resulting effects and uncertainties have not yet been taken into account here. Due to the dynamic development, the effects can only be quantified to a limited extent. According to the Institute for the World Economy (Kiel Economic Outlook no. 86 - 2021/Q4), the significant economic recovery enjoyed until the end of autumn 2020 following the massive economic slump in spring 2020 due to the Covid-19 pandemic slowed again towards the end of the year in connection with further strain caused by the pandemic. The risks of rapidly increasing inflation at present is also taking a toll on the economy. Gross domestic product looks set to rise by 2.6% in 2021. GDP growth in 2022 is expected at 4%, and in 2023 at 3.3%. Inflation will remain high for the time being, also because supply bottlenecks are continuing to push up manufacturing costs and create a shortage in the supply of consumer goods. At the same time, private households have accumulated additional savings of around EUR 200 billion since the start of the pandemic and so are now relatively willing to spend.

In addition, the German Economic Institute (IW Kurzbericht 2/2022, press release 21 January 2022) also states that high prices and current Covid-19 case numbers are subduing consumer sentiment. Alongside inflation, higher energy prices, shortages of raw materials and intermediaries and carbon pricing are also causing consumer prices to skyrocket. The index, which the German Economic Institute and TCB (The Conference Board) use to measure consumer confidence, fell from 107 to 103 points in the fourth quarter of 2021 compared to the previous three months. This again moves the index further from its peak of 108 points at the start of 2018.

Most Germans think the labour market is doing better than last autumn, with the figure returning to pre-pandemic levels. Moreover, both Europe and the US are currently debating extending their comprehensive government assistance programmes.

It should be noted here that there is no direct competition for the Tonies audio system and no market that is representative of its business development.

Consumer spending, which is key for the Group, saw a slight upturn in Germany in 2021 following the decline resulting from Covid-19 in 2020[1] (at current prices). Adjusted for prices, there is virtually no change on 2020.

However, the Group's sub-markets listed below mostly performed far better.

The toy market[2] has enjoyed continuous market growth since 2012. This reached in 2021 a high level of EUR 6 billion, comparable to 2020. The most relevant 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.

[1]https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Tabellen/inlandsprodukt-verwendung-bip.html/
[2]https://de.statista.com/statistik/daten/studie/495597/umfrage/marktvolumen-im-segment-spiele-and-spielwaren-in-deutschland/
[3]Market study by a leading consultancy company for tonies GmbH

2.2. Business performance

2021 was a very successful year for tonies, with all countries and all sales channels performing very well. We ended the year with Revenue of EUR 188 million, representing a 40% year-on-year growth. This far exceeded our plans in all countries as we benefited from our attractive, loyalty-based business model.

Our Adjusted EBITDA margin in 2021 was -8.1%, compared with -0.2% in 2020 and thus behind the expectations we had at the beginning of the year. While we improved our contribution margin from 19.7% in 2020 to 21.3% in 2021, in part thanks to new contract manufacturers, this rise was lower than our ambitious plans for 2021. This is primarily due to the challenges in commodities and logistics markets related to the Covid-19 pandemic. While we were always able to meet the exceptionally high customer demand throughout the year, we also faced significant increases in input costs and bottlenecks in procurement (e.g. for microchips) and in the freight sector, which temporarily led to higher prices compared to the previous year. At the same time, we made growth investments in our team and our local markets (e.g. through increased marketing spend), reducing the Adjusted EBITDA margin overall. Despite this, the Group is confident that it will see economies of scale for these investments in the years ahead.

Given economic developments in 2021 and prospects for the future in relevant markets, the management was highly satisfied with the Company's overall business performance. This is particularly true in light of the long Covid-19 pandemic, which has presented big challenges for the management and all employees. Nevertheless, our flexible organisation ensured a quick response to the challenges and our staff continued to work from home.

Temporary closures of retail stores, the Group's most important sales channel, posed challenges which were handled very well. More and more bricks-and-mortar retailers have prepared for the situation and employed creative methods to serve our customers. At the same time, the pandemic and the associated sharp rise in online orders as well as the need to look after children when schools and nurseries closed was a tailwind for our business.

The Group remains on course for healthy growth. This is driven partly by gaining new customers, and increasing the number of Tonies per customer driven by a diverse selection of figurines and content.

Market presence in the United Kingdom, the Republic of Ireland and the US is continuing to grow, and accelerating business performance. The market launch in France has also contributed to this, albeit still at a very low level.

The Covid-19 pandemic prompted bottlenecks and delays in supply chains, partly because production was briefly shut down temporarily at one key supplier. On the other hand, process optimisation projects throughout the supply chain launched in previous years, both internally and at the contract manufacturers, continued to bear fruit in the financial year, safeguarding delivery and partially mitigating the impact of price rises on procurement markets.

Overall, despite the challenges presented by Covid-19, significant sales growth was again generated in the financial year. Cost optimisation potentials with contract manufacturers and other suppliers were identified and partially already put into execution. With this we laid the foundation for successful expansion into other markets.

2.3. Business Combination and public listing

A letter of intent dated 2 June 2021 was signed between tonies SE (formerly 468 SPAC I SE) and tonies Holding GmbH (formerly A. VI Holding GmbH), regarding a business combination.

On 30 August 2021, tonies SE and tonies Holding GmbH concluded a business combination agreement under which tonies SE acquired all outstanding equity and equity equivalents in tonies Holding GmbH in exchange for issuing new public shares and a cash consideration. The prospectus admitting the new public shares for trading on the Frankfurt Stock Exchange was approved by the CSSF (Commission de Surveillance du Secteur Financier), meeting the final condition of the agreement. The Business Combination was unanimously approved by the SPAC shareholders in the extraordinary general meeting on 15 November 2021. tonies SE applied for admission of the new public shares to trading on the regulated market of the Frankfurt Stock Exchange (General Standard). Trading in the new public shares commenced on 29 November 2021.

Under the terms of the transaction, tonies was valued at a pro-forma enterprise value of EUR 870 million and a pro-forma equity value of EUR 990 million. The transaction had a volume of approximately EUR 405 million, of which approximately EUR 190 million in primary proceeds remained at tonies SE and its subsidiaries. After deducting transaction costs, the additional funds were used for further international growth, product development and to repay the Group's debt.

2.4. Results of operations

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

	2020		2021		Change
	EURm	% of Revenue	EURm	% of Revenue	EURm
Revenue	**134.6**	**100.0%**	**188.0**	**100.0%**	**53.4**
COGS	-67.1	-49.9%	-86.2	-45.9%	-19.1
Gross profit	**67.5**	**50.1%**	**101.8**	**54.1%**	**34.3**
Licensing costs	-23.1	-17.2%	-35.2	-18.7%	-12.1
Gross profit after Licensing costs	**44.4**	**33.0%**	**66.5**	**35.4%**	**22.1**
Other income	0.6	0.4%	0.4	0.2%	-0.2
Personnel expenses	-15.6	-11.6%	-36.4	-19.4%	-20.8
Other expenses	-35.8	-26.6%	-277.9	-147.8%	-242.1
EBITDA	-6.5	-4.8%	-247.3	-131.6%	-240.9
Depreciation and amortization	-11.3	-8.4%	-14.2	-7.6%	-2.9
EBIT	-17.8	-13.2%	-261.6	-139.1%	-243.7
Financial Result	-3.5	-2.6%	13.5	7.2%	17.0
EBT	-21.3	-15.8%	-248.0	-132.0%	-226.8
Tax income	3.1	2.3%	7.5	4.0%	4.5
Loss for the period	-18.2	-13.5%	-240.5	-127.9%	-222.3

Adjusted EBITDA is calculated from EBITDA as follows:

	2020		2021		Change
	EURm	% of Revenue	EURm	% of Revenue	EURm
EBITDA	**-6.5**	**-4.8%**	**-247.3**	**-131.6%**	**-240.9**
(i) Share Based Compensation	3.5	2.6%	11.3	6.0%	7.9
(ii) Own developed Software (not activated)	1.8	1.4%	3.3	1.8%	1.5
(iii) Special projects and boni	1.7	1.3%	3.3	1.8%	1.6
(iv) IPO-related costs	0.0	0.0%	214.1	113.9%	214.1
(v) Results from prior periods	-0.8	-0.6%	0.0	0.0%	0.8
Adj EBITDA	**-0.3**	**-0.2%**	**-15.2**	**-8.1%**	**-14.9**

Other, immaterial key performance indicators:

	2020		2021		Change
	EURm	% of Revenue	EURm	% of Revenue	EURm
Gross profit after Licensing costs	**44.4**	**33.0%**	**66.5**	**35.4%**	**22.1**
Results from prior periods (Licenses)	-0.8	-0.6%	0.0	0.0%	0.8
Logistics costs	-9.3	-6.9%	-17.4	-9.3%	-8.1
Other sales dependant costs	-7.7	-5.7%	-9.2	-4.9%	-1.5
Contribution profit	**26.6**	**19.7%**	**40.0**	**21.3%**	**13.4**

Despite a challenging environment, the 2021 financial year was a very good year for the Group overall and was marked by strong Group growth. Revenue rose by 40% from EUR 134.6 million in 2020 to EUR 188.0 million in 2021. The DACH market accounted for the largest share of this in absolute terms, generating growth of 20% to EUR 151 million. International markets also demonstrated very good performance. Business in the US generated EUR 20 million in Revenue in its first full financial year. The UK (including Ireland) also increased by more than 150% to EUR 15 million. Finally, the launch of the French business in September 2021 was also received very well by our customers and so this market also contributed over EUR 1 million to the Group's Revenue.

The importance of online channels continued to increase. 26% of the Group's (gross) revenue in 2021 was generated online, compared to about 15% in 2020. Key drivers were country mix effects and the Covid-19 pandemic, which negatively impacted retail sales, our strongest sales channel.

Despite the strained situation on the procurement markets, which were marked by higher costs of materials, reduced availability and high transport costs (for example from China), we increased our gross margin by 4 percentage points from 50.1% to 54.1% by making savings in COGS. The main factor was savings in procurement due to our multiple source procurement strategy. As part of a large-scale procurement project, prices were renegotiated with existing suppliers and new suppliers were added. The additional contract manufacturers played a key role in reducing costs, especially for the tonies figurines.

License costs, in 2021 accounted for 18.7% of Revenue compared to 17.2% in 2020. This difference is due to product-mix effects as well as a positive effect of EUR 0.8 million in 2020 relating to previous years and adjusted as part of calculating adjusted EBITDA.

Personnel expenses rose from EUR 15.6 million in 2020 to EUR 36.4 million in 2021. This was driven primarily by investment in further international growth directly in local markets and the expansion of central functions such as Technology and Operations at headquarters. Stricter requirements in connection with the successful IPO also resulted in higher costs, especially in Finance and Legal. Furthermore, expenses for share-based payment increased from EUR 3.5 million in 2020 to EUR 11.3 million in 2021. Further virtual shares and employee stock options were issued in 2021. All costs for share-based payment were excluded from the calculation of Adjusted EBITDA.

Other expenses rose from EUR 35.8 million in 2020 to EUR 277.9 million. The majority of this increase is due to effects related to the Business Combination (mostly its accounting treatment) which amount to EUR 214.1 million. Excluding these non-recurring effects, the remaining Other expenses amount to 63.7 million. Furthermore, this position includes a range of different expenses, such as logistics costs, other revenue-based costs, marketing and other operating expenses, which all increased along with ongoing international growth.

Depreciation and amortisation of EUR 14.2 million in 2021 (2020: EUR 11.3 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 -3.5 million in 2020 to EUR +13.5 million in 2021. This position includes mostly interest incurred for credit lines with banks, vendor loans and interim financing. In 2021, it breaks down to EUR -6.5 million interest paid and income of EUR 20.0 million for remeasurement to fair value of warrant shares driven by the declining share price of tonies towards end of the year (see Note 26 – Financial income and finance costs for details).

Tax income of EUR 3.1 million in 2020 and EUR 7.5 million in 2021 is attributable predominantly 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 in 2021 included special effects due to the Business Combination and amounted to EUR -240.5 million compared with EUR -18.2 million in 2020.

Adjusted EBITDA is a material key performance indicator. It is calculated from EBITDA by adjusting for various effects to create a metric for the underlying profitability of the business. In light of the investment in international growth described, Adjusted EBTIDA declined from EUR -0.3 million (-0.2% of Revenue) in 2020 to EUR -15.2 million (-8.1% of Revenue) in 2021. There is no dedicated segment reporting including Adjusted EBITDA margin for individual regions or countries, as there were no segments below the group level as defined by IFRS 8 in 2021. However, internal calculations shows that the DACH business was profitable in both 2020 and 2021.

Another immaterial key performance indicator is the contribution margin. It is intended to show the profit contribution, i.e. Revenue after all revenue-related costs. Driven primarily by a higher gross margin, we increased our contribution margin from 19.7% of Revenue in 2020 to 21.3% of Revenue in 2021. We generated a contribution profit of EUR 40.0 million in 2021, far higher than the previous year's EUR 26.6 million.

2.5. Financial position

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

	2020	2021	Change
	EURm	EURm	EURm
EBITDA	**-6.5**	**-247.3**	**-240.9**
Decrease (increase) in net working capital	1.1	-3.5	-4.5
Decrease (increase) in trade receivables	0.2	-5.5	-5.7
Decrease (increase) in inventories	-10.4	-8.5	1.9
Increase (decrease) in trade payables	11.3	10.5	-0.8
Change in other positions	9.1	224.4	215.2
Cash Flow from operating activities	**3.8**	**-26.4**	**-30.2**
Purchase of property, plant and equipment	-3.46	-3.3	0.2
Acquisition of intangible assets	-4.2	-5.6	-1.4
Cash flow from investing activities	**-7.7**	**-8.9**	**-1.3**
Increase (decrease) from equity financing	10.4	191.3	180.9
Transaction costs	0.0	-19.5	-19.5
Increase (decrease) in borrowing	-4.3	-69.3	-65.0
Cash flow from financing activities	**6.1**	**102.5**	**96.4**
Net increase (decrease) in cash	**2.2**	**67.1**	**65.0**
Change in cash resulting from exchange rate differences	0.1	-0.6	-0.7
Free Cash flow	**-3.9**	**-35.4**	**-31.4**

Cash flow from operating activities in 2021 was EUR -26.4 million (2020: EUR +3.8 million). This is driven by the adverse EBITDA which, includes numerous significant special effects for 2021, as well as by the change in other positions which is mostly attributable to effects from the Business Combination and other lesser effects (for example license costs and share-based payment). There was also a EUR 3.5 million rise in working capital, with payments from inventories for the ongoing international expansion increasing working capital by EUR 8.5 million.

Cash flow from investing activities reflects investments in property, plant and equipment and intangible assets totalling EUR -8.9 million in 2021 (2020: EUR -7.7 million). These include investments in tools to manufacture Tonies, product-related expenses, content and software. This was not offset by any cash inflows from the disposal of property, plant and equipment and investments in the financial year.

Free cash flow (the sum of cash flow from operating activities and cash flow from investing activities) in the 2021 financial year amounted to EUR -35.4 million (2020: EUR -3.9 million).

Cash flow from financing activities amounted to EUR +102.5 million in 2021 (2020: EUR +6.1 million). As result of the Business Combination, there were EUR 191.3 million inflows from equity financing from primary proceeds in 2021, 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, including accrued interest, totalling EUR -69.1 million in 2021. Payments from lease liabilities represent an insignificant amount of EUR -0.2 million and are combined with the change in borrowing in the table above.

Overall, the Group's cash increased by EUR 66.5 million (including EUR 0.6 million negative effects from exchange rate differences) to EUR 75.6 million in the financial year.

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

2.6. Assets and liabilities

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

	2020		2021		Change
	EURm	% of BS Total	EURm	% of BS Total	EURm
Assets	**350.2**	**100.0%**	**438.0**	**100.0%**	**87.9**
Non-current assets	**297.9**	**85.1%**	**298.2**	**68.1%**	**0.3**
Property, plant and equipment	5.3	1.5%	6.5	1.5%	1.2
Intangible assets (incl Goodwill)	287.7	82.2%	281.4	64.3%	-6.3
Other	4.8	1.4%	10.2	2.3%	5.4
Current assets	**52.3**	**14.9%**	**139.9**	**31.9%**	**87.6**
Cash	9.1	2.6%	75.6	17.3%	66.5
Inventories	23.1	6.6%	31.5	7.2%	8.5
Trade receivables	16.9	4.8%	22.3	5.1%	5.5
Other	3.3	0.9%	10.4	2.4%	7.1
Equity and Liabilities	**350.2**	**100.0%**	**438.0**	**100.0%**	**87.9**
Equity	**198.5**	**56.7%**	**281.3**	**64.2%**	**82.8**
Share capital & premium	203.3	58.1%	550.4	125.6%	347.1
Other incl accumulated profit and loss	-4.8	-1.4%	-269.1	-61.4%	-264.3
Liabilities	**151.6**	**43.3%**	**156.7**	**35.8%**	**5.1**
Non-current liabilities	**41.1**	**11.7%**	**43.1**	**9.8%**	**2.1**
Lease liabilities (long term)	0.3	0.1%	0.7	0.2%	0.3
Share-based payment liabilities (long term)	3.5	1.0%	7.9	1.8%	4.5
Deferred tax liabilities	37.3	10.6%	34.5	7.9%	-2.7
Current liabilities	**110.5**	**31.6%**	**113.6**	**25.9%**	**3.0**
Trade payables (short term)	24.9	7.1%	35.4	8.1%	10.5
Loans and borrowings (short term)	57.8	16.5%	0.3	0.1%	-57.4
Other and provision	27.9	8.0%	77.9	17.8%	50.0

tonies financial performance features a strong statement of financial position with a high equity ratio of 64.2% in the 2021 financial year (2020: 56.7%). This considerable improvement is mainly due to proceeds from the IPO. In addition, there were no material financial liabilities as of 31 December 2021. Credit lines with banks of EUR 26 million are also available.

Assets are dominated by non-current assets, which accounted for about 70% of total assets in 2021 (EUR 298.2 million), remaining on a similar level as in 2020 in absolute terms. The largest item is intangible assets. These are greatly influenced by the purchase price allocation when acquiring tonies GmbH (formerly Boxine GmbH) in 2019. Goodwill, the brand and the capitalised technology represent the vast majority of intangible assets and total assets. The decrease from EUR 287.7 million in 2020 to EUR 281.4 million in 2021 stemmed primarily from regular write-downs on the brand and the technology. Investment in the Group's intangible and tangible assets continued in 2021. 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 52.3 million in 2020 to EUR 139.9 million in 2021. This jump is due mainly to the increase in cash from EUR 9.1 million in 2020 to EUR 75.6 million in 2021, which in turn is the result of the IPO less the repayment of all financial liabilities and costs for the 2021 financial year. The strong, planned international growth caused inventories to climb from EUR 23.1 million in 2020 to EUR 31.5 million in 2021. Strategically we want to keep sufficient goods in stock to further support our rapid growth, in particular in the US. Our growth increased our trade receivables to EUR 22.3 million in 2021 (2020: EUR 16.9 million). Other assets (current) rose from EUR 3.3 million in 2020 to EUR 10.4 million in 2021. This item includes VAT receivables and prepaid expenses.

Non-current liabilities increased slightly from EUR 41.1 million in 2020 to EUR 43.1 million in 2021 in connection with an increase in the provision for share-based payment from EUR 3.5 million in 2020 to EUR 7.9 million in 2021, whereas deferred tax liabilities declined from EUR 37.3 million in 2020 to EUR 34.5 million in 2021.

Current liabilities increased in 2021 to EUR 113.6 million (2020: EUR 110.5 million). Trade payables saw an increase from EUR 24.9 million in 2020 to EUR 35.4 million in 2021, driven by further growth on all markets. Materially all loans and borrowing in the amount of EUR 57.8 million in 2020 were repaid in the financial year 2021. Other liabilities and provisions increased to EUR 77.9 million in 2021 (2020: EUR 27.9 million). Main driver for this increase in this position was the first-time recognition of warrants on tonies SE for former SPAC sponsors and shareholders. This item also includes provisions for copyright collecting agencies and storage media fees. Negotiations are currently underway with the relevant agencies and institutions regarding the adequate fee rate and the extent to which these fees are relevant for tonies at all.

2.7. 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 IPO result in a solid liquidity situation to support the Group's ongoing growth.

3. Employees

At the end of December 2021, the Group employed 354 people. This represents an increase of 47% compared to 240 employees at the end of 2020. A large proportion of the employees (81%) worked for the Düsseldorf-based company tonies GmbH at the end of December 2021.

Diversity has many facets, stories and faces at tonies. It is an integral and important part of our corporate culture. Our employees represent this diversity, among other things through different nationalities & cultural backgrounds, a broad age group distribution, length of service and gender. We are particularly proud of an almost equal distribution of female (52%) and male (48%) employees at year-end

4. Opportunity and risk report

4.1. Risk and opportunities management system

As an international Group, tonies is exposed to a large number of risks. 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 all 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 either qualitatively, and for key risks also quantitatively based on their probability of occurrence and potential magnitude. For the most significant risks, 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.

4.2. Internal control system

The management implemented an internal control system 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. Led by a dedicated Internal Controls manager, processes were recorded and documented in detail with external support and controls were established for material processes throughout all departments.

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, and additional layers of approval were introduced, 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.

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.

4.3. Risk report

No risks were identified that could jeopardise the Group as a going concern in the current financial year. The following report summarises and sets out the most important risks.

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

Opportunities and risks for future business performance essentially depend on how purchasing power develops in existing markets and on the further establishment of the Toniebox and tonies audio figurines as a modern digital audio system for children. Success is also contingent on portfolio planning for new Content Tonies and accessories that is in line with demand and continued successful cooperation with our licensing partners in the future.

4.3.1. Geopolitical risks

The situation in Ukraine, which has escalated dramatically since February 2022, shows that long-forgotten risks of military conflict have sadly come to the fore once again.

The potential future impact of this is very hard to predict at present. The Group is currently not directly affected by the consequences as it neither sells in the affected countries nor purchases in these countries. However, it is likely that it will not be able to escape the macroeconomic developments resulting from the conflict. Risks lie primarily in a possible recession and the associated reluctance of our customers to purchase our products, inflation and higher procurement costs for raw materials and components, as well as possible restrictions and delays on freight routes.

Management is monitoring the situation closely and prepared to respond flexibly depending on what the situation requires.

4.3.2. Covid-19 risks

Both our supply chains and our sales channels have been and continue to be negatively affected by the Covid-19 pandemic.

Measures that resulted in the closure of stationary retail stores or significantly restricted their operations had a negative impact on our ability to attract new customers and potentially prompt more repeat purchases by existing customers. Nevertheless, from the very start the loss of revenue resulting from store closures was offset by stronger direct-to-consumer online sales and by retail customers with their own online sales channels.

In addition, the pandemic also created turbulence on procurement markets, reducing the availability of components such as chips and putting pressure on profit margins on account of higher commodities and logistics prices and the general availability of components and raw materials – at least temporarily.

Numerous uncertainties make it impossible to predict the future impact of the Covid-19 pandemic and the emergence of new variants and second infections, for example, continue to present a risk.

As a result, our management team is focusing on ongoing planning and risk mitigation in relation to Covid-19, which could mean it has less time for other initiatives.

Although we monitor our business and operations on an ongoing basis to take suitable measures to reduce the risks of the Covid-19 pandemic, the repercussions of the pandemic nonetheless made themselves visible in higher procurement and freight costs. This offset some of our margin improvements resulting from our negotiations with suppliers and our multiple-source strategy.

We expect the effects that put pressure on the contribution margin to remain in 2022. At the same time, we are taking a broad range of measures to alleviate these effects and increase our contribution margin further in 2022.

To protect our own employees from the risk of catching Covid-19, management introduced a comprehensive remote working concept at the start of March 2020, allowing people to work from home save for necessary exceptions. This concept was largely maintained in 2021. Thanks to its high degree of digitalisation, the Group was able to put this way of working into practice immediately without compromising on productivity. Where exceptions to this have been agreed, the Group also drew up comprehensive hygiene and collaboration concepts for work at its locations.

4.3.3. Risks in relation to business, operations and the financial position:

Liquidity
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 nature.

The Business Combination with tonies SE (formerly 468 SPAC I SE) described in section 2.3. ensured a solid financing position for the Group and provided inflows for further expansion. Prior to the Business Combination, financing was provided largely via external banks, shareholders and private equity investors. Both, bank loans and other loans, were repaid further to the Business Combination and the operating expansion was funded within the Group. Loans of just over EUR 100 million were repaid, benefiting the Group's interest expenses.

In addition to existing financial resources, tonies also has credit lines – some of which are temporary – totalling EUR 26 million with four banks that are not currently utilised. Some of these expire in mid-2022 but are planned to be renewed. Parts of these credit lines may be needed during the summer months, in part due to the seasonal nature of business – 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 strongest period in seasonal terms.

There is a risk that other financial resources in the form of equity or debt will be needed in the future. The Group has a track record of securing additional funds if needed and is proactively addressing its liquidity planning well ahead of time.

Planning risk
Accurately forecasting revenue growth, margins, cash flow and general business performance is one of the key challenges during times of substantial growth and unpredictable global developments. Mistakes in monitoring and management of our corporate planning could cause wrong decisions to be made and affect our revenue growth, profitability and liquidity.

We have gained extensive experience in recent years to significantly improve 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 and 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.

Price increases

To maintain the high quality of Tonies and Tonieboxes that we ensure as standard, we also use correspondingly high-quality parts and place great value on fair working conditions at our suppliers. However, our costs on procurement markets and in logistics have soared recently. To guide the Group towards long-term profitability, after analysing market conditions we decided to raise prices for our customers and increase the recommended retail price. For example, from 1 May 2022 the recommended retail price for Tonieboxes in Germany will increase from EUR 79.95 to EUR 99.95 and for Content Tonies from EUR 14.99 to EUR 16.99.

We assume that, as well as shoring up our profitability, the price increases will also increase our revenue slightly as our planning expects the price effects to comfortably offset any negative volume effects. External market studies point towards this. Nevertheless, there is a risk of negative volume effects that cannot be balanced out by price effects and of customers preferring other products or concepts.

Thanks to the significant appeal of our products and the emotional aspect created by the combination of figurines and audio content that can be easily played by children, we believe that our market position remains very good even at the higher price points.

Supply chain risks

The Group addresses the specific risks to global economic development such as Brexit and the intensification of the trade war with China by reviewing its supply chains for the United Kingdom and the Republic of Ireland to avoid double customs duties and also by assessing whether there might be alternatives to the production locations.

The situation on commodities and procurement markets was also strained in 2021. Elevated crude oil prices, bottlenecks on transport markets and higher prices for individual parts (such as chips in the Toniebox) will continue to impact business performance, at least temporarily.

There is also a risk of problems in global supply chains, such as the Suez Canal blockage, causing delays in procurement channels. Longer supply chain disruptions could mean that products are not at all or only to a limited extent available for our customers and result in a loss of revenue for us.

Methods used by the Operations team to counteract these external factors include alternative supply sources and optimising logistics.

See also the section on Covid-19 risks.

Concentration risk

We are exposed to concentration risks because our business model currently focuses on one single product family (Toniebox and Tonies), we source our products from a small handful of suppliers, we currently sell our products in only a small number of countries and our five largest retailers account for about 38% of our revenue.

In terms of products, we are now firmly established on the market and in children's rooms, with more than 3 million boxes sold. At the same time, we are continually increasing the number of Tonies available and expanding our range to include other accessories, such as stickers to customise the Tonieboxes. We consider the Toniebox a platform and thus do not think focusing on one product family poses any material risks.

In terms of sales, our focus on online and direct-to-consumer channels such as our own online shop, as well as strong international growth, have been helping us steadily reduce the risk arising from individual, larger retailers for years. The potential loss of one major partner could be largely offset by other partners and sales channels if needed.

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 purchasing volumes to other new suppliers for all relevant elements that we purchase. 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. This also allows us to further improve our contribution margin during these challenging times.

Online Marketing strategy

For our rapid international expansion, we are also stepping up our use of marketing to attract new customers. While, historically, our growth on the DACH market came primarily from our strong presence in retail and from word of mouth, we increasingly made use of online marketing on our international markets, such as the US, which took off during the Covid-19 pandemic. While our previous activities demonstrate very good marketing efficiency, there are particular risks of lower marketing efficiency. As we increase online marketing spend further as part of our ongoing growth strategy, its efficiency, e.g. measured via customer acquisition costs, may decline.

Competition

The market for children's toys, audio, entertainment and education is highly competitive, fragmented and fast changing. We compete with other technology companies, traditional toy manufacturers and the entertainment industry and cannot rule out the possibility of content owners beginning to compete with us directly and limiting or denying our access to relevant content.

Our competitors could launch extensive marketing campaigns and adopt a more aggressive pricing policy, which could take a toll on our competitive position. In addition, we are exposed to risks resulting from strategic alliances by other market players.

Despite this, we believe the form of our products puts us in a very good competitive position – we combine a toy with digital content on a platform that is easy for children to use. At present, we have no competitors that have seen comparable success with their concept. Their products generally lack the use of touch and motion of our figurines or cannot be independently operated by children. There are also no other providers of a similar product that have anywhere near the number of active customers on the market as we do.

Employees turnover

One major factor in our success is the tireless dedication, experience and motivation of our employees. They are the ones who do their best every day to bring a Toniebox to every child's room.

A range of factors such as insufficient pay, a change in tonies' unique corporate culture or a lack of opportunities for career progression could lead employees to leave tonies.

We assume that our compensation is competitive compared to the market and we verify this regularly, among other things, as part of our recruiting activities. We also offer our employees a high degree of flexibility in terms of working hours and home office or work location. Since 2022, we have provided our employees with dedicated budgets for further training.

Our People & Culture team has a broad range of measures in place which aim to ensure satisfied employees and bolster team spirit in order to address the risk of employees leaving. Dedicated tools have been set up where employees can provide anonymous feedback in monthly surveys about a number of aspects in their department so that the most important issues can be addressed immediately by managers. This way, most problems are solved at a very early stage.

IT systems

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

Most of our revenue is still generated in retail. At the same time, online sales channels are increasingly important to our business and so the risk of 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 significant problems thanks to our experience and advance planning.

Cyber security threats such as unauthorised logical 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.

Optimisation of the IT systems used and further digitalisation of all Company processes with the help of existing ERP systems and a planned ECM system (Enterprise Content Management) pose risks but also open up opportunities to further bolster business success and encourage continued growth.

To remain competitive, we will continue to invest heavily in our IT. tonies currently employees a highly-qualified team of around 50 IT employees.

Currency risks

Besides economic and political developments that cannot be accurately predicted (e.g. significant changes on the interest market or changes to customs regimes), the Group's material risk factors also include a changing USD exchange rate, political uncertainty in production countries and production capacity limits if growth remains higher than average.

The USD exchange rate in particular is a very relevant currency risk for us, as slightly more than half of our purchasing volume in our COGS is directly or indirectly based on the USD. A depreciation of the euro against the US dollar will therefore lead to a reduction in our margins. In the future, our steadily growing business in the US will increasingly be able to compensate for this effect through sales in US dollars.

The Group counters the USD risk through the selective use of currency hedging instruments (purchase of USD to pay supplier invoices) and potential country risks through the careful selection of contract manufacturers and increasing diversification of suppliers. Potential capacity bottlenecks are addressed by commissioning other contract manufacturers in different countries for production.

Default

Default risks relating to receivables are mostly prevented through trade credit insurance and an efficient reminder system. This minimises the risk to earnings resulting from defaults to a small amount.

4.3.4. Regulatory, legal and tax risks

Receivables from copyright collecting agencies and similar organisations:

While we have generally concluded licensing agreements with the owners for non-music content, in some cases, negotiations are not yet complete or in progress, regarding a licensing agreement with the copyright collecting agencies responsible for music in most countries in which we operate.

Devices that allow users to store or copy content are subject to fees under certain legal systems. Depending on the local jurisdiction, Tonieboxes may also fall under these regulations. We are currently in alignment with some of these collecting societies.

Corresponding potential receivables are taken into account in our annual financial statements in the form of provisions.

Intellectual property and trademarks

Our business includes rights to intellectual property. In some cases, these can be breached by third parties, which requires us to take legal action.

Potential requirements for online retail

Tax authorities in various countries are currently reviewing the appropriate treatment of online retail activities. Countries in which we operate could attempt to impose additional taxes in connection with our activities. These new tax regulations could result in additional taxes for us or our customers, making our online channel less attractive for us or incurring additional administrative costs.

4.3.5. Summary assessment

In the judgement of management, there are currently no risks that could endanger the existence of the Group in the current financial year. The greatest uncertainties at present are geopolitical and macroeconomic developments, which could lead to deviations from planning.

While internal risks are being increasingly well addressed compared with the previous year, external risks, particularly geopolitical and macroeconomic risks, have increased significantly.

Yet overall, the management is confident that the Group will maintain its positive performance demonstrated in recent years and that it has all the resources needed to do so.

4.4. Opportunity report

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

The Toniebox and Tonies are products loved by children all across the world. Activation data of Tonieboxes shows strong international demand even in many countries where we do not even officially sell our products.

Every international launch of the Toniebox so far was followed by strong growth. In the US, for example, we generated EUR 20 million in Revenue in 2021, the first full financial year. Our other international markets outside the DACH region, the UK and France, are also outperforming our already high expectations. There is still massive opportunity for growth ahead of us in these markets.

While existing markets will remain our clear focus in 2022, we also see further opportunities for significant growth in many other countries. The first step to benefiting from this is launching an online shop within the EU. The next step is to work together with sales partners and local retailers so that even more children in more countries have access to our exciting tonies world, thereby realizing the respective revenue potentials.

Moving revenue to 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 direct-to-consumer business, especially via our online shop, is very attractive and profitable for us.

We are also increasingly drawing on digital channels in the DACH market, too. Strategically, this proved particularly beneficial during the pandemic and safeguarded our revenue while others faced lockdowns in stores. Our customers could reach us even when stores were closed.

In 2021, 26% of our revenue was generated via digital channels (own online shop, market places), compared to 15% in 2020. We expect digital channels to account for an even higher share in the future. This makes us more flexible, diversifies our sales channels and also increases our profitability in the case of our own online shop.

Multiple source purchasing 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 part of a large-scale procurement project with external consultants in 2020 and 2021, we found another partner for the production of Tonieboxes in Hungary and two new partners for the production of Tonies in China, as well as other partners for alternative supply sources for raw materials and auxiliary parts.

This broader supplier basis improved purchasing conditions and so we were able to increase our gross margin further even during the ongoing pandemic and the challenges associated with this period. We believe there is still significant potential to improve our gross margin in the future, as individual partners are still being onboarded and only moderate volumes have been moved to the new supply sources so far.

Our multiple source purchasing 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 strong 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 among our customers, as demonstrated by their great commitment and repurchase rates.

The management believes that the tonies brand opens up many additional opportunities for the future. As well as strong customer loyalty, it can help sell tonies products and accessories and help our customers experience more of the tonies world.

Expansion of product portfolio

We are constantly working on expanding our product portfolio. Each year, we create hundreds of new tonies figurines. The ever growing selection, involving a wide range of licensing partners, means that more and more children can find their heroes in our portfolio. Especially on our international markets, we now have a larger portfolio than we did in Germany at the same stage.

New tonies figurines also help us reach additional target groups such as older children, who we can offer dedicated content. The corresponding content is increasingly coming from our own productions, which are generally also more profitable for us.

Besides new tonies figurines, we are continuously increasing our digital audio library. This allows customers to purchase additional content and stories for their figurines.

We are also increasingly shifting our focus to alternative materials for producing Tonies. In the future, this will allow us to offer our customers an even broader and more diverse range of products.

In addition, we are constantly working on improving the Toniebox itself to reflect changes on the market and in customer requirements.

Our brand is also the basis on which we can offer our customers products in related and complementary categories. As well as the headphones, transport boxes, decoration and replacement charging cables that we already sell, there is also a wide range of opportunities for us that we can take advantage of ourselves or with licensing partners.

Trend towards screen-free children's entertainment

One feature that makes tonies special is that our concept is entirely screen free and can be operated independently by small children. Screen-free entertainment fosters children's imagination and reflects the wish of many parents to provide their children with activities that are beneficial for their development while reducing undesired influences such as passive screentime.

tonies has responded to this trend and successfully offers children the combination of attractive figurines and audio content, making it unique on the market.

The management expects this move away from screens and towards audio formats that inspire children's imagination to continue in the future and thus to further fuel our growth on all of our markets moving forwards.

Summary assessment

Growth in our international business was very positive in 2021 and better than originally planned. This shows that our products are also very popular with customers outside the DACH region. This success story give us in a very positive outlook for the future and, similar to previous years, shows the potential and opportunities for our business.

5. Outlook

5.1. Outlook for FY 2022

The Group again increased Revenue significantly in the 2021 financial year from EUR 135 million to EUR 188 million, despite the challenges caused by Covid-19. Revenue in 2022 is expected to increase strongly to EUR 250 million. This ongoing very strong growth will be driven primarily by additions to the Tonies portfolio and by international expansion, in particular in the US where an increase from EUR 20 million in 2021 to EUR 52 million in 2022 is planned. In addition to further increasing the already very strong presence on the profitable DACH market, international markets are also to be further strengthened based on significant investments. This is in particular relevant for the markets that are already active in the US, the United Kingdom and Ireland and France. At the same time, an EU-wide online shop is preparing for expansion into other EU countries. We believe our complementary digital service mytonies and our Tonies Originals in-house products offer further potential to boost revenue.

In our supply chain, a large-scale procurement project in 2020 and at the start of 2021 resulted in improved conditions. Considerable savings potentials were identified for the Tonieboxes and the Tonies. Most agreements with new suppliers and alternative supply sources were implemented in 2021. Nevertheless, there were some negative effects resulting from changes to procurement and logistics markets which could increase costs in 2022 too. Overall, however, we expect to further improve our contribution margin despite the difficult general conditions. This includes shifting more volumes to our new suppliers and passing on some of the higher input costs to our customers. In Germany, for example, the recommended retail prices for Tonieboxes, Tonies and our other products will be adjusted as of 1 May 2022. Similar measures are planned in other countries. The planned price adjustments will contribute to both better margins and higher sales.

In the area of personnel expenses and other operating expenses, more will be invested in 2022 in establishing international markets and in infrastructure at the headquarters in Düsseldorf.

We expect that the Adjusted EBITDA margin will improve slightly in 2022 compared with 2021. Nevertheless, there is still considerable uncertainty due to the fast-changing geopolitical situation and current tensions on commodities and procurement markets, which create uncertainties in the outlook.

All in all, the Group continues to anticipate very positive business performance in 2022 that is shaped by ongoing significant growth. Early 2022 has already seen the previous course of growth to continue successfully. Growth for the first quarter of 2022 was on a similar level than planned for the full year 2022.

In summary, the management is confident it is well equipped to maintain this successful development.

5.2. Subsequent Events

After the end of the reporting period, all group entities were renamed from "Boxine", "A. VI" and "468 SPAC I" to the brand name "tonies".

In February 2022, a war in Ukraine started (see further details in section 4.3.1. of the Risk report). tonies is not directly sourcing from the affected countries and not selling to these markets. However, we see some risk of increasing commodity prices, challenges in global supply chains and potentially a broader recession.

On 25 April 2022, tonies launched a European online shop where interested parties in certain additional European markets can purchase our products. This is an important milestone for the ongoing international expansion of the Group.

Please see Note 30 in the notes for information on events after the end of the 2021 financial year that have a material impact on the future financial position and performance of the Group.

tonies SE
Luxembourg, 26 April 2022

Patric Faßbender
Co-Founder & Co-CEO

Marcus Stahl
Co-Founder & Co-CEO

C Corporate Governance

and Responsibility Statement

1. Structure and general remarks

tonies SE is a Luxembourg governed company, which shares are traded on the Frankfurt Stock Exchange, (the **"Company"**, the **"Group"**). 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 is obliged under Luxembourg law to draw up a remuneration policy for the Management Board as well as for the Supervisory Board (the **"Remuneration Policy"**). The principles and measurement of the remuneration policy for the Management Board and Supervisory Board are prepared in accordance with the aforementioned Luxembourg law of 24 May 2011. The Remuneration Policy will be published separately from this annual report.

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

Until 27 November 2021, the Management Board consisted of four members, Mr. Alexander Kudlich (as CEO), Dr. Ludwig Ensthaler (as CIO), Mr. Florian Leibert (as CTO) and Mr. Daniel Bley (as CAO).

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	45	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	42	General Partner at 468 Capital	2021	2024	-
Alexander Schemann	German	45	Founder and Managing Partner at Armira	2021	2024	-
Dr. Stephanie Caspar	German	48	President Classifieds Media and member of the Executive Board at Axel Springer SE	2021	2024	-
Christian Bailly	German	40	Managing Partner at Armira	2021	2024	Deputy Chairperson, Member of the Audit Committee
Helmut Jeggle	German	51	Founder and Managing Partner at Salvia GmbH	2021	2024	Chairperson of the Audit Committee
Dr. Thilo Fleck	German	47	Lawyer, Partner at Berner Fleck Wettich	2021	2023	-

Until 27 November 2021, the Supervisory Board consisted of four members Gisbert Rühl (as chairperson), Lea-Sophie Cramer, Johannes Maret and Florian Wendelstadt.

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 2021

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 2021, 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

A 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 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash-flows for the period from 29 March 2021 (date of incorporation) to 31 December 2021, and 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 2021, and of its consolidated financial performance and its consolidated cash flows for the period from 29 March 2021 (date of incorporation) to 31 December 2021 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 N° 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 188m (note 6 and 20) on the sales of tonies and tonieboxes is dependent on the appropriate assessment of incoterm conditions 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 sales 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 'Segment information' and Note 20 'Revenue' to the Consolidated Financial Statements.

Other information

The Board of Directors 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 Board of Directors and Those Charged With Governance of the Group for the Consolidated Financial Statements

The Board of Directors 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 Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors 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 Board of Directors 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 Board of Directors 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 N° 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 N° 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 Board of Directors.
- Conclude on the appropriateness of Board of Directors' 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 21 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The 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 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 at 31 December 2021 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 at 31 December 2021, identified as "222100DAYRVSS1X9EB98-2021-12-31-en", 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, 27 April 2022

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

Fabien Delante
Réviseur d'entreprises agréé


Happy

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Consolidated Financial Statements

- Financial Position
- Comprehensive Income
- Cash Flows
- Changes in Equity

Consolidated Statement of Financial Position

IFRS Consolidated Statement of Financial Position

in kEUR	Notes	31.12.2021	31.12.2020
Assets			
Property, plant and equipment	8	6,524	5,324
Right of use assets	8, 10	865	464
Intangible assets (excl. Goodwill)	9	119,213	125,504
Goodwill	9	162,236	162,236
Deferred tax assets	27	9,336	4,355
Non-current assets		**298,174**	**297,883**
Inventories	11	31,530	23,062
Right of return asset	20	445	0
Trade receivables	12	22,311	16,850
Other assets (short term)	12	9,979	3,296
Cash	13	75,593	9,079
Current assets		**139,858**	**52,287**
Total assets		**438,032**	**350,170**
Equity			
Share capital	14	1,575	100
Share premium	14	548,791	203,201
Other reserves	14	-2,480	23
Retained earnings	14	-26,084	-9,870
Profit (Loss)	14	-240,505	-16,214
Equity attributable to owners of the company		**281,297**	**177,240**
Non-controlling interests	**7**	**0**	**21,293**
Total equity		**281,297**	**198,533**
Liabilities			
Lease liabilities (long term)	16	675	344
Share-based payment liabilities (long term)	22	7,934	3,471
Deferred tax liabilities	27	34,530	37,274
Non-current liabilities		**43,139**	**41,089**
Income tax liabilities	27	646	807
Loans and borrowings (short term)	16	332	57,772
Lease liabilities (short term)	16	209	133
Trade payables (short term)	17	35,360	24,881
Other liabilities (short term)	17	54,190	13,766
Provisions (short term)	18	22,859	13,189
Current liabilities		**113,596**	**110,548**
Total liabilities		**156,735**	**151,637**
Total equity and liabilities		**438,032**	**350,170**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

IFRS Consolidated Statement of Profit or Loss and Other Comprehensive Income (By Nature of Expense)

in kEUR	Notes	01.01.2021–31.12.2021	01.01.2020–31.12.2020
Continuing Operations			
Revenue	**20**	**187,973**	**134,573**
Changes in inventories		2,773	8,380
Cost of materials	21	-88,982	-75,484
Gross profit		**101,764**	**67,469**
Licensing costs	21	-35,233	-23,086
Gross profit after Licensing costs		**66,531**	**44,383**
Other income	24	396	568
Personnel expenses	23	-36,405	-15,640
Other expenses	25	-277,871	-35,783
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**-247,349**	**-6,472**
Depreciation and amortization	8, 9	-14,202	-11,330
Earnings before interest and taxes (EBIT)		**-261,551**	**-17,802**
Finance income	26	19,984	1
Finance costs	26	-6,481	-3,472
Earnings before tax (EBT)		**-248,048**	**-21,273**
Tax income	27	7,543	3,073
Profit (loss) for the period		**-240,505**	**-18,200**
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation to presentation currency	19.2.3	-632	63
Total comprehensive income for the period		**-241,137**	**-18,137**
Profit attributable to:			
Owners of the Company		-240,505	-16,214
Non-controlling interests	7	0	-1,986
Total comprehensive income attributable to:			
Owners of the Company		-241,137	-16,158
Non-controlling interests	7	0	-1,979
Earnings (loss) per share (in kEUR)			
Basic		-5.02	-0.38
Diluted		-5.02	-0.38

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

Consolidated Statement of Cash Flows

IFRS Consolidated Statement of Cash Flow

in kEUR	Notes	01.01.2021–31.12.2021	01.01.2020–31.12.2020
Profit (loss) for the period		**-240,505**	**-18,200**
Depreciation and amortization	8,9	14,202	11,330
Finance (income) expenses	26	-13,503	3,471
Tax income	27	-7,543	-3,073
EBITDA		**-247,349**	**-6,472**
Decrease (increase) in trade receivables	12	-5,461	204
Decrease (increase) in inventories	11	-8,468	-10,369
Increase (decrease) in trade payables	17	10,479	11,260
Decrease (increase) in net working capital		**-3,450**	**1,095**
Loss on disposal of property, plant and equipment	8	6	-59
Decrease (increase) in other assets	12	-7,128	-287
Increase (decrease) in other provisions	18	9,670	3,452
Increase (decrease) in other liabilities	17	7,989	2,553
Increase (decrease) in share-based payment liabilities	22	4,463	3,471
Other non-cash (income) expenses		209,494	0
Cash flow from operating activities before income taxes		**-26,305**	**3,753**
Income tax paid		-124	0
Cash Flow from operating activities		**-26,429**	**3,753**
Purchase of property, plant and equipment	8	-3,308	-3,460
Acquisition of intangible assets	9	-5,631	-4,213
Cash flow from investing activities		-8,939	-7,673
Proceeds from issue of share capital by shareholders of the Parent Company	29	0	10,415
Capital Reorganization (Acquisition of subsidiaries)		191,288	0
Proceeds from borrowings	16	37,332	6,410
Transaction costs	14	-19,457	0
Acquisition of NCI		-2	0
Repayments of borrowings	16	-100,021	-10,420
Interest paid	16	-6,453	-193
Payment of lease liabilities	16	-172	-125
Cash flow from financing activities		**102,515**	**6,087**
Net increase in cash		**67,147**	**2,167**
Change in cash resulting from exchange rate differences		-632	63
Net cash at the beginning of the period	13	9,079	6,849
Net cash at the end of the period	13	75,593	9,079

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

Consolidated Statement of Changes in Equity

IFRS Statement of Changes in Equity

in kEUR	Notes	Share capital	Share premium	Translation reserve	Transaction costs reserve	Retained earnings	Profit (Loss)	Total	Non-controlling interest	Total equity
Balance as of 01.01.2021		**100**	**203,201**	**23**	**0**	**-9,870**	**-16,214**	**177,240**	**21,293**	**198,533**
Allocation of prior year result						-16,214	16,214	0		0
Total comprehensive income										
Profit (loss) for the period	7						-240,505	-240,505		-240,505
Other comprehensive income	7			-632				-632		-632
Total comprehensive income		**0**	**0**	**-632**	**0**	**0**	**-240,505**	**-241,137**	**0**	**-241,137**
Contributions and distributions										
Capital reorganization	14	1,737	126,208		-1,668			126,277		126,277
Transaction costs	14				-203			-203		-203
Treasury shares acquired	14	-262						-262		-262
Listing fee	14		201,184					201,184		201,184
Reduction in capital reserves	14		-5,249					-5,249		-5,249
Equity-settled share-based payment	14		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	7		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 ransactions 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**

IFRS Statement of Changes in Equity

in kEUR	Notes	Share capital	Share premium	Translation reserve	Retained earnings	Profit (Loss)	Total	Non controlling interest	Total equity
Balance as of 01.01.2020		**100**	**193,058**	**-33**	**-9,870**	**0**	**183,255**	**23,271**	**206,526**
Total comprehensive income									
Profit (loss) for the period	7					-16,214	-16,214	-1,986	-18,200
Other comprehensive income	7			56			56	7	63
Total comprehensive income		**0**	**0**	**56**	**0**	**-16,214**	**-16,158**	**-1,979**	**-18,137**
Contributions and distributions									
Contribution to capital reserves			10,415				10,415		10,415
Total contributions and distributions		**0**	**10,415**	**0**	**0**	**0**	**10,415**	**0**	**10,415**
Changes in ownership interest									
Acquisition of NCI without a change in control			-272				-272		-272
Total changes in ownership interest		**0**	**-272**	**0**	**0**	**0**	**-272**	**0**	**-272**
Total transactions with owners of the Company		**0**	**10,143**	**0**	**0**	**0**	**10,143**	**0**	**10,143**
Balance as of 31.12.2020		**100**	**203,201**	**23**	**-9,870**	**-16,214**	**177,240**	**21,293**	**198,533**

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"**, formerly 468 SPAC I SE) 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. tonies 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.

On 30 August 2021, 468 SPAC I SE and A. VI Holding GmbH and Höllenhunde GmbH entered into a business combination agreement.

Pursuant to the business combination, which was consummated on 26 November 2021, 468 SPAC I SE, which was renamed tonies SE on the same date indirectly acquired all of the outstanding equity and equity equivalents of tonies GmbH through Höllenhunde GmbH transferring all of its A. VI Beteiligungs GmbH shares to 468 SPAC I SE and the A. VI Holding GmbH shareholders transferring all of their shares to 468 SPAC I SE, in exchange for a total consideration of kEUR 719,257, splitted into a cash consideration of kEUR 214,941 and a non-cash consideration of kEUR 504,316 in the form of 50,431,586 new class A shares having a par value of EUR 0.016, International Securities Identification Number ("ISIN") LU2333563281.

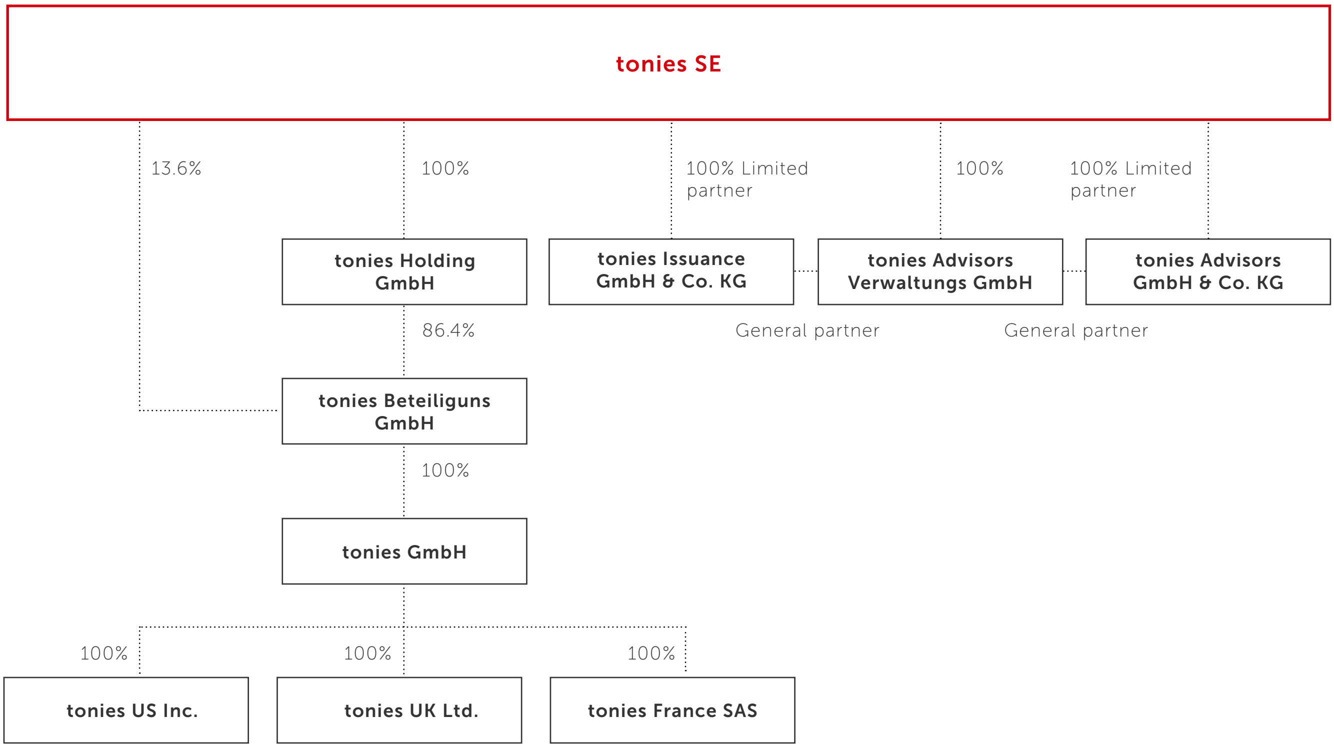
tonies SE started trading on the regulated market of the Frankfurt Stock Exchange on 29 November 2021.

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, respectively.

Following the completion of the business combination, tonies holds all of the shares in tonies Holding GmbH. tonies and tonies Holding GmbH together hold all of the shares in tonies Beteiligungs GmbH and tonies Beteiligungs GmbH holds all of the shares in tonies GmbH.

The business combination is accounted for as a reverse acquisition in accordance with IFRS. While tonies SE was the legal acquirer, tonies Holding GmbH was deemed the accounting acquirer. For further information, please refer to Note 3.1.2.

Per 31 December 2021, the group structure of tonies SE is as follows:



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

2. Basis of preparation

2.1. Statement of compliance

The consolidated financial statements of tonies have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as endorsed by the European Union as of 31 December 2021. The term IFRS also includes all valid International Accounting Standards (IAS) as well as the interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The financial statements were authorised by management on 26 April 2022.

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 the basis of historical costs. 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 meets 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 includes, 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 adhoc 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 aquirer). The entity whose equity interests are acquired (the legal acquiree) 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 will be presented as a continuation of the financial statements of the accounting acquirer. The IFRS 2 accounting for the merger is the following:

- the assets and liabilities of the accounting acquirer recognised and measured at their pre-combination carrying amounts in accordance with relevant IFRS;
- the assets and liabilities of the accounting acquiree recognised and measured in accordance with relevant IFRS;
- the retained earnings and other equity balances of the accounting acquirer before the business combination recognised in accordance with relevant IFRS;
- the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal aquirer, 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 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.
- 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.

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 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 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. 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.

3.3.2. 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.

3.3.3. 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:

Property (Right-of-Use Assets)	2-10 years
Vehicles (Right-of-Use Assets)	2-3 years
Tooling	3-5 years
Technical equipment and machinery	3-10 years
Other equipment, 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. After five years in business and a detailed analysis of the 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 is about kEUR 500.

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:

Patents and Trademark	15 years
Customer relationships	10-15 years
Software	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 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.

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 financial assets measured at amortised cost.

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 financial assets measured at amortised cost are deducted from the gross carrying amount of the 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 assessments 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. 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 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.

3.9. 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 assessments 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.

3.10. Financial instruments

3.10.1. 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.

3.10.2. 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. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. 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.

3.10.3. 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.

3.10.4. 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.

3.11. 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.

3.12. 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.

3.13. 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.

3.14. 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. Interest expense is recognised in the financial statement 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.

3.15. Income taxes

Income tax expense comprises current and deferred tax. 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.

3.15.1. 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.

3.15.2. 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.

3.16. New and amended IFRS

A number of new and revised standards and amendments to standards have been issued by the reporting date and come into force in annual periods beginning on or after 1 January 2021. They are also available for early adoption. However, tonies has not adopted any of the new or amended standards in preparing these consolidated financial statements.

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)	1 January 2023
IFRS 16 (A)	Covid-19-Related Rent Concessions (including extension)	1 April 2021
IFRS 3 (A)	Reference to Conceptual Framework	1 January 2022
IAS 16 (A)	Property, Plant and Equipment: Proceeds before intended Use	1 January 2022
IAS 37 (A)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020	1 January 2022
IAS 8.30 EU endorsement is still pending		
IAS 1 (A)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 12 (A)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 (A)	Initial Application of IFRS 17 and IFRS 9—Comparative Information	1 January 2023

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 10 – Lease term: whether the Group is reasonably certain to exercise extension options.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2021 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 8 and 9 – **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 9 – **Goodwill:** key assumption about the recoverable amounts of the CGU and the underlying 5 year budget;
- Note 9 – **Impairment test of intangible assets:** key assumption about useful lives and underlying recoverable amounts;
- Note 18 – **Recognition and measurement of provisions:** key assumptions about the likelihood and magnitude of an outflow of resources, in particular for licence provisions;
- Note 19.1 – **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;
- Note 27 – **Recognition of deferred tax assets:** availability of future taxable profit against which deductible temporary differences can be used as well as the future utilization of tax losses carried forward for tonies GmbH.

5. List of subsidiaries

The Company's shareholdings comprise:

Name	Registered seat	Share (in %)
tonies Issuance GmbH & Co. KG	Düsseldorf, Deutschland (until 18 March 2022: Berlin)	100
tonies Advisors Verwaltungs-GmbH	Düsseldorf, Deutschland until 9 March 2022: Berlin)	100
tonies Advisors GmbH & Co. KG	Düsseldorf, Deutschland (until 18 March 2022: Bonn)	100
tonies Holding GmbH (until 22 February 2022 A. VI Holding GmbH)	Düsseldorf, Deutschland, (until 22 February 2022: Hamburg)	100
tonies Beteiligungs GmbH (until 2 March 2022 A. VI Beteiligungs GmbH)	Düsseldorf, Deutschland (until 2 March 2022: Munich)	100
tonies GmbH (until 1 March 2022 Boxine GmbH)	Düsseldorf, Deutschland	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 2021 and 2020 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

01.01.2021 – 31.12.2021	Beteiligungs GmbH Group according to management reporting	Reconciliation	tonies Group according to IFRS
	kEUR	kEUR	kEUR
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**

01.01.2020 – 31.12.2020	Beteiligungs GmbH Group according to management reporting	Reconciliation	tonies Group according to IFRS
	kEUR	kEUR	kEUR
I. Revenue	**136,754**	**-2,181**	**134,573**
II. Adj. EBITDA	**795**	**-1,092**	**-297**
EBITDA Adjustments			-6,175
Consolidated EBITDA			**-6,472**
Depreciation/Amortization			-11,330
Finance Income/Expense			-3,472
Consolidated Profit (Loss) before tax			**-21,273**

The reconciliation items related to revenue result from the reclassification of marketing subsidies from operating expenses to reduction of revenue according to IFRS 15.

The reconciliation 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:

Adjusted EBITDA	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Loss for the period	**-240,505**	**-18,200**
+ Income tax	-7,543	-3,073
+ Finance cost	6,481	3,472
- Finance income	-19,984	-1
Earnings before interest and taxes (EBIT)	**-261,551**	**-17,802**
+ Depreciation and amortization	14,202	11,330
EBITDA	**-247,349**	**-6,472**
+ Extraordinary expenses resulting from special projects and boni	3,348	1,702
+ Extraordinary expenses resulting from own developed software	3,323	1,835
+ Extraordinary expenses resulting from IPO-related costs	214,139	0
+ Expenses resulting from share-based payment	11,333	3,471
+ Expenses resulting from results from prior periods	0	-833
Total EBITDA Adjustments	**232,143**	**6,175**
Adjusted EBITDA	**-15,206**	**-297**
Adjusted EBITDA margin	-8,09%	-0.22%

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.

Revenue breakdown by country	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Germany	139,679	116,807
All foreign countries		
United States (US)	20,296	2,759
United Kingdom (UK)	13,187	4,704
Austria	6,740	5,061
Switzerland	4,928	4,100
Republic of Ireland	1,722	1,143
France	1,422	0
Total	**187,973**	**134,573**

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.

Non-current asset breakdown	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Germany	287,786	292,975
United States (US)	768	540
France	209	0
United Kingdom (UK)	75	13
Total	**288,838**	**293,528**

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 21,500 (11%) (2020: Gross revenue from two customers kEUR 22,803 (17%) and kEUR 19,582 (14%)) of the Group's total Gross revenue.

7. Non-controlling interests

The following tables summarise the information relating to the Group's sub-group that has material NCI, before any intra-group eliminations:

tonies Beteiligungs sub group	31.12.2021	31.12.2020
NCI percentage	**0%**	**11%**
	kEUR	**kEUR**
1. Non-current assets	298,174	297,883
2. Current assets	124,508	47,252
3. Non-current liabilities	43,139	41,090
4. Current liabilities	241,281	110,539
Net assets	**138,262**	**193,507**
Net assets attributable to NCI	**0**	**21,293**

tonies Beteiligungs sub group	01.01.2021–31.12.2021	01.01.2020–31.12.2020
1. Revenue	187,973	134,573
2. Profit (loss)	-54,612	-18,072
3. OCI	-632	63
Total comprehensive income	**-55,244**	**-18,009**
Profit allocated to NCI	**0**	**-1,986**
OCI allocated to NCI	**0**	**7**
1. Cash Flow from operating activities	0	429
2. Cash Flow from investment activities	0	-844
3. Cash Flow from financing activities (dividends to NCI: nil)	0	670
Net increase in cash	**0**	**255**

The historical NCIs in the amount of 11 % as of 31 December 2020 belonged to Höllenhunde GmbH. In connection with the business combination on 26 November 2021, tonies acquired all shares held by Höllenhunde GmbH in tonies Beteiligungs GmbH. Thus, tonies directly and indirectly owns 100% of the tonies Beteiligungs GmbH sub-group and there are no NCI as of 31 December 2021. For further information regarding this capital reorganization please refer to note 14.

8. 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	Right-of-use	Land and building	Technical equipment and machinery	Fixtures and fittings	Assets under construction	Total
Cost	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Balance as of 01.01.2020	**251**	**0**	**1,533**	**418**	**0**	**2,202**
Additions	380	34	2,431	657	337	3,839
Disposals	0	0	0	0	0	0
Reclassification	0	43	564	280	0	887
Balance as 31.12.2020	**631**	**77**	**4,528**	**1,355**	**337**	**6,928**
Additions	579	300	904	662	1,442	3,887
Disposals	0	0	0	-5	0	-5
Reclassification	0	159	0	0	-159	0
Balance as 31.12.2021	**1,210**	**536**	**5,432**	**2,011**	**1,620**	**10,809**

Property, plant and equipment & Right-of-use assets	Right-of-use	Land and building	Technical equipment and machinery	Fixtures and fittings	Assets under construction	Total
Depreciation	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Balance as of 01.01.2020	**31**	**0**	**55**	**89**	**0**	**175**
Depreciation	136	10	534	224	0	904
Reclasification	0	20	-54	95	0	61
Balance as of 31.12.2020	**167**	**30**	**535**	**408**	**0**	**1,140**
Depreciation	178	66	734	1,302	0	2,280
Balance as of 31.12.2021	**345**	**96**	**1,269**	**1,710**	**0**	**3,420**

Property, plant and equipment & Right-of-use assets	Right of use	Land and building	Technical equipment and machinery	Fixtures and fittings	Assets under construction	Total
Carrying amounts	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Carrying amounts on 31.12.2020	464	47	3,993	947	337	5,788
Carrying amounts on 31.12.2021	865	440	4,163	302	1,620	7,389

9. Intangible assets and goodwill

9.1. Reconciliation of carrying amount and amortization

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

Intangible assets	Brand	Technology	Customer relationship	Order backlog	Patents, licenses and similar rights and values	Total
Cost	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Balance as of 01.01.2020	**34,738**	**90,688**	**4,819**	**669**	**4,768**	**135,682**
Additions	0	0	0	0	4,213	4,213
Reclassification	0	0	0	0	-887	-887
Balance as of 31.12.2020	**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**

Intangible assets	Brand	Technology	Customer relationship	Order backlog	Patents, licenses and similar rights and values	Total
Amortization	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Balance as of 01.01.2020	**579**	**1,511**	**110**	**669**	**329**	**3,199**
Amortization	2,316	6,046	439	0	1,626	10,425
Reclassification	0	0	0	0	-62	-62
Disposals	0	0	0	0	-59	-59
Balance as of 31.12.2020	**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**	**987**	**669**	**4,954**	**25,425**

	Brand	Technology	Customer relationship	Order backlog	Patents, licenses and similar rights and values	Total
Carrying amounts	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Carrying amounts on 31.12.2020	31,843	83,130	4,271	0	6,260	125,504
Carrying amounts on 31.12.2021	29,527	77,085	3,832	0	8,770	119,213

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.

9.2. 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 01.01.2020	162,236
Additions recognised from business combinations	0
Carrying amount as of 31.12.2020	**162,236**
Carrying amount as of 01.01.2021	162,236
Additions/(-)disposals recognised from business combinations	0
Carrying amount as of 31.12.2021	**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 adhoc 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). The Company 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 taken into account. Both, expansionary capital expenditure and cost optimization potential, have only been taken into account to the extent that the entity was committed as of 31 December 2021.

	2021		2020	
Impairment-test input variables	**Year 1-5**	**6 cont.**	**Year 1-5**	**6 cont.**
	in %	**in %**	**in %**	**in %**
Discount rate	8.48%	9.48%	10.51%	11.70%
Revenue growth rate	39.10%	1,50%	39.30%	1.50%
Gross profit growth rate	10.50%	1,50%	47.31%	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.

10. Leases

tonies leases four office properties, one in Düsseldorf, two in Schwäbisch Gmünd and one in California as well as several vehicles. The lease maturity runs from two up to ten years.

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 Group has estimated that the future lease payments would result in a lease liability of 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	Land and buildings	Vehicles	Total
Right-of-use assets	**kEUR**	**kEUR**	**kEUR**
2020			
Balance as of 01.01.2020	195	25	220
Depreciation charge for the year	121	15	136
Additions to right-of-use assets	380	0	380
Balance as of 31.12.2020	**454**	**10**	**464**
2021			
Balance as of 01.01.2021	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**

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 substracted 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	2021	2020
	kEUR	kEUR
Amounts recognised in profit or loss		
1. Interest on lease liabilities	24	14
2. Expenses relating to short-term leases	372	251
Amounts recognised in the statement of cash flows		
1. Total cash outflow of leases	592	403

11. Inventories

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

Inventories	31.12.2021	31.12.2020
	kEUR	kEUR
1. Finished goods	22,748	17,616
2. Raw materials	6,824	4,633
3. Work in process	1,958	813
Total	**31,530**	**23,062**

Write downs of inventory recognised as an expense have been performed in 2021 amounting to kEUR 1,012 (turnover and scrap) and in 2020 amounting to kEUR 1,049 (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 (31.12.2020: kEUR 9,265). The security comprises the assignment of ownership of the warehouse with changing stock of finished goods. There were no other collaterals for liabilities in the financial year or in the prior year. For further information see note 16.

12. Trade receivables and other assets

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

Trade receivables	31.12.2021	31.12.2020
	kEUR	kEUR
Financial assets		
1. Trade receivables	22,269	16,850
2. Receivables from related parties	42	0
Total	**22,311**	**16,850**

Other assets	31.12.2021	31.12.2020
	kEUR	kEUR
Other financial assets		
1. Receivables from employees	1,587	0
2. Receivables from marketplaces	1,881	799
3. Deposits	318	713
4. Prepayments to suppliers	292	0
5. Receivables from payment providers	0	728
6. Other receivables financial	0	38
Sum of other financial assets	**4,078**	**2,278**
Other non-financial assets		
1. Receivables resulting from input taxes and VAT	4,796	58
2. Deferred expenses and accrued income	1,032	845
3. Other receivables non-financial	73	115
Sum of other non-financial assets	**5,901**	**1,018**
Total	**9,979**	**3,296**

The Group participates 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 2021, the Group's factored receivables amount to kEUR 18,207 (31.12.2020: kEUR 11,746). As of 31 December 2021, receivables outstanding from factoring to the bank amount to kEUR 12,081 (31.12.2020: kEUR 8,525).

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.

13. Cash

Cash comprises cash and cash at banks. As of 31 December 2021, tonies, had cash with a carrying amount of kEUR 75,593 (2020: kEUR 9,079). As the amount of cash is below EUR 500 no amount is presented.

Cash	31.12.2021	31.12.2020
	kEUR	kEUR
1. Cash	0	0
2. Cash at banks	75,593	9,079
there of restricted	696	0
Total	**75,593**	**9,079**

Restricted cash is related to the deposits of payment providers.

14. Equity

The changes in the various components of equity from 1 January 2020 through 31 December 2021 are shown in tonies' consolidated statement of changes in equity.

14.1. Share capital

The accounting acquirer tonies Holding GmbH has 100,000 subscribed shares in 2021 (31.12.2020: 100,000 subscribed shares). The par value of each share is 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:

- 30,000,000 redeemable class A shares, each with a par value of EUR 0.016 per share, and
- 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:

- 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;
- 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;
- 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;
- 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;
  - 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.
  - 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 toexercise one tonies warrant for one public share with an exercise price of EUR 11.50.
- 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%.

14.2. Share premium

On 31 December 2021 the share premium amounts to kEUR 548,791 (31.12.2020: kEUR 203.201). 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:

- 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;
- 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;
- 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;
- 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 20201 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 20201 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 programme 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. For further information, please refer to note 22.

14.3. Other reserves

Other reserves include the following:

- Translation reserves for exchange differences in translation to presentation currency amounting to kEUR -608 in 2021 (31.12.2020: kEUR 23). For more information on currency exchange refer to note 3.2.
- Transaction cost reserve amounting to kEUR -1,871 (31.12.2020: kEUR 0) 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). The Pro Forma financials in tonies' prospectus included an estimation of kEUR 18,849 as incremental transaction costs of which kEUR 2,232 were recognized directly in equity.

15. 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 57% to 64% due to tonies' capital market transaction in November 2021 as well as effects from the capital reorganization. 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 25,667 out of a total line of credit of 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 .

16. Loans and borrowings

Loans and borrowings can be broken down as follows:

Loans and borrowings	31.12.2021	31.12.2020
	kEUR	kEUR
Current liabilities		
1. Current portion of secured bank loans	332	9,265
2. Current portion of unsecured bank loans	0	5,487
3. Current portion of vendor loans	0	43,020
Total current liabilities	**332**	**57,772**
Total	**332**	**57,772**

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	Nominal value	Carrying amount
31.12.2021				**in %**	**kEUR**	**kEUR**
1. Secured bank loans	EUR	n/a[1]	fix[1]	4.05	332	332
Total					**332**	**332**

Loans and borrowings	Original currency	Matures in	Interest type	Effective interest rate	Nominal value	Carrying amount
31.12.2020				**in %**	**kEUR**	**kEUR**
1. Unsecured bank loans	EUR	n/a[1]	fix[1]	4.50	5,487	5,487
2. Secured bank loans	EUR	n/a[1]	fix[1]	3.75-4.95	9,265	9,265
3. Vendor loans	EUR	30.09.2021	fix	6.00	40,000	43,020
Total					**54,752**	**57,772**

1 Loan covenant: Unsecured and secured bank loans, resulting from overdraft facilities, have cancellation periods subject to individual conditions agreed with the corresponding financial institutions (usually of at least two months). Interest rates are generally fix but are reviewed by the banks on a regular basis.

As of 31 December 2021, the Group has outstanding credit lines from overdraft facilities from secured bank loans amounting to kEUR 25,668 (31.12.2020: kEUR 15,248).

Regarding the assignment of inventories as collateral for liabilities to banks refer to note 11.

Loan covenant

The Group has secured bank loans with a carrying amount of kEUR 332 at 31 December 2021 (31.12.2020: 9,265) and unsecured bank loans with a carrying amount of kEUR 0 at 31 December 2021 (31.12.2020: kEUR 5,487).

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

Failure to comply with a financial covenant constitutes a material reason for terminating the loan and alternatively entitles to demand the provision or strengthening of collateral. This might lead to the immediate repayment of the outstanding amount. In some cases, covenants were breached 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)	Bank loans	Lease liabilities	Other loans	Total
	kEUR	kEUR	kEUR	kEUR
Balance as of 31.12.2020	**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**

Loans and borrowings & Lease liabilities (Reconciliation of movements)	Bank loans	Lease liabilities	Other loans	Put liability	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as of 01.01.2020	**7,500**	**222**	**40,585**	**10,147**	**58,453**
Changes from financing cash flows					
Proceeds from loans and borrowings	6,410	0	0	0	6,410
Repayment of borrowings	0	0	0	-10,420	-10,420
Payments of lease liabilities	0	-125	0	0	-125
Interest paid	0	-14	0	0	-14
Total changes from financing cash flows	**6,410**	**-139**	**0**	**-10,420**	**-4,149**
Liability-related					
New lease liabilities	0	380	0	0	380
Modification of put liabilities	0	0	0	273	273
Interest expense	842	14	2,435	0	3,291
Total liability-related other changes	**842**	**394**	**2,435**	**273**	**3,944**
Balance as of 31.12.2020	**14,752**	**477**	**43,020**	**0**	**58,249**

17. Trade payables and other liabilities

Trade payables	31.12.2021	31.12.2020
	kEUR	kEUR
Trade payables		
1. Trade payables	23,047	22,272
2. Trade accrued expenses	10,985	2,594
3. Return liability	1,328	0
4. Trade payables due to related parties	0	15
Sum of Trade payables	**35,360**	**24,881**

Other liabilities	31.12.2021	31.12.2020
	kEUR	kEUR
Other financial liabilities		
1. Derivatives	32,216	1,175
2. Liabilities for licenses	12,231	8,057
3. Liabilities for customer bonus	233	928
4. Payables to employees	187	0
5. Other liabilities financial	58	14
Sum of other financial liabilities	**44,925**	**10,174**
Other non-financial liabilities		
1. Payroll tax and social security contributions	3,974	425
2. Liabilities resulting from input taxes and VAT	2,421	2,499
3. Liabilities from wages and salaries	1,127	216
4. Accrued expenses (non-financial)	657	446
5. Other liabilities non-financial	1,086	6
Sum of other non-financial liabilities	**9,265**	**3,592**
Total	**54,190**	**13,766**

Accrued expenses mainly consist of advertisement subsidies and personnel expenses.
For information about tonies' exposure to currency and liquidity risks please refer to note 19.2.

18. Other Provisions

Other provisions	Warranties	Licenses	Legal	Other	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as of 01.01.2021	**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**

Other provisions	Warranties	Licenses	Other	Total
	kEUR	kEUR	kEUR	kEUR
Balance as of 01.01.2020	**250**	**9,034**	**452**	**9,736**
Added	0	3,566	2	3,568
Reversed	4	111	0	115
Balance as of 31.12.2020	**246**	**12,489**	**454**	**13,189**
Date of maturity				
Current	246	12,489	454	13,189
Non-current	0	0	0	0
Total other provisions	**246**	**12,489**	**454**	**13,189**

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	Note	Mandatorily at FVTPL – others	Financial assets at amortised costs	Other financial liabilities	Total	Fair Value
		kEUR	kEUR	kEUR	kEUR	kEUR
Balance as of 31.12.2021						
1. Trade and other receivables	12	0	26,389	0	26,389	26,389
2. Cash	13	0	75,593	0	75,593	75,593
Financial assets not measured at fair value		**0**	**101,982**	**0**	**101,982**	**101,982**
1. Secured bank loans		0	0	332	332	332
2. Trade and other payables		0	0	48,069	48,069	48,069
Financial liabilities not measured at fair value		**0**	**0**	**48,401**	**48,401**	**48,401**
1. Warrants		32,216	0	0	32,216	32,216
Financial liabilities measured at fair value		**32,216**	**0**	**0**	**32,216**	**32,216**
Balance as of 31.12.2020						
1. Trade and other receivables	12	0	19,128	0	19,128	19,128
2. Cash	13	0	9,079	0	9,079	9,079
Financial assets not measured at fair value		**0**	**28,207**	**0**	**28,207**	**28,207**
1. Secured bank loans		0	0	9,265	9,265	9,265
2. Unsecured bank loans		0	0	5,487	5,487	5,487
3. Vendor loans		0	0	43,020	43,020	43,020
4. Trade and other payables		0	0	33,880	33,880	33,880
Financial liabilities not measured at fair value		**0**	**0**	**91,652**	**91,652**	**91,652**
1. Forward exchange contracts used for economic hedging		1,175	0	0	1,175	1,175
Financial liabilities measured at fair value		**1,175**	**0**	**0**	**1,175**	**1,175**

The fair value of forward exchange contracts used for economic hedging (TARF), based on Level 2 of the fair value hierarchy, is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

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.

As at 31 December 2021, the fair value of Public warrants was estimated at EUR 15,000,000 (EUR 1,50 per warrant).

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.

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 (See Note 9.1) against the subscription price of the Sponsor warrants. The proceeds from the Sponsor warrants is 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 1,5 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 10). 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:

- 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
- 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 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 2022 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	31.12.2021	31.12.2020
	kEUR	kEUR
Trade receivables (not factored, not insured)	9,377	5,521
Other financial assets	4,078	2,278
Cash	75,593	9,079

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:

Expected credit loss

	kEUR
Balance as of 01.01.2021	**76**
Net remeasurement of loss allowance	-35
Balance as of 31.12.2021	**41**
Balance as of 01.01.2020	**57**
Net remeasurement of loss allowance	19
Balance as of 31.12.2020	**76**

Credit risk	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
31.12.2021	**in %**	**kEUR**	**kEUR**	**kEUR**
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**

Credit risk	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
31.12.2020	**in %**	**kEUR**	**kEUR**	**kEUR**
Current (not past due)	0.79%	4,303	34	4,270
1-30 days past due	0.96%	246	2	244
31-60 days past due	1.73%	86	1	85
61-90 days past due	3.30%	397	13	384
More than 90 days past due	5.12%	488	25	463
Total		**5,521**	**76**	**5,445**

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.

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	Carrying amount	Total	< 1 years	1-5 years	More than 5 years	Interest rate
	kEUR	kEUR	kEUR	kEUR	kEUR	
31.12.2021						
Secured bank loans	332	345	345	0	0	4.05%
Lease liabilities	884	999	243	580	176	
Trade and other payables	48,069	48,069	48,069	0	0	
Warrants	32,216	32,216	32,216			
Total	**81,501**	**81,629**	**80,873**	**580**	**176**	
31.12.2020						
Secured bank loans	9,265	9,637	9,637	0	0	3.75%-4.95%
Unsecured bank loan	5,487	5,734	5,734	0	0	4.5%
Vendor loan	43,020	44,800	44,800	0	0	6%
Lease liabilities	477	568	151	193	224	
Trade and other payables	33,880	33,880	33,880	0	0	
Forward exchange contracts used for economic hedging	1,175	1,175	1,175	0	0	
Total	**93,304**	**95,794**	**95,377**	**193**	**224**	

tonies is exposed to liquidity risks, if the financial covenants for the secured and unsecured bank loans are not met. During the financial year 2021, two extensions of existing credit lines were agreed with the financing banks, as well as a conditional waiver of extraordinary termination on the part of the banks after non-compliance with agreed financial covenants. Both extensions relate to a loan of kEUR 5,000 each until 30 June 2022.

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

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

19.2.3. Market risk

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

Interest rate risk

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

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

Carrying amounts of financial liabilities bearing interest in kEUR	31.12.2021		31.12.2020	
	Fixed-interest or non-interest-bearing	Variable interest rate	Fixed-interest or non-interest-bearing	Variable interest rate
Loans and borrowings	0	332	43,020	14,752

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

Effects on profit before tax	Loans and borrowings (+100 BP)	Loans and borrowings (-100 BP)
	kEUR	kEUR
31.12.2021	22	-22
31.12.2020	217	-217

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	31.12.2021			31.12.2020		
	kEUR	k$	k£	kEUR	k$	k£
Trade receivables	0	3,174	3,537	0	4,695	872
Cash	31	8,948	1,930	1	1,069	972
Trade payables	0	-8,467	-1,106	0	-6,268	-215
Net exposure	**31**	**3,655**	**4,361**	**1**	**-504**	**1,629**

In the financial year 2020, forward exchange contracts amounting to kEUR 1,175 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	
	2021	2020	31.12.2021	31.12.2020
$	1.1827	1.1422	1.1326	1.2170
£	0.8596	0.8897	0.8403	0.9062

In 2021 foreign currency translation resulted in income of kEUR 2,798 (2020: kEUR 1,667) and expenses of kEUR 2,491 (2020: kEUR 1,600).

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%)
	kEUR	kEUR	kEUR	kEUR
31.12.2021	860	-1,051	391	-478
31.12.2020	38	-46	163	-200

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

20. Revenue

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

Revenue from contracts with customers	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Primary geographical markets		
DACH	151,347	125,967
UK	14,908	5,847
US	20,296	2,759
France	1,422	0
Total	**187,973**	**134,573**
Major products		
Starterset	57,234	43,426
Content Tonies	119,016	83,466
Creative Tonies	4,545	3,765
Other (e.g. Accessories and mytonies)	7,178	3,916
Total	**187,973**	**134,573**

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 2021, potential product returns have been estimated based on the experience in the past resulting in a revenue reduction of kEUR 1,328 and the recognition of a return liability in the same amount (see Note 17). A corresponding right of return asset of 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

21. Cost of materials and licensing costs

Cost of materials can be broken down as follows:

Cost of materials	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
1. Raw materials and consumables used	86,326	74,200
2. Purchased services	2,656	1,284
Total	**88,982**	**75,484**

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 35,233 (2020: kEUR 23,086).

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 fixed percentage of a potential result or a combined fixed and variable percentage based on defined performance conditions based on quantities sold.

As of 31 December 2021, the scheme involves 21 (2020: 14) employees of the C and D- management-level representing 3,5% (2020: 2.1%) (fixed) and up to 0.2% (variable) of the virtual shares. As of 31 December 2020, 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.

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 2021 a total of kEUR 9,178 (2020: kEUR 3,472) was recognised as personnel expenses for these employees. The fair value has been calculated using the Black-Scholes model.

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 2,751,208 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 468 SPAC. A vesting period of 24 months with a cliff period of 12 months has been agreed.

In 2021 a total of kEUR 2,155 was recognised as personnel expenses for these employees. The fair value has been calculated using the Black-Scholes model.

Development of share-based payments	tonies Holding	tonies SE
	kEUR	kEUR
Cumulated grant as at 1 January 2020	0	0
Additional grant during 2020	3,471	0
Cumulated grant as at 31 December 2021	3,471	0
Exercise during 2021	6,303	0
Additional grant during 2021	8,611	2,155
Cumulated grant as at 31 December 2021	**5,779**	**2,155**

23. Personnel expenses

Employee benefits expense include the following items:

Personnel expenses	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
1. Wages and salaries	21,785	10,314
2. Cash-settled share-based payments	9,178	3,472
3. Social security contributions	3,287	1,854
4. Equity- settled share-based payments	2,155	0
Total	**36,405**	**15,640**

During 2021, the increase in personnel expenses in comparison to the comparative period amounts to kEUR 20,765. The increase 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 the financial year 2021. For further information on the effects from share-based payments refer to Note 22.

The average number of employees increased from 205 in 2020 to 316 in 2021.

24. Other income

Other income includes the following:

Other income	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
1. Reversal of provisions (other non-period income)	335	115
2. Non-period income	49	393
3. Other income	12	60
Total	**396**	**568**

25. Other expenses

Other expenses include the following:

Other expenses	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
1. Listing fee	201,184	0
2. Logistic costs	19,546	11,542
3. Marketing and sales costs	19,397	8,306
4. Legal, audit and consulting fees	13,406	4,030
5. Variable fees, contributions and insurance	9,023	4,958
6. IT costs	7,080	3,386
7. Legal costs	3,247	0
8. Administration costs	1,894	1,206
9. Warranties	233	439
10. Non-period expenses	125	656
11. Miscellaneous other operating expenses	2,736	1,260
Total	**277,871**	**35,783**

Other expenses include research and development costs of kEUR 3,323 (2020: kEUR 1,835).

During 2021, the increase in other expenses in comparison to the comparative period amounts to kEUR 250,152. The increase in most positions is mainly attributable to the Group's business growth as well as costs related to the business combination with tonies SE. The increase in IT costs is attributable to revenue dependent cloud-cost and further improvements in the IT services to support the operating business.

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	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
1. Remeasurement to fair value of warrant shares	19,984	0
2. Other interest income	0	1
Total	**19,984**	**1**

Finance cost	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
1. Interest expense from related party loans	4,293	2,435
2. Interest expense from current accounts	1,901	776
3. Interest expense from factoring	154	181
4. Interest expense from leasing	24	14
5. Other interest expense	109	66
Total	**6,481**	**3,472**

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.

Interest from loans

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

Transaction costs related to the secured bank loans

For information about the transaction costs related to the secured bank loans refer to note 16.

27. Income taxes

Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

Income tax	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Current year tax expense		
Current tax prior year from tax loss carry back	-10	377
Changes in estimates related to prior years	-81	-53
Total current year tax expense	**-91**	**324**
Deferred tax income		
Origination and reversal of temporary differences and tax loss carry forwards (expense)	7,634	2,749
Total deferred tax income	**7,634**	**2,749**
Tax income on continuing operations (expense)	**7,543**	**3,073**

In 2021 the applicable income tax rate was 24.94% (2020: 31.225%).

The income tax liabilities amount to kEUR 646 (2020: kEUR 807).

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 rate

The reconciliation of effective tax rate is as follows:

Reconciliation of effective tax rate	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Earnings before tax from continuing operations	-248,048	-21,273
Expected tax using the company´s tax rate (24,94%, prior year 31,225%)	**61,863**	**6,642**
Current-year tax losses for which no deferred tax asset is recognised (tax losses all companies except tonies GmbH)	-16,086	-1,866
Tax effect from tax losses transferred to prior periods	0	324
Non-recorded DTA of IFRS 2 adjustments	-2,137	-1,084
Non-deductiable expenses / Trade tax adjustments	-50,175	-241
Tax rate difference Germany	7,157	0
Other	6,921	-702
Effective tax income	**7,543**	**3,073**
Profit (loss) for the period	**-240,505**	**-18.200**

Movement in deferred tax balances

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

Deferred tax assets and liabilities		31.12.2021	Recognised in profit or loss	Recognised directly in equity	01.01.2021
		kEUR	kEUR		kEUR
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**

Deferred tax assets and liabilities		31.12.2020	Recognised in profit or loss	01.01.2020
		kEUR	kEUR	kEUR
1.	Other Provision	138	0	138
2.	Trade receivables	7	7	0
3.	Inventories	922	-3,224	4,146
4.	Leasing	34	34	0
5.	Hedging transactions	367	337	30
6.	Tax loss carryforwards	2,887	2,887	0
Deferred tax assets		**4,355**	**41**	**4,314**
7.	Intangible assets	37,274	2,708	39,982
Deferred tax liabilities		**37,274**	**2,708**	**39,982**
Total		**32,919**	**2,749**	**35,668**

Unrecognised deferred tax assets

As of 31 December 2021, deferred tax assets in respect of the recognition of a liability for share-based payments amounting to kEUR 2,136 (31.12.2020: kEUR 1,084) 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 19,311 (31.12.2020: kEUR 1,866) have not been recognised. Tax loss carry-forwards existing within the Group have no expiration date. 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.

Dilutive effects did not occur during the financial year 2020. As of 31 December 2021, 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 -246,009 (2020: kEUR -16,214). The weighted average number of interests in circulation (basic and diluted) amounts to 47,909,480 (2020: 42,380,118).

Profit attributable to ordinary shareholders (basic)	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Profit (loss) for the year, attributable to the owners of the Company	-240.505	-16,214
Dividends on non redeemable preference shares	0	0
Profit (loss) attributable to ordinary shareholder	**-240,505**	**-16,214**

Weighted-average number of ordinary shares (basic)	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	# shares	# shares
Issued ordinary shares at 1 January	42,380,118	42,380,118
Effect of shares issued related to a business combination on 26 November 2021	56,061,583	0
Weighted-average number of ordinary shares at 31 December	**47,909,480**	**42,380,118**

EPS	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Earnings attributable to shareholders in kEUR	-240,505	-16,214
Average number of shares outstanding	47,909,480	42,380,118
Basic earnings in EUR per share	**-5.02**	**-0.38**
Diluted earnings in EUR per share	-5.02	-0.38

Within the Pro Forma 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

29.1. Parent and ultimate controlling party

The current shareholders of tonies as at 31 December 2021 are the following entities, none of which is a controlling party from its shareholding:

Armira	25.2%
BIT Capital	8.9%
468 SPAC Sponsors	7.6%
Höllenhunde GmbH	7.0%
Santo Ella Co-Invest GmbH & Co. KG	6.1%
Trearury Shares	14.3%
Public Float	31.0%

tonies is currently not included in any consolidated financial statements at a level of its shareholders. None of the limited partners have a shareholding of more than 25%.

29.2. Transactions with key management personnel

The former managing directors Alexander Kudlich, Ludwig Ensthaler and Florian Leibert (until 27 November 2021) are considered as key management personnel as well as the founders of tonies GmbH and new managing directors (from 27 November 2021), Patric Faßbender and Marcus Stahl, which operate as managing directors at the level of tonies GmbH, tonies Beteiligungs GmbH and tonies Holding GmbH.

Key management personnel compensation

Key management personnel compensation comprised the following.

Key management personnel compensation	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Short-term employee benefits	978	603
Total	**978**	**603**

Compensation of the Group's key management personnel includes salaries and non-cash benefits. Included in the above table is a total compensation for 2021 of kEUR 196 for former managing directors.

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 receives a fixed basic remuneration of kEUR 7.5.

The members of the former Supervisory Board received a fixed compensation per Supervisory Board meeting amounting to a total of kEUR 36 for the financial year 2021.

Further details on the members of the Supervisory Board are provided below.

During the financial year, the Supervisory Board was composed of the following members:

- Anna Dimitrova: Chairperson of the Supervisory Board starting on 27 November 2021
- Christian Bailly: Deputy Chairperson of the Supervisory Board starting on 27 November 2021
- Dr. Stephanie Caspar: Member of the Supervisory Board starting on 27 November 2021
- Dr. Thilo Fleck: Member of the Supervisory Board starting on 27 November 2021
- Helmut Jeggle: Member of the Supervisory Board starting on 27 November 2021
- Alexander Kudlich: Member of the Supervisory Board starting on 27 November 2021
- Alexander Schemann: Member of the Supervisory Board starting on 27 November 2021
- Gisbert Rühl: Member of the Supervisory Board from 9 April until 27 November 2021
- Lea-Sophie Cramer: Member of the Supervisory Board from 9 April until 27 November 2021
- Johannes Maret: Member of the Supervisory Board from 9 April until 27 November 2021
- Florian Wendelstadt: Member of the Supervisory Board from 9 April until 27 November 2021

Supervisory board compensation	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Compensation	79	0
Total	**79**	**0**

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	01.01.2021–31.12.2021			01.01.2020–31.12.2020		
	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
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Transactions with Höllenhunde GmbH	-97	0	0	-109	0	0
Transactions with PIXIPOP	0	0	-291	0	0	-410
Transactions with Armira Beteiligungen GmbH & Co. KG	-249	0	-47	0	0	0
Total	**-346**	**0**	**-338**	**-109**	**0**	**-410**

Related parties	31.12.2021		31.12.2020	
	Amounts outstanding		Amounts outstanding	
	Receivables	Payables	Receivables	Payables
	kEUR	kEUR	kEUR	kEUR
Transactions with Höllenhunde GmbH	0	0	0	-1,919
Transactions with PIXIPOP	0	-114	0	-21
Total	**0**	**-114**	**0**	**-1,940**

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.

In the financial year 2020, a contractual share purchase option between the purchaser tonies Holding GmbH and Höllenhunde GmbH was exercised resulting in a total payment of kEUR 10,420 to Höllenhunde GmbH in H1/2020.

In the financial year 2021, the Group acquired 1,565 additional shares in tonies Beteiligungs GmbH from Höllenhunde GmbH at the nominal value of EUR 1 per share.

Furthermore, 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 2021 and 2020 in the Group amounted to:

Audit fees	01.01.2021–31.12.2021	01.01.2020–31.12.2020
	kEUR	kEUR
Audit services	549	0
Other attestation services	93	0
Total	**642**	**0**

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 2021 fiscal year and could have a significant impact on tonies future results of operations, financial position, and net assets.

The non-controlling interest in tonies Beteiligungs GmbH mentioned in note 7 above, has been sold by tonies to tonies Holding GmbH in March 2022 in the course of a capital increase. As a result, tonies Holding GmbH is the 100% shareholder of tonies Beteiligungs GmbH as of March 2022.

We refer to the management report on detailed views on external factors influencing our business in 2022. In February 2022, a war in Ukraine started (see further details in section 4.3.1. of the Risk report as part of the management report). While tonies is neither directly sourcing from nor selling to the affected countries, we see some risk of increasing commodity prices and a broader recession. We do not see any impact on the recognition or valuation of assets presented in this report.

The companies were renamed in 2022 as follows:

- A. VI Holding GmbH was renamed tonies Holding GmbH on 22 February 2022
- Boxine GmbH was renamed tonies GmbH on 1 March 2022
- A. VI Beteiligungs GmbH was renamed tonies Beteiligungs GmbH on 2 March 2022
- 468 SPAC I Advisors Verwaltungs-GmbH was renamed tonies Advisors Verwaltungs-GmbH on 9 March 2022
- 468 SPAC I Issuance GmbH & Co. KG was renamed tonies Issuance GmbH & Co. KG. on 18 March 2022
- 468 SPAC I Advisors GmbH & Co. KG was renamed tonies Advisors GmbH & Co. KG. on 18 March 2022
- Boxine France SAS was renamed tonies France SAS on 28 March 2022
- Boxine UK Ltd. was renamed tonies UK Ltd. on 31 March 2022
- Boxine US Inc. was renamed tonies US Inc. on 14 April 2022

Management
Düsseldorf, 26 April 2022

Patric Faßbender
Co-Founder & Co-CEO

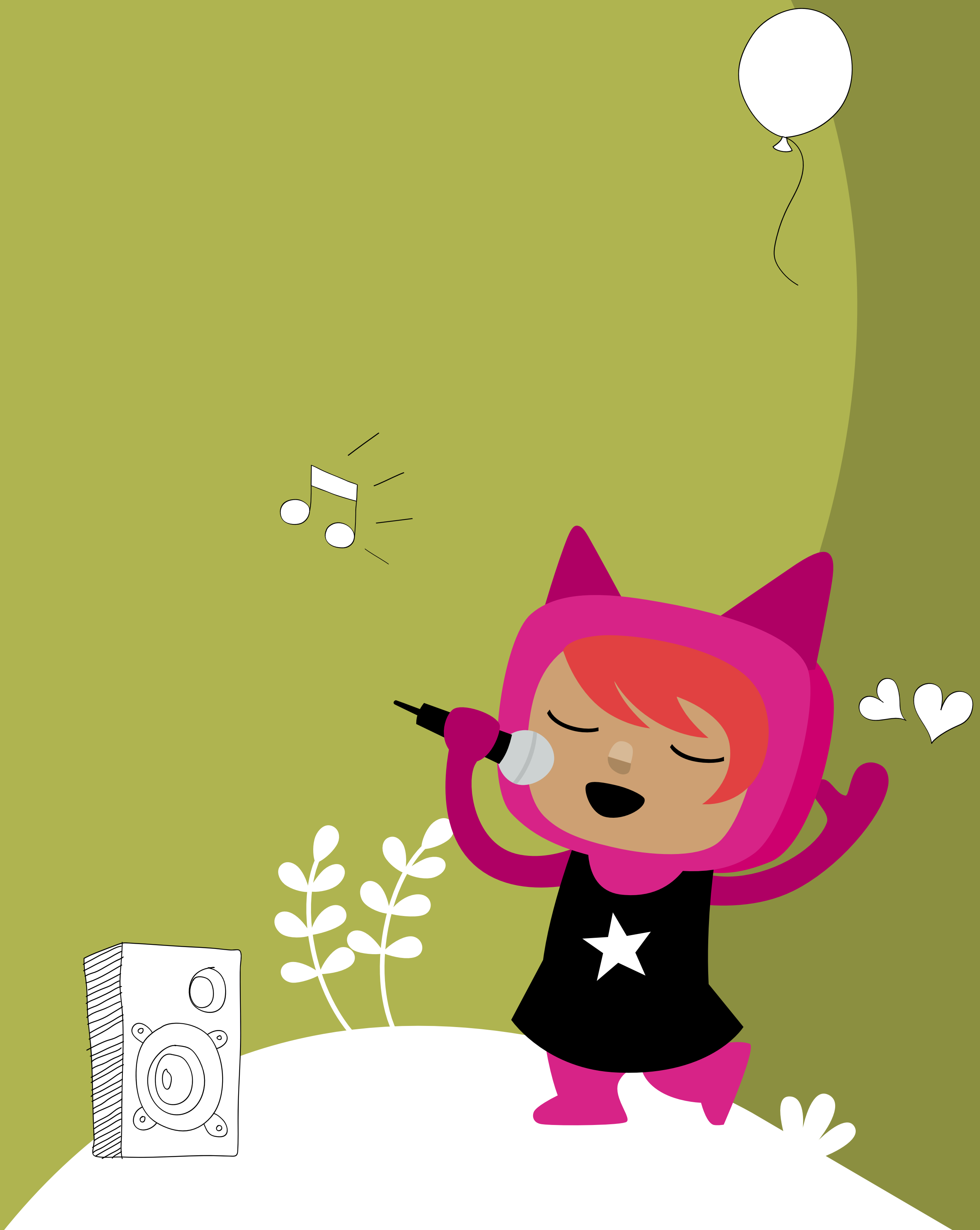
Marcus Stahl
Co-Founder & Co-CEO


PIRATES ON TOUR

3

Other Information

- Financial Calendar 2022
- Imprint



Financial Calendar 2022

24.05.2022

Publication of the trading update for the first quarter 2022

02.06.2022

Annual General Meeting 2022

25.08.2022

Publication of the half-year report for 2022

24.11.2022

Publication of the trading update for the third quarter 2022

Imprint

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The annual report is available in German. If there are variances, the English version has priority over the German translation.

tonies SE

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