tonies SE

Half-Year Report 2022

tonies

tonies SE at a glance

	H1 2021	H1 2022	Change
Key performance indicators			
Revenue (in EUR m)	61.8	84.4	36.7%
Revenue growth (in % of prior year Revenue)	34.7%	36.7%	2.0%pts
Adj. EBITDA (in EUR m)	-5.3	-6.6	-1.3
Adj. EBITDA margin (in % of Revenue)	-8.6%	-7.8%	0.8%pts
Sales			
Tonieboxes sold (in k)	296	379	28.1%
Tonies sold (in m)	5.7	7.1	24.4%
Online revenue share (in % of Gross revenue)	22.2%	24.8%	2.6%pts
Results of operations (adjusted)			
Gross profit (in EUR m)	37.6	48.9	30.0%
Gross margin (in % of Revenue)	60.9%	57.9%	-2.9%pts
Gross profit after Licencing costs (in EUR m)	24.8	35.2	42.0%
Gross margin after Licencing costs (in % of Revenue)	40.1%	41.7%	1.6%pts
Contribution profit	15.0	23.8	58.4%
Contribution margin (in % of Revenue)	24.3%	28.2%	3.9%pts
Financial position			
Cash (in EUR m)	2.2	21.0	18.9
Free Cash Flow (in EUR m)	-18.9	-54.2	-35.4

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Management Report 2022

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. Around 3.9 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 (including United Kingdom, Republic of Ireland, US, France).

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 3.9 million Tonieboxes and more than 47 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.

While the Group generated most of its revenue of the six-months period ended 30 June 2022 in the DACH region (EUR 63.4 million out of EUR 84.4 million in total revenue), the international expansion based on the DACH blueprint is progressing very well. Revenue on foreign markets is increasing rapidly and represents an ever-larger share of total revenue – in the six-months ended 30 June 2022, 25% of revenue was generated on international markets compared to 9% in the six-months ended 30 June 2021.

The Group operated its business in 2022 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. However, the contractual partner for customers is currently 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.

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 Group was formed via business combination between 468 SPAC I SE, a special purpose acquisition company, and tonies GmbH as well as its parent entities. The combined entity is trading as tonies SE on the regulated market of the Frankfurt Stock exchange since 29 November 2021.

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 30 June 2022.

An overview of the Group's shareholder structure and shareholders with more than 5% of voting rights is always available in the investor relations section of our homepage www.tonies.com.

Own share transactions

There were no transactions in own shares in the first six-months of 2022. As of 30 June 2022, the Company holds 16,405,885 of its own shares.

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 and changes in 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 30 June 2022, tonies SE held 100% in tonies Holding GmbH which held 100% (31 December 2021: 86.4%) in tonies Beteiligungs GmbH. The minority shareholding of 13.6% of tonies Beteiligungs GmbH held by tonies SE directly at 31 December 2021 has been sold to tonies Holding GmbH in March 2022. From tonies SE's perspective, this has not resulted in any changes to the shareholding structure within the Group. We refer to a detailed overview over the group entities in the interim notes.

On 05 May 2022 the structure of the Group was legally reorganized through the following: Exit of tonies SE as limited partner of (i) tonies Issuance GmbH & Co. KG as well as (ii) tonies Advisors GmbH & Co. KG (the "LPs") and thereby transfer of all assets of both LPs to tonies Advisors Verwaltungs-GmbH as former general partner of the LPs, with immediate effect. Subsequently, a merger of tonies Advisors Verwaltungs-GmbH onto tonies Holding GmbH was filed on 10 June 2022, and tonies Advisors Verwaltungs-GmbH was registered as deleted in the commercial register from 01 July 2022 onwards, with economic effect as of 01 January 2022 as per the notarized merger agreement.

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 3. also includes further explanations of opportunities and risks in relation to the Company's business.

1.5. Performance assessment system

In fiscal year 2021 and in the six-months ended 30 June 2022, the profitability of the business was not yet managed and monitored at the level of any segments below the Group level - this is planned to be completed prior to year-end 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 FY 2021 and the six month ended 30 June 2022, we adjusted our EBITDA for the following non-recurring effects: (i) effects of share-based payment, (ii) in-house software development (as this is currently not 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).

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 products in order to continue actively shaping the market and product development.

1.6. 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 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 first half of the year 2022, the Group's in-house development of its products and the required infrastructure amounted to EUR 2.2 million. Development costs have not been capitalised to date, because the criteria for capitalisation 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 into the existing Tonies ecosystem for optimisation and scaling purposes, as well as into 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 subject to the ongoing geopolitical conflict in the Ukraine. Thus, the resulting effects and uncertainties are difficult to estimate and will only become clear as the situation evolves.

The gross domestic product in 2022 in Germany, tonies largest market, is expected to grow at a rate of 2.2%, which is lower than the previous year's value of 2.9%[1]. After the recovery of global production in the second half of 2021, production has slowed down since early 2022 by new disruptions due to the Covid-19 pandemic and the Ukraine conflict, according to the Kiel Institute for the World Economy[2]. Furthermore, inflation in Germany continued to rise to 7.6%[3] in June, which marks a multi-year high. Supply bottlenecks were increased by the ongoing conflict in the Ukraine and China´s Zero-Covid-policy, which caused lockdowns since January. These factors resulted in an increase in production costs, especially due to higher energy and commodity prices and slowed down the economic recovery further[4].

The Institute of the German Economy found that although consumer sentiment recovered in 2021, high prices and rising infection rates dampened the consumer sentiment since the end of 2021[5]. In June 2022, the Ukraine conflict and high inflation led to a record low of -26.2 points in the GfK Consumer Climate Index, which measures the propensity to consume of private households.

The overall macroeconomic picture is similar in other markets in which tonies operates. However, we believe that the overall market environment is only relevant for tonies to a limited extent. First, consumers tend to keep their spend for products for their children high, even in a challenging environment. Second, tonies is active in the connected toys sub-market – according to a study from 2021, this market is expected to grow by 16% annually between 2020 and 2025[6], significantly stronger than overall consumer spending. Third, most of tonies growth comes from markets, where tonies still has a comparatively low market penetration. In such a situation, overall market growth is less relevant.

1 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_91_2022-Q2_Welt_DE.pdf
2 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_91_2022-Q2_Welt_DE.pdf
3 https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/07/PD22_296_611.html
4 https://www.iwd.de/artikel/ukraine-krieg-daempft-die-erwartungen-der-unternehmen-544789/
5 https://www.iwkoeln.de/presse/pressemitteilungen/default-70e6c56f1c-1.html
6 Market study by a leading consultancy company for tonies GmbH

2.2. Business performance

The six-month period ended 30 June 2022 marked a very successful start to the year for tonies, with all countries and sales channels performing very well. We ended the period with a Revenue of EUR 84.4 million, representing growth of 36.7% year-on-year. Fuelled by our attractive, loyalty-based business model, the performance in the first half of the year was even better than originally expected and we are well on track to achieve our full-year guidance for FY 2022.

Our Adjusted EBITDA margin in H1 2022 was -7.8%, compared to -8.6% in H1 2021 and thus fully on track to meet our plan for the entire year. Due to the seasonality of our business and the majority of sales being made in the second half of the year around Christmas, profitability in the first half of the year tends to be lower than in the second half of the year. We expect to see this pattern also in FY 2022.

Overall, despite the macroeconomic challenges, the Group made huge progress in executing its strategy. Significant sales growth across all markets was generated, especially the strong growth trajectory in the US stands out. Furthermore, profitability was increased compared to the prior year based on prudent cost management and operating leverage effects.

2.3. Results of operations

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

	H1-2021		H1-2022		Change
	EURm	% of Revenue	EURm	% of Revenue	EURm
Revenue	**61.8**	**100.0%**	**84.4**	**100.0%**	**22.6**
COGS	-24.2	-39.1%	-35.5	-42.1%	-11.3
Gross profit	**37.6**	**60.9%**	**48.9**	**57.9%**	**11.3**
Licensing costs	-12.8	-20.7%	-13.7	-16.2%	-0.9
Gross profit after Licensing costs	**24.8**	**40.1%**	**35.2**	**41.7%**	**10.4**
Other income	0.0	0.0%	0.5	0.6%	0.5
Personnel expenses	-14.0	-22.6%	-26.8	-31.7%	-12.8
Other expenses	-22.2	-35.9%	-28.5	-33.8%	-6.3
EBITDA	-11.4	-18.4%	-19.6	-23.2%	-8.2
Depreciation and amortization	-5.9	-9.5%	-8.2	-9.7%	-2.3
EBIT	-17.3	-28.0%	-27.8	-33.0%	-10.6
Financial Result	-1.9	-3.1%	25.2	29.9%	27.2
EBT	-19.2	-31.1%	-2.6	-3.1%	16.6
Tax income	2.5	4.1%	1.9	2.3%	-0.6
Loss for the period	-16.7	-27.0%	-0.6	-0.8%	16.0

Adjusted EBITDA is calculated from EBITDA as follows:

	H1-2021		H1-2022		Change
	EURm	% of Revenue	EURm	% of Revenue	EURm
EBITDA	**-11.4**	**-18.4%**	**-19.6**	**-23.2%**	**-8.2**
(i) Share Based Compensation	3.5	5.6%	10.8	12.8%	7.3
(ii) Own developed Software (not activated)	1.6	2.6%	2.2	2.6%	0.6
(iii) Special projects and boni	0.6	1.0%	0.0	0.0%	-0.6
(iv) IPO-related costs	0.4	0.6%	0.0	0.0%	-0.4
Adj EBITDA	**-5.3**	**-8.6%**	**-6.6**	**-7.8%**	**-1.3**

Other, immaterial key performance indicators:

	H1-2021		H1-2022		Change
	EURm	% of Revenue	EURm	% of Revenue	EURm
Gross profit after Licensing costs	**24.8**	**40.1%**	**35.2**	**41.7%**	**10.4**
Logistics costs	-5.7	-9.2%	-7.7	-9.1%	-2.0
Other sales dependant costs	-4.1	-6.6%	-3.7	-4.4%	0.4
Contribution profit	**15.0**	**24.3%**	**23.8**	**28.2%**	**8.8**

Revenue increased by 36.7% from EUR 61.8 million in H1 2021 to EUR 84.4 million in H1 2022. The DACH market, despite its maturity, showed double digit Revenue growth of 12.9% to EUR 63.4 million driven by very strong retail demand as Covid-related restrictions were lifted and did not impact the first half of 2022 as much as the respective period in 2021. The ongoing international expansion is progressing very well. Driven by a continued retail adoption with key accounts such as Target, the business in the US achieved EUR 12.5 million in Revenue, reflecting a growth of over 400%. In the rest of the world, which mainly consists of UK, Ireland and France, we recorded Revenue of EUR 8.4 million, representing a growth of over 170%. In April 2022, we launched our European webshop which allows us to delight customers across Europe with our innovative products and further expand our geographic footprint.

While we experienced a strong recovery of retail channels in all markets compared to the prior year as Covid restrictions were eased, our online share increased to 25% of the Group's (gross) revenue in H1 2022 compared to about 22% in H1 2021, mainly driven by country mix effects (i.e. international markets with more online penetration accounting for a higher share of group revenues).

Our gross margin decreased by 2.9 percentage points from 60.9% to 57.9%. One the one hand, this is driven by the challenging situation in the procurement markets, characterized by higher costs for materials and inbound freight. On the other hand, we saw a strong rebound of the retail sales channel compared to the prior-year period as Covid-related restrictions were lifted. The overall development is in line with our expectations, and we are satisfied that we could maintain our ability to supply our customers with planned volumes. We continue to benefit from our multiple-source procurement strategy, where additional volumes were shifted to suppliers with lower costs, in particular for our Tonies figurines. From 01 May 2022, we have increased our recommended retail prices in DACH from EUR 79.95 to EUR 99.95 for our Tonieboxes and from EUR 14.99 to EUR 16.99 for our Content Tonies. This will more than compensate for the most recent procurement-related cost increases and will have a positive impact on gross margin and thus profitability. Also, we expect conditions in the procurement market to improve over the next 6-12 months.

License costs improved from 20.7% of Revenue in H1 2021 to 16.2% in H1 2022 as a result of country mix effects and release of certain licensing provisions which proved to be too conservative, resulting in a one-off effect of around EUR 2m.

Personnel expenses rose from EUR 14.0 million in H1 2021 to EUR 26.8 million in H1 2022 due to investment in further international growth in local markets and the expansion of central functions such as Technology and Operations at headquarters. Furthermore, expenses for share-based payment increased from EUR 3.5 million in H1 2021 to EUR 10.8 million in H1 2022, mostly due to effects from a program granted to Co-CEOs as part of the business combination agreement that combined tonies with 468 SPAC I SE in November 2021. Furthermore, virtual shares and stock options were issued in both, 2021 and H1 2022. All costs for share-based payment were excluded from the calculation of Adjusted EBITDA.

Other expenses rose from EUR 22.2 million in H1 2021 to EUR 28.5 million in H1 2022 and include a range of different expenses, such as logistics costs, other revenue-based costs, marketing and other operating expenses, all of which have increased with continued international growth.

Depreciation and amortisation of EUR 8.2 million in H1 2022 (H1 2021: EUR 5.9 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 -1.9 million in H1 2021 to EUR 25.2 million in H1 2022. The increase is mainly due to a financial income of EUR 25.5 million resulting from a revaluation of warrant shares at fair value after the decline of tonies SE share price in the first half of 2022 (see Note 20 – Financial income and finance costs for details). The remainder is mostly attributable to various credit lines.

Tax income of EUR 2.5 million in H1 2021 and EUR 1.9 million in H1 2022 is mainly attributable to a reduction of deferred tax liabilities from the purchase price allocation in context of the acquisition of tonies GmbH in 2019.

The loss for the period amounted to EUR 0.6 million in H1 2022 compared to EUR -16.7 million in H1 2021.

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. Despite the continued investment in international growth, Adjusted EBTIDA improved slightly from -8.6% of Revenue (EUR -5.3 million) in H1 2021 to -7.8% of Revenue (EUR -6.6 million) in H1 2022. 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 which will serve as foundation for a future segment reporting show that the DACH business was profitable at a double-digit Adjusted EBITDA margin.

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. Despite the lower gross margin, contribution margin increased significantly from 24.3% of Revenue in H1 2021 to 28.2% of Revenue in H1 2022. The increase was mainly driven by cost savings from our multiple-source procurement strategy, lower licensing costs, efficient fulfilment and mix effects. Contribution profit of EUR 23.8 million in H1 2022 was clearly above the prior-year level of EUR 15.0 million.

2.4. Financial position

Consolidated statement of cash flows (based on own grouping):

	H1-2021	H1-2022	Change
	EURm	EURm	EURm
EBITDA	**-11.4**	**-19.6**	**-8.2**
Decrease (increase) in net working capital	-2.3	-28.1	-25.8
Decrease (increase) in trade receivables	11.1	5.6	-5.5
Decrease (increase) in inventories	-17.0	-19.1	-2.1
Increase (decrease) in trade payables	3.6	-14.6	-18.2
Change in other positions	-0.8	0.2	0.9
Cash Flow from operating activities	**-14.5**	**-47.6**	**-33.1**
Purchase of property, plant and equipment	-0.9	-1.2	-0.3
Acquisition of intangible assets	-3.5	-5.5	-2.0
Cash flow from investing activities	**-4.4**	**-6.7**	**-2.3**
Increase (decrease) from equity financing	0.0	0.0	0.0
Increase (decrease) in borrowing incl. interest	12.0	-0.2	-12.2
Cash flow from financing activities	**12.0**	**-0.2**	**-12.2**
Net increase (decrease) in cash	**-6.9**	**-54.5**	**-47.6**
Change in cash resulting from exchange rate differences	0.0	-0.1	-0.1
Free Cash flow	**-18.9**	**-54.2**	**-35.4**

Cash flow from operating activities in H1 2022 was EUR -47.6 million (H1 2021: EUR -14.5 million). This is driven by the EBITDA loss, significant investments of EUR 28.1 million into our working capital – mostly inventory – to facilitate further international expansion as well as EUR 0.2 million in change in other positions. Note that the cash flow from operating activities also reflects significant cash-out related to the business combination in November 2021, where certain costs were accrued for in FY 2021 and payment only occurred in early 2022.

Cash flow from investing activities reflects investments in property, plant and equipment and intangible assets totalling EUR -6.7 million in H1 2022 (H1 2021: EUR -4.4 million). These include investments in tools to manufacture Tonies, product-related expenses, content and software.

Free cash flow (the sum of cash flow from operating activities and cash flow from investing activities) in H1 2022 amounted to EUR -54.2 million (H1 2021: EUR -18.9 million).

Cash flow from financing activities amounted to EUR -0.2 million in H1 2022 (H1 2021: EUR +12.0 million) and reflects mostly change related to loans an interest.

Overall, the Group's cash decreased by EUR 54.6 million (including EUR -0.1 million negative effects from exchange rate differences) to EUR 21.0 million in the first half of the financial year 2022.

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

2.5. Assets and liabilities

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

	FY-2021		H1-2022		Change
	EURm	% of BS Total	EURm	% of BS Total	EURm
Assets	**438.0**	**100.0%**	**401.3**	**100.0%**	**-36.7**
Non-current assets	**298.2**	**68.1%**	**302.1**	**75.3%**	**4.0**
Property, plant and equipment	6.5	1.5%	5.0	1.2%	-1.6
Intangible assets (incl Goodwill)	281.4	64.3%	281.5	70.1%	0.1
Other	10.2	2.3%	15.7	3.9%	5.5
Current assets	**139.9**	**31.9%**	**99.2**	**24.7%**	**-40.7**
Cash	75.6	17.3%	21.0	5.2%	-54.6
Inventories	31.5	7.2%	50.6	12.6%	19.1
Trade receivables	22.3	5.1%	16.7	4.2%	-5.6
Other	10.4	2.4%	10.8	2.7%	0.4
Equity and Liabilities	**438.0**	**100.0%**	**401.3**	**100.0%**	**-36.7**
Equity	**281.3**	**64.2%**	**292.9**	**73.0%**	**11.6**
Share capital & premium	550.4	125.6%	550.3	137.1%	0.0
Other incl accumulated profit and loss	-269.1	-61.4%	-257.4	-64.1%	11.6
Liabilities	**156.7**	**35.8%**	**108.4**	**27.0%**	**-48.3**
Non-current liabilities	**43.1**	**9.8%**	**42.4**	**10.6%**	**-0.7**
Lease liabilities (long term)	0.7	0.2%	4.9	1.2%	4.2
Share-based payment liabilities (long term)	7.9	1.8%	4.3	1.1%	-3.6
Deferred tax liabilities	34.5	7.9%	33.2	8.3%	-1.4
Current liabilities	**113.6**	**25.9%**	**66.0**	**16.4%**	**-47.6**
Trade payables (short term)	35.4	8.1%	20.8	5.2%	-14.6
Loans and borrowings (short term)	0.3	0.1%	0.1	0.0%	-0.2
Other and provision	77.9	17.8%	45.1	11.2%	-32.8

tonies financial performance features a strong statement of financial position with a high equity ratio of 73% per 30 June 2022 (31 December 2021: 64.2%). There were no material financial liabilities as of 30 June 2022. Credit lines with banks of EUR 26 million are also available and unused per 30 June 2022.

Assets are dominated by non-current assets, which accounted for about 75% of total assets per 30 June 2022 (EUR 302.1 million) and remained at a similar level in absolute terms compared to 31 December 2021. The largest item is intangible assets. These are greatly influenced by the purchase price allocation for the acquisition of tonies GmbH (formerly Boxine GmbH) in 2019. Goodwill, the brand and the capitalised technology represent the vast majority of intangible assets and total assets. Intangible assets did not materially change from EUR 281.4 million per 31 December 2021 to EUR 281.5 million per 30 June 2022 reflecting regular write-downs on the brand and the technology as well as continued investments in the Group's intangible and tangible assets in H1 2022. In addition to machine capacities and updates to production management, investments were made primarily in IT infrastructure (hardware and software) to ensure the Group's systems remain viable for the future and prepared for the planned international growth.

Current assets decreased from EUR 139.9 million per 31 December 2021 to EUR 99.2 million per 30 June 2022. Cash decreased from EUR 75.6 million per 31 December 2021 to EUR 21.0 per 30 June 2022 due to planned losses as well as seasonality in working capital, where the first half of the year is characterized by lower revenues and lower cash flow than the second half of the year as inventory is built up for the seasonally strong fourth quarter of the year. The strong, planned international growth led to an increase in inventories from EUR 31.5 million per 31 December 2021 to EUR 50.6 million per 30 June 2022. Strategically, we want to keep sufficient goods in stock to further support our rapid growth, particularly in the US. In the first half of the year, even higher growth would have been possible with more inventory of our bestsellers available, especially in the US. Trade receivables seasonally decreased from EUR 22.3 million per 31 December 2021 to EUR 16.7 million per 30 June 2022. Other assets (current) rose slightly from EUR 10.4 million per 31 December 2021 to EUR 10.8 million per 30 June 2022. This item includes VAT receivables and prepaid expenses.

Non-current liabilities decreased slightly from EUR 43.1 million per 31 December 2021 to EUR 42.4 million per 30 June 2022. As key positions, provisions for share-based payment decreased from EUR 7.9 million per 31 December 2021 to EUR 4.3 million per 30 June 2022, whereas deferred tax liabilities declined from EUR 34.5 million per 31 December 2021 to EUR 33.2 million in per 30 June 2022.

On 28 June 2022, tonies SE issued unsecured convertible bonds with an aggregate principal amount of EUR 10 million, with two EUR 10 million upsize options. The convertible bonds will mature in July 2027 and be convertible into newly issued or existing registered class A shares in dematerialized form without nominal value of the Company. The Company intends to use the proceeds from the issue of the convertible bonds to support further growth and to strengthen its financial flexibility in an unprecedented market environment. The convertible bonds are not reflected in the balance sheet per 30 June 2022 as the respective cash inflows occurred in July 2022.

Current liabilities decreased sharply from EUR 113.6 million per 31 December 2021 to EUR 66.0 million per 30 June 2022. In line with seasonality of the business, trade payables saw a decrease from EUR 35.4 million per 31 December 2021 to EUR 20.8 million per 30 June 2022. Other (current) liabilities and provisions decreased to EUR 45.1 million per 30 June 2022 compared to EUR 77.9 million per 31 December 2021. Main driver for the decrease was the revaluation of warrants on tonies SE for former SPAC sponsors and shareholders with an impact of EUR 25.5 million. 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.

2.6. Overall assessment of the economic situation

Overall, the management considers the Group's economic situation to be good based on the business performance described and the financial position. In particular, inflows in connection with the IPO in the fourth quarter of 2021 have strengthened the Group's liquidity position to support further international growth.

3. Opportunity and risk report

3.1. 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.

3.2. 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.

3.2.1. 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 force 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 from 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.

3.2.2. 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.

3.2.3. 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) 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.

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. 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 was increased 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.

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.

3.2.4. 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.

3.2.5. 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.

3.3 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 gives us in a very positive outlook for the future and, similar to previous years, shows the potential and opportunities for our business.

4. Outlook

4.1. Outlook for FY 2022

The Group again increased Revenue significantly in the financial year 2021 from EUR 135 million in the previous year to EUR 188 million. Revenue in 2022 is expected to increase strongly to EUR 250 million by bringing our products to even more customers in our international markets. 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. Based on our results for the six-months ended 30 June 2022, we are fully on track to meet this target. Our growth rate year-to-date is slightly better than our target for the entire year. Furthermore, our outlook remains positive, and we expect to offset the impact of the deterioration in the consumer sentiment.

On the Contribution Margin side, we benefitted from our multiple-source strategy. We brought new, lower-cost suppliers for Tonies and Tonieboxes on board and began gradually shifting volumes to them in 2021. On the other hand, there were some negative effects resulting from changes in procurement and logistics markets, which increased costs in 2022. We also took measures to pass on increases in the input costs. In Germany, for example, the recommended retail prices for Tonieboxes, Tonies and our other products were adjusted effective 01 May 2022. This will have a further positive impact on margins in the second half of the year.

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. Our results in H1 2022 confirm this development and fully support our outlook.

Overall, the Group continues to expect a positive business performance in 2022 that is shaped by sustained, significant growth. Nevertheless, the outlook remains subject to considerable uncertainty due to the evolving geopolitical situation, the deterioration in consumer sentiment and current tensions in commodities and procurement markets.

In summary, the management is confident that it is well equipped to continue this successful development and meet its financial targets for the year 2022.

4.2. Subsequent Events

Please see Note 24 in the notes for information on events after the end of the six-months period ended 30 June 2022 that have a material impact on the future financial position and performance of the Group.

Luxembourg, 24 August 2022
tonies SE

Patric Faßbender	Marcus Stahl
Co-Founder & Co-CEO	Co-Founder & Co-CEO

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 corporate governance is determined by the applicable Luxembourg Law, the Company's articles of association (the **"Articles of Association"**) as well as the rules of procedure of the Company's management board (the **"Management Board"**, and its rules of procedure the **"Management Board Rules of Procedure"**), the rules of procedure of the supervisory board (the **"Supervisory Board"**, and its rules of procedure the **"Supervisory Board Rules of Procedure"**) and the terms of reference of the audit committee (the **"Audit Committee"**, and its terms of reference the **"Charter of the Audit Committee"**).

Structure of the Corporate Governance Regimes applicable to the Company

The Company is subject to the corporate governance regime as set forth in particular in the Luxembourg law of 10 August 1915 on commercial companies, as amended. As a Company whose shares are listed on a regulated market, the Company is further subject to the law of 24 May 2011 on the exercise of certain shareholder rights in listed companies, as amended. However, the Company is not required to adhere to the Luxembourg corporate governance regime applicable to companies whose shares are traded in Luxembourg or to the German corporate governance regime applicable to listed companies in Germany. The Company has opted not to apply the Luxembourg or German corporate governance regime in its entirety or 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 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 the Supervisory Board are prepared in accordance with the aforementioned Luxembourg law of 24 May 2011. The Remuneration Policy will be published separately.

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 of 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 not linked to money laundering practices or serve the financing of terrorism are of particular relevance to us and must be taken into account accordingly.

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

3. Procedures of the Management Board and the Supervisory Board

Management Board Procedures

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

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

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

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

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

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

Supervisory Board Procedures

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

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

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

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

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

4. Composition of the Management Board and the Supervisory Board

Composition of the Management Board and respective changes

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

The following table lists the current members of the Management Board:

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

Composition of the Supervisory Board and respective changes

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

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

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

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

The following table shows the current members of the Supervisory Board:

Name	Nationality	Age	Profession	Start of Term	Expected End of Term	Other functions in the Company
Anna Dimitrova	German	46	Chief Strategy & Transformation Officer and member of the Executive Committee at Vodafone Germany	2021	2024	Chairperson of the Supervisory Board, Member of the Audit Committee
Alexander Kudlich	German	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	Former 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	48	Lawyer, Partner at Berner Fleck Wettich	2021	2023	-

Audit Committee

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

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

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

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

The current members of the Audit Committee are Helmut Jeggle (as chairman), 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 1 January to 30 June 2022

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

In accordance with Article 3 of the Luxembourg law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, the Management Board declares that, to the best of their knowledge, the unaudited interim condensed consolidated financial statements for the period ended 30 June 2022, prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the 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, In addition, the Consolidated Interim Management 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.

Luxembourg, 24 August 2022

Patric Faßbender
Co-Founder & Co-CEO

Marcus Stahl
Co-Founder & Co-CEO

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Independent Auditor's Report

Report on review of interim condensed consolidated financial statements

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of tonies SE as of 30 June 2022, which comprise the interim condensed consolidated statement of financial position as at 30 June 2022 and the related interim condensed consolidated statement of income, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flow for the six-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Luxembourg, 24 August 2022

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

Fabien Delante
Réviseur d'entreprises agréé

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Interim Condensed Consolidated Financial Statements (Unaudited)

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

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

EU-IFRS Interim Condensed Consolidated Statement of Financial Position

in kEUR	Notes	30.06.2022	31.12.2021
Assets			
Property, plant and equipment	6	4,952	6,524
Right-of-use assets		5,453	865
Intangible assets (excl. Goodwill)	7	119,272	119,213
Goodwill	7	162,236	162,236
Own shares		321	0
Deferred tax assets		9,904	9,336
Non-current assets		**302,138**	**298,174**
Inventories	9	50,641	31,530
Return asset		445	445
Trade receivables	10	16,722	22,311
Other assets (short term)	10	10,339	9,979
Cash	11	21,037	75,593
Current assets		**99,184**	**139,858**
Total assets		**401,322**	**438,032**
Equity			
Share capital	12	1,575	1,575
Share Premium	12	548,791	548,791
Other Reserves		-2,585	-2,480
Retained earnings		-254,227	-26,084
Profit (Loss)		-637	-240,505
Equity attributable to owners of the company		**292,917**	**281,297**
Non-controlling interests		**0**	**0**
Total equity		**292,917**	**281,297**
Liabilities			
Lease liabilities (long term)		4,908	675
Share-based payment liabilities (long term)	17	4,342	7,934
Deferred tax liabilities		33,155	34,530
Non-current liabilities		**42,405**	**43,139**
Income Tax liabilities		78	646
Loans and borrowings (short term)	13	130	332
Lease liabilities (short term)		591	209
Trade payables (short term)	14	20,759	35,360
Other liabilities (short term)	14	20,440	54,190
Provisions (short term)		24,002	22,859
Current liabilities		**66,000**	**113,596**
Total liabilities		**108,405**	**156,735**
Total equity and liabilities		**401,322**	**438,032**

The accompanying notes form an integral part of these Interim Condensed Consolidated financial statements (Unaudited).

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

EU-IFRS Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (By nature of expense)

in kEUR	Notes	01.01.2022–30.06.2022	01.01.2021–30.06.2021
Continuing Operations			
Revenue	**16**	**84,385**	**61,752**
Changes in inventories		19,111	14,888
Cost of materials		-54,628	-39,059
Gross profit		**48,868**	**37,581**
Licensing costs		-13,688	-12,808
Gross profit after Licensing costs		**35,180**	**24,773**
Other income		514	6
Personnel expenses	18	-26,777	-13,977
Other expenses	19	-28,518	-22,175
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**-19,601**	**-11,373**
Depreciation and amortization		-8,210	-5,887
Earnings before interest and taxes (EBIT)		**-27,811**	**-17,260**
Finance income	20	25,457	0
Finance costs		-226	-1,935
Earnings before tax (EBT)		**-2,580**	**-19,195**
Tax income		1,943	2,542
Loss for the period		**-637**	**-16,653**
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation to functional currency		-105	-23
Total comprehensive income for the period		**-742**	**-16,676**
Profit attributable to:			
Owners of the Company		-637	-14,810
Non-controlling interests		0	-1,842
Total comprehensive income attributable to:			
Owners of the Company		-742	-14,830
Non-controlling interests		0	-1,845
Earnings (loss) per share (in kEUR)			
Basic	21	-0.01	-0.15
Diluted	21	-0.01	-0.15

The accompanying notes form an integral part of these Interim Condensed Consolidated financial statements (Unaudited).

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

EU-IFRS Interim Condensed Consolidated Statement of Cash Flow

in kEUR	Notes	01.01.2022–30.06.2022	01.01.2021–30.06.2021
Profit (loss) for the period		**-637**	**-16,653**
Depreciation and amortization		8,210	5,887
Finance (income) expenses		-25,231	1,935
Tax Income		-1,943	-2,542
EBITDA		**-19.601**	**-11,373**
Decrease (increase) in trade receivables	10	5,589	11,053
Decrease (increase) in inventories	9	-19,111	-16,977
Increase (decrease) in trade payables	14	-14,601	3,608
Decrease (increase) in net working capital		**-28.123**	**-2,316**
Decrease (increase) in other assets	10	-5,269	-10,152
Increase (decrease) in other provisions		1,143	2,646
Increase (decrease) in other liabilities	14	-4,471	3,532
Increase (decrease) in share-based payment liabilities	17	-3,592	3,474
Equity-settled share-based payment transaction		12,929	0
Income tax paid		-568	0
Other non-cash (income) expenses		0	-275
Cash Flow from operating activities		**-47,552**	**-14,464**
Purchase of property, plant and equipment	6	-1,173	-922
Acquisition of intangible assets	7	-5,524	-3,485
Cash flow from investing activities		**-6,697**	**-4,407**
Proceeds from borrowings		0	12,121
Repayments of borrowings		-202	0
Interest paid		0	-53
Payment of lease liabilities		0	-74
Cash flow from financing activities		**-202**	**11,994**
Net increase (decrease) in cash		**-54,451**	**-6,877**
Change in cash resulting from exchange rate differences		-105	-23
Net cash at the beginning of the period		75,593	9,079
Net cash at the end of the period		21,037	2,179

The accompanying notes form an integral part of these Interim Condensed Consolidated financial statements (Unaudited).

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

EU-IFRS Statement of Changes in Equity

in kEUR	Share capital	Share premium	Translation reserve	Transaction cost reserve	Retained earnings	Profit (Loss)	Total	Non controlling interest	Total equity
Balance as of 01.01.2022	**1,575**	**548,791**	**-609**	**-1,871**	**-26,084**	**-240,505**	**281,298**	**0**	**281,298**
Total comprehensive income									
Profit (loss) for the period						-637	-637		-637
Change in translation reserve			-105				-105		-105
Other comprehensive income			0		-240,505	240,505	0		0
Total comprehensive income	**0**	**0**	**-105**	**0**	**-240,505**	**239,868**	**-748**	**0**	**-748**
Contributions and distributions									
Equity-settled share-based payment transaction					12,362		12,362		12,362
Total contributions and distributions	**0**	**0**	**0**	**0**	**12,362**	**0**	**12,362**	**0**	**12,362**
Changes in ownership interest									
Acquisition of NCI without a change in ontrol									
Total changes in ownership interest	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total transactions with owners of the Company	**0**	**0**	**0**	**0**	**12,362**	**0**	**12,362**	**0**	**12,362**
Balance as of 30.06.2022	**1,575**	**548,791**	**-714**	**-1,871**	**-254,227**	**-637**	**292,917**	**0**	**292,917**

EU-IFRS Statement of Changes in Equity

in kEUR	Share capital	Share premium	Translation reserve	Retained earnings	Profit (Loss)	Total	Non controlling interest	Total equity
Balance as of 01.01.2021	**100**	**203,201**	**23**	**-26,084**	**0**	**177,240**	**21,293**	**198,533**
Total comprehensive income								
Profit (loss) for the period					-14,810	-14,810	-1,842	-16,652
Other comprehensive income			-20			-20	-3	-23
Total comprehensive income	**0**	**0**	**-20**	**0**	**-14,810**	**-14,830**	**-1,845**	**-16,675**
Balance as of 30.06.2021	**100**	**203,201**	**3**	**-26,084**	**-14,810**	**162,410**	**19,448**	**181,858**

The accompanying notes form an integral part of these Interim Condensed Consolidated financial statements (Unaudited).

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Notes

to the Interim Condensed Consolidated Financial Statements (Unaudited)

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"**).

onies 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.

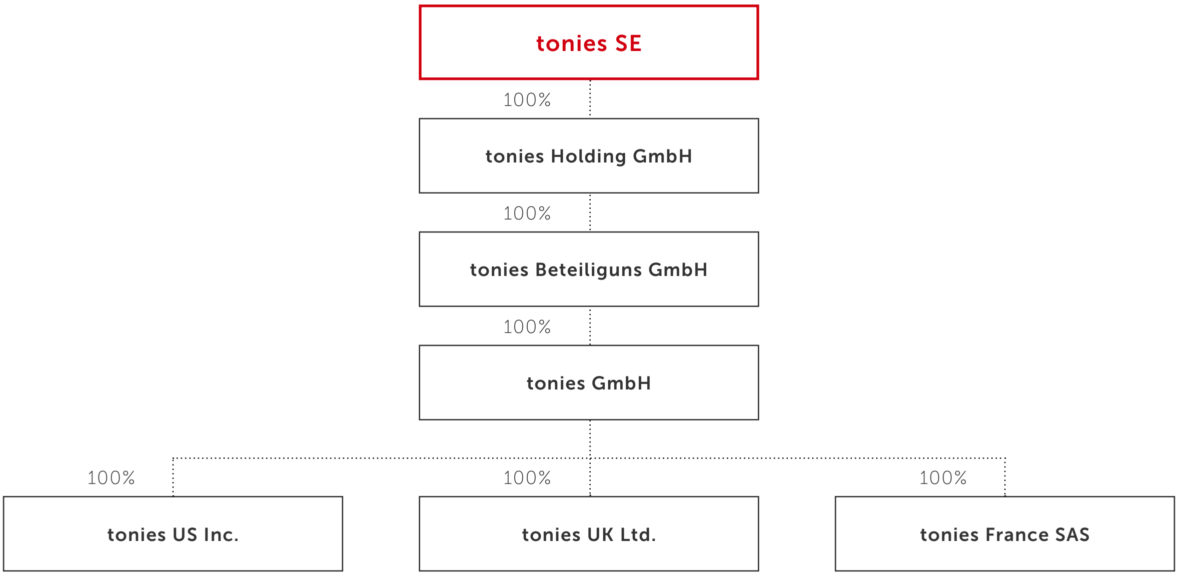
On 30 August 2021, 468 SPAC I SE and A. VI Holding GmbH and Höllenhunde GmbH entered into a business combination agreement.

Pursuant to the business combination, which was consummated on 26 November 2021, 468 SPAC I SE, which was renamed tonies SE and changed its business purpose to become 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.

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

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

Per 30 June 2022, the group structure of tonies SE is as follows:



The former subsidiaries tonies Issuance GmbH & Co. KG and tonies Advisors GmbH & Co. KG were merged into tonies Advisors Verwaltungs GmbH via accretion ("Anwachsung"). Subsequently, tonies Advisors Verwaltungs GmbH was merged into tonies Holding. The total merger has no impact on tonies SE consolidated financial statements

2. Basis of preparation

2.1. Statement of compliance

These Interim Condensed Consolidated financial statements and notes as at and for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and should be read in conjunction with the tonies Group's last annual consolidated financial statements as at and for the year ended 31 December 2021 ('last annual financial statements'). These Interim Condensed Consolidated financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards as adopted by the EU. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the tonies Group's financial position and performance since the last annual financial statements. Comparable figures as of 30 June 2021 are presented at the level of tonies Holding GmbH, the former parent company of the Group before the SPAC transaction mentioned above.

The Group's business model is subject to seasonal fluctuations. Usually, the second half of the calendar year (and in particular the fourth quarter) will lead to higher revenues compared to the first half of the year e.g. due to the Christmas season which is typical for retail businesses.

These Interim Condensed Consolidated financial statements were authorized for issue by management on 24 August 2022.

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. Financial statements

tonies consistently applied the same accounting policies and methods of computation as described in the last annual financial statements. For information on new standards or amendments refer to note 3.

3. Changes in significant accounting policies

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021.

New standards, interpretations and amendments adopted by the Group IAS 34.16A(a).

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group:

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The aforementioned amendments are not considered relevant for tonies SE.

4. Use of judgements and estimates

In preparing these Interim Condensed Consolidated financial statements, management has made judgments 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

5. 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. We refer to the management report, section 1.5, for details in the internal reporting and the performance assessment system.

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 six-months ended 30 June 2022 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

01.01.2022–30.06.2022	tonies Group according to management reporting	Reconciliation	tonies Group according to IFRS
	kEUR	kEUR	kEUR
I. Revenue	**84,370**	**15**	**84,385**
II. Adj. EBITDA	**-6,407**	**-158**	**-6,565**
EBITDA Adjustments			-13,036
Consolidated EBITDA			**-19,601**
Depreciation/Amortization			-8,210
Finance Income/Expense			25,231
Consolidated Profit before tax			**-2,580**

01.01.2021–30.06.2021	tonies Group according to management reporting	Reconciliation	tonies Group according to IFRS
	kEUR	kEUR	kEUR
I. Revenue	**62,844**	**-1,092**	**61,752**
II. Adj. EBITDA	**-6,553**	**1,259**	**-5,294**
EBITDA Adjustments			-6,078
Consolidated EBITDA			**-11,372**
Depreciation/Amortization			-5,887
Finance Income/Expense			-1,935
Consolidated Profit before tax			**-19,193**

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.

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	01.01.2022–30.06.2022	01.01.2021–30.06.2021
	kEUR	kEUR
Loss for the period	**-637**	**-16,653**
+ Income tax	-1,943	-2,542
+ Finance cost	226	1,935
- Finance income	-20,457	0
Earnings before interest and taxes (EBIT)	**-27,811**	**-17,260**
+ Depreciation and amortisation	8,210	5,887
EBITDA	**-19,601**	**-11,373**
+ Extraordinary expenses resulting from special projects and one-offs	0	988
+ Extraordinary expenses resulting from own developed software	2,227	1,617
+ Expenses resulting from share-based payment	10,809	3,474
Total EBITDA Adjustments	**13,036**	**6,079**
Adjusted EBITDA	**-6,565**	**-5,294**

6. Property, plant and equipment

Property, plant and equipment mainly comprises technical equipment and machinery as well as other operating and office equipment.

During the six months ended 30 June 2022, the Group acquired assets with a cost of kEUR 1,173 (six months ended 30 June 2021: kEUR 922). The acquisitions mainly related to the new headquarter in Duesseldorf as well as tooling for new Tonies figurines.

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The Group's impairment test is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the cash generating unit were disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

As at 30 June 2022, the Group is performing in line with the budget. Management conclude on the absence of impairment indicators that requires an additional impairment testing.

7. Intangible assets (including goodwill)

Intangible assets mainly comprise capitalised purchased technology bundle (different core technologies), acquired brand and acquired customer relationships.

During the six months ended 30 June 2022, the Group acquired intangible assets with a cost of kEUR 5.155 (six months ended 30 June 2021: kEUR 3,485). The acquisitions mainly relate to acquired software licenses as well as external development cost for new Tonies figurines.

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the cash generating unit were disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

As at 30 June 2022, the Group is performing in line with the budget. Management conclude on the absence of impairment indicators that requires an additional impairment testing.

8. Right-of-use of assets and lease liabilities

During the six months ended 30 June 2022, as well as in the comparative period, the Group did not enter into any new lease agreements that would have resulted in the recognition of a right-of-use asset and lease liability. A lease contract for the new headquarter in Duesseldorf has been signed in 2019 but started on 1 January 2022. Due to the first-time lease accounting for this contract as of 1 January 2022 the right-of-use asset and lease liability increased by kEUR 4,762.

The Group has entered into a rental contract for new headquarter office spaces in 2019. The commencement date of the contract had been postponed from 2020 to 1 January 2022. As a result, this rental contract has been included for the first time in the leasing assets and liabilities representing the major part of the year on year change.

9. Inventories

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

Inventories	30.06.2022	31.12.2021
	kEUR	kEUR
1. Raw materials	36,566	22,748
2. Work in process	11,676	6,824
3. Finished goods	2,399	1,958
Total	**50,641**	**31,530**

During the six months ended 30 June 2022, the Group reversed its inventory write down amounting to kEUR 0 (six months ended 30 June 2021: kEUR 45 write down of inventory). The write down resulted from turnover and scrap and was included in cost of material in the condensed consolidated statement of profit or loss and other comprehensive income.

As of 30 June 2022, part of the inventory of the subsidiary tonies GmbH were assigned as collateral for liabilities to banks totaling kEUR 130 (31 December 2021: kEUR 332).

During the six months ended 30 June 2022, finished goods increased from kEUR 31,530 to kEUR 50.641. This increase is mainly driven by dedicated stock for fast-growing international markets and the seasonal inventory build-up prior to the Christmas season which, for the Group, starts in the third quarter with higher sales to larger resellers.

10. Trade receivables and other assets

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

Trade receivables	30.06.2022	31.12.2021
	kEUR	kEUR
Financial assets		
1. Trade receivables	16,707	22,269
2. Receivables from related parties	15	42
Total	**16,722**	**22,311**

Other assets	30.06.2022	31.12.2021
	kEUR	kEUR
Other financial assets		
1. Receivables from employees	236	1,587
2. Receivables from marketplaces	821	1,881
3. Deposits	219	318
4. Prepayments to suppliers	0	292
5. Other receivables financial	36	0
Sum of other financial assets	**1,312**	**4,078**
Other non-financial assets		
1. Receivables resulting from input taxes and VAT	6,256	4,796
2. Deferred expenses and accrued income	2,608	1,032
3. Other receivables non-financial	163	73
Sum of other non-financial assets	**9,027**	**5,901**
Total	**10,339**	**9,979**

As of 30 June 2022, trade receivables have decreased compared to the financial year end due to high sales at the year end and corresponding high receivables at year end after the Christmas season. These were reversed through payments in the first quarter of 2022. The VAT receivables increase corresponds to the inventories' seasonal build-up together with limited netting of VAT receivables and liabilities during the financial year.

11. Cash

Cash comprises cash on hand and cash at banks. Cash management balances are not included in the cash balances.

As of 30 June 2022 tonies had cash with a carrying amount of kEUR 21,037 (31 December 2021 kEUR 75,593), thereof restricted kEUR 225 (31 December 2021 kEUR 696). Restricted cash is related to the deposits of payment providers.

12. Equity

The changes in the various components of equity from 1 January through 30 June 2022 are shown in tonies' Interim Condensed Consolidated statement of changes in equity.

Share capital

The Share capital amounts to kEUR 1,575 with a total number of shares of 114,847,586 of which 98,441,701 shares are issued as of 30 June 2022.

Share premium

For the composition of the share premium in connection with the SPAC transaction in November 2021 we refer to the consolidated financial statements as of 31 December 2021.

13. Loans and borrowings

Loans and borrowings can be broken down as follows:

Loans and borrowings	30.06.2022	31.12.2021
	kEUR	kEUR
Current liabilities		
1. Secured bank loans	130	332
Total Current liabilities	**130**	**332**

After the SPAC transaction 26 November 2021, most of the debt has been repaid. No major changes in credit lines have occurred. Per 30 June 2022 tonies SE had a total of EUR 26 million of bank credit lines available of which only kEUR 130 were utilized.

Terms and repayment schedule

Loans and borrowings	Original currency	Matures in	Interest type	Effective interest rate	Nominal value	Carrying amount
30.06.2022				**in %**	**kEUR**	**kEUR**
1. Secured bank loans	EUR	n/a[1]	fix[1]	4,05	130	130
Total					**130**	**130**

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**

Loan covenant

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 during 2021, covenants were breached but waivers were granted accordingly, and new covenants were agreed.

1 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.

14. Trade payables and other liabilities

Trade payables and other liabilities can be broken down as follows:

Trade payables	30.06.2022	31.12.2021
	kEUR	kEUR
Trade payables		
1. Trade payables	15,152	23,047
2. Trade accrued expenses	5,607	10,985
3. Return liability	0	1,328
Total	**20,759**	**35,360**

Other liabilities	30.06.2022	31.12.2021
	kEUR	kEUR
Other financial liabilities		
1. Derivatives	6,764	32,216
2. Liabilities for licenses	8,725	12,231
3. Liabilities for customer bonus	0	233
4. Payables to employees	187	187
5. Other liabilities financial	283	58
Sum of other financial liabilities	**15,959**	**44,925**
Other non-financial liabilities		
1. Payroll tax and social security contributions	479	3,974
2. Liabilities resulting from input taxes and VAT	2,433	2,421
3. Liabilities from wages and salaries	563	1,127
4. Accrued expenses (non-financial)	918	657
5. Other liabilities non-financial	88	1,086
Sum of other non-financial liabilities	**4,481**	**9,265**
Total	**20,440**	**54,190**

For information on the increase of VAT payables, refer to note 10.

15. Financial instruments and risk management

Accounting classifications and fair values

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 (Market-to-market) 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 amortized costs	Other financial liabilities	Total	Fair value
		kEUR	kEUR	kEUR	kEUR	kEUR
Balance as of 30.06.2022						
1. Trade and other receivables			18,034		18,034	18,034
2. Cash			19,992		19,992	19,992
Financial assets not measured at fair value		**0**	**38,026**	**0**	**38,026**	**38,026**
1. Secured bank loans				202	202	202
2. Unsecured bank loans				0	0	n/a
3. Vendor loans				0	0	n/a
4. Trade and other payables				29,954	29,954	29,954
Financial liabilities not measured at fair value		**0**	**0**	**30,156**	**30,156**	**30,156**
1. Warrants		6,764			6,764	6,764
Financial liabilities measured at fair value		**6,764**	**0**	**0**	**6,764**	**6,764**
Balance as of 31.12.2021						
1. Trade and other receivables			26,389		26,389	26,389
2. Cash			75,593		75,593	75,593
Financial assets not measured at fair value		**0**	**101,982**	**0**	**101,982**	**101,982**
1. Secured bank loans				332	332	332
2. Trade and other payables				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			32,216	32,216
Financial liabilities measured at fair value		**32,216**	**0**	**0**	**32,216**	**32,216**

There were no reclassifications between levels of the fair value measurement hierarchy for all periods.

The Group has exposure to credit risk, liquidity risk and market risk (mainly currency and interest rate risk) arising from financial instruments. These risks remained unchanged and were described in detail in the Group's last annual financial statements.

16. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements.

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

Revenue from contracts with customers	01.01.2022–30.06.2022	01.01.2021–30.06.2021
	kEUR	kEUR
Primary geographical markets		
DACH (Germany, Austria, Switzerland)	63,446	56,722
UK	7,825	2,527
US	12,495	2,503
France	618	0
Total	**84,385**	**61,752**
Major products		
Starterset	20,620	17,027
Content Tonies	58,023	41,180
Creative Tonies	2,089	2,137
Other (e.g. Accessories and Mytonies)	3,654	1,408
Total	**84,385**	**61,752**

17. Share-based payments

Virtual Stock Programme at the level of tonies Holding GmbH

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

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

As of 31 December 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. 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 2022 a total of kEUR -2,726 was recognised as a reversal of personnel expenses for these employees.

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 tonies. A vesting period of 24 months with a cliff period of 12 months has been agreed.

In 2022 a total of kEUR 12,929 was recognised as personnel expenses for these employees.

Restricted stock unit award at the level of tonies SE

the Group has implemented a share-based payment compensation scheme for eligible employees in the form of virtual stock options based on a future performance conditions. The scheme is entirely cash-settled and is intended to improve the long-term employee-retention. A vesting period of 24 months has been agreed.

In 2022 a total of kEUR 540 was recognised as personnel expenses for these employees.

18. Personnel expenses

Employee benefits expense include the following items:

Personnel expenses	01.01.2022–30.06.2022	01.01.2021–30.06.2021
	kEUR	kEUR
1. Wages and salaries	13,584	9,082
2. Social security contributions	2,383	1,421
3. Equity and Cash-settled share-based payments	10,810	3,474
Total	**26,777**	**13,977**

The average number of employees in the first half year of 2022 increased from 316 (2021) to 380.

During the six-months period ended 30 June 2022, the increase in personnel expenses in comparison to the comparative period amounts to kEUR 12,978. The increase mainly results from additional hiring from mid 2021 in order to support further growth and the further development of the share-based payments scheme. For further information on the effects from share-based payments refer to Note 17.

19. Other expenses

Other expenses include the following:

Other expenses	**01.01.2022–30.06.2022**	**01.01.2021–30.06.2021**
	kEUR	**kEUR**
1. Logistic costs	9,232	6,783
2. Marketing and sales costs	6,764	5,241
3. Insurance and contributions	4,139	3,155
4. Legal, audit and consulting fees	3,103	2,690
5. IT costs	2,776	2,976
6. Administration costs	1,343	673
7. Non-period expenses	208	77
8. Miscellaneous other operating expenses	953	580
Total	**28,518**	**22,175**

During the six-months period ended 30 June 2022, the increase in other expenses in comparison to the comparative period amounts to kEUR 6,343. The increase in most positions is mainly attributable to the Group's business growth. The increase in IT costs is attributable to revenue dependent cloud-cost and further improvements in the IT services to support the operating business.

20. Finance income

Finance income is related to the remeasurement to fair value of warrant shares.

As of 31 December 2021 the fair value of Public warrants was estimated at EUR 15,000,000 (EUR 1,50 per warrant), while the valuation as of 30 June 2022 was at EUR 3,500,000 (0,35 per warrant).

As of 31 December 2021 the fair value of Sponsor warrants was estimated at EUR 17,216,000 (EUR 2,69 per warrant), while the valuation as of 30 June 2022 was at EUR 3,264,000 (0,51 per warrant).

21. Earnings per share

The Company is a public 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 halfyear 2022. 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 (basic and diluted) amount to kEUR -637 (30 June 2021: kEUR 246,009). The weighted average number of interests in circulation (basic and diluted) amounts to 98,441,701 (30 June 2021: 100,000).

Profit attributable to ordinary shareholders (basic)	01.01.2022–30.06.2022	01.01.2021–30.06.2021
	kEUR	kEUR
Profit (loss) for the year, attributable to the owners of the Company	-637	-14,810
Profit (loss) attributable to ordinary shareholder	**-637**	**-14,810**

Weighted-average number of ordinary shares (basic)	01.01.2022–30.06.2022	01.01.2021–30.06.2021
	# shares	# shares
Issued ordinary shares at January 1	98,441,701	100,000
Weighted-average number of ordinary shares at June 30	**98,441,701**	**100,000**

EPS	01.01.2022–30.06.2022	01.01.2021–30.06.2021
	kEUR	kEUR
Earnings attributable to shareholders in kEUR	-637	-14,810
Average number of shares outstanding	98,441,701	100,000
Basic earnings in kEUR per share	**-0,01**	**-0,15**
Diluted earnings in kEUR per share	-0,01	-0,15

22. Commitments and Contingencies

tonies does not have commitments or contingencies as of 30 June 2022.

23. Related parties

19.1. Parent and ultimate controlling party

tonies is currently not included in any consolidated financial statements at a level of its shareholders.

19.2. Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised the following.

Key management personnel compensation	01.01.2022–30.06.2022	01.01.2021–30.06.2021
	kEUR	kEUR
Short-term employee benefits	423	324
Long term employee benefits (equity settled share based payment programme)	12,929	0
Total	**13,352**	**324**

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	01.01.2022 - 30.06.2022 Transaction volume			01.01.2021 - 30.06.2021 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	0			-54		
Transactions with PIXIPOP			-124			-132
Total	**0**	**0**	**-124**	**-54**	**0**	**-132**

Related parties	30.06.2022 Amounts outstanding		31.12.2021 Amounts outstanding	
	Receivables	Payables	Receivables	Payables
	kEUR	kEUR	kEUR	kEUR
Transactions with PIXIPOP		-84		-114
Total	**0**	**-84**	**0**	**-114**

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

24. Events after the reporting period

The following subsequent events occurred after 30 June 2022 and could have a significant impact on tonies future results of operations, financial position, and net assets.

The potential future impact of the military conflict in Ukraine 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 from these countries. However, it is likely that it will not be able to escape the macroeconomic developments resulting from the conflict.

Inflation increased significantly in the markets relevant for tonies Group. This might have an impact on future customer spending in our market.

Tonies SE issued unsecured convertible bonds in June 2022 with an aggregate principal amount of EUR 10 million, with two EUR 10 million upsize options. The Company intends to use the proceeds from the issue of the convertible bonds to support the further growth and to strengthen its financial flexibility in an unprecedented market environment. The convertible bonds are not reflected in the balance sheet per 30 June 2022 as the respective cash inflows occurred in July 2022.

We refer to the detailed discussion of the aforementioned events after the reporting period in the management report.

Luxembourg, 24 August 2022

Patric Faßbender
Co-Founder & Co-CEO

Marcus Stahl
Co-Founder & Co-CEO

Other Information

- Financial Calendar 2022
- Imprint

Financial Calendar 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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