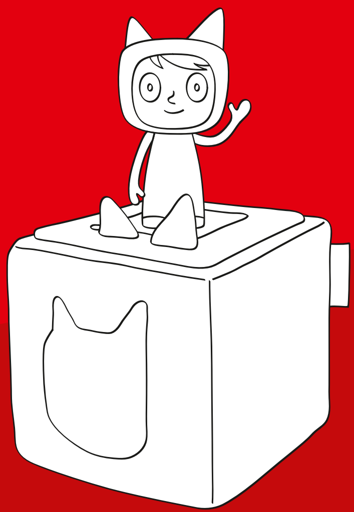


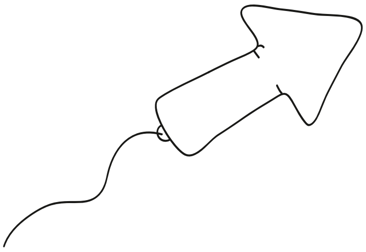
tonies SE

Half-Year Report 2023

Tonies at a glance

	H1 2023	H1 2022
Sales		
Revenue (in EUR m)	113.1	84.4
Revenue growth in % YoY	34.1 %	36.7 %
Tonieboxes sold (in k units)	385	379
Tonies sold (in m units)	8.4	7.1
Online revenue share (in % of gross revenue)	40.9 %	24.8 %
Results of operations (adjusted)		
Gross profit (in EUR m)	73.5	48.9
Gross margin (in % of revenue)	65.0 %	57.9 %
Gross profit after licensing costs (in EUR m)	63.9	35.2
Gross margin after licensing costs (in % of revenue)	56.5 %	41.7 %
Contribution profit (in EUR m)	45.4	23.8
Contribution margin (in % of revenue)	40.2 %	28.2 %
Adjusted EBITDA (in EUR m)	3.0	– 6.6
Adjusted EBITDA margin (in % of revenue)	2.6 %	– 7.8 %
Financial position & Assets and liabilities		
Cash (in EUR m)	14.6	21.0
Net working capital (in EUR m)	104.6	46.6
Free cash flow (in EUR m)	– 39.0	– 54.2

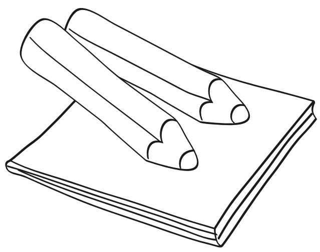
Highlights



- tonies already delivered **positive adjusted EBITDA margin of 2.6 %** in the first half of 2023 compared to -7.8% in H1 2022 driven by substantially improved gross margin (+7.1 pp) and lower licensing costs
- The strong improvement in profitability is the result of **extending the proven, profitable DACH** business model to international markets and **focusing fully on margin-enhancing levers** since years
- **Revenue growth remained on a very strong path** with an increase of 34 % to EUR 113 million in the first six months of 2023, fueled by continued successful international expansion, particularly in the US, where revenue grew 171 % to EUR 34 million
- After a very strong H1 2023, tonies **confirms its guidance for FY 2023** and highlights that several of the non-recurring positive drivers on adjusted EBITDA in H1 will not be reflected to the same extent in H2. However, tonies is fully on track for it’s guided “positive” adjusted EBITDA.
- **tonies products are used very frequently:** average weekly playtime of active Tonieboxes in H1 2023 remains on very high level with ~ 268 minutes
- **First own license brand “Sleepy Friends”** developed very strongly in H1 2023 with “Sleepy Friends” Tonies having one of the highest average weekly playtimes in the DACH region. An important step in the mission to focus more on own productions and self-developed licenses.

Major events

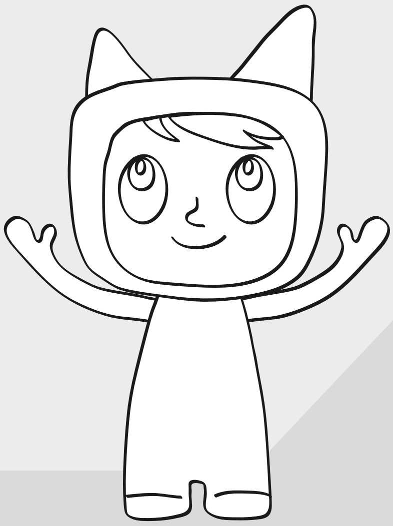
- **February 2:** tonies releases preliminary and unaudited figures for full-year 2022 group revenue and confirms guidance range for adjusted EBITDA margin
- **April 13:** tonies publishes the annual report for 2022
- **May 1:** Dr. Jan Middelhoff is appointed as Chief Financial Officer (CFO) and becomes a member of the Management Board
- **May 11:** tonies publishes its results for the first quarter 2023
- **May 24:** tonies holds its Annual General Meeting 2022



Content

Consolidated Interim Management Report

- Business review
- Risks and opportunities report
- Subsequent Events
- Outlook for tonies in 2023



Consolidated Interim Management Report

for the six months ended 30 June 2023

1. Business review

1.1. Performance assessment system

tonies SE and its subsidiaries (hereinafter referred to as the **"Group"**, the **"Company"** or **"tonies"**) most important financial key performance indicators (KPIs) are revenue and adjusted EBITDA margin. The Management Board uses adjusted EBITDA margin as it provides useful information to investors and others in understanding and evaluating the results of operations and is a useful measure for period-to-period comparisons of tonies business performance. In addition, tonies also uses a range of further KPIs to manage its business. The Management Board applies them to measure operating performance, as a basis for strategic planning and because they will be used by investors and analysts to assess the performance of tonies. The KPIs are shown in the table below.

KPI	H1 2023	H1 2022
Revenue	EUR 113 million	EUR 84 million
Adjusted EBITDA margin (a)	2.6 %	– 7.8 %
Gross margin (b)	65.0 %	57.9 %
Gross margin after licensing costs (c)	56.5 %	41.7 %
Contribution margin (d)	40.2 %	28.2 %
Net working capital (e)	EUR 104.6 million	EUR 46.6 million
Free cash flow (f)	EUR – 39.0 million	EUR – 54.2 million

1.2. Overall business performance

In the first half of 2023, tonies delivered a very strong business performance despite challenging global consumer sentiment.

Revenue amounted to EUR 113.1 million in the first six months of 2023, representing a year-over-year growth of 34.1 %, with an increase in revenue in all regions and all product categories. The US market continued on its rapid growth trajectory with revenue growth of 171 % to EUR 33.8 million.

(a) For the definition, explanation and reconciliation of adjusted EBITDA margin refer to 1.3. Profitability on page 8ff
(b) For the definition and explanation of gross margin refer to 1.3. Profitability on page 8ff
(c) For the definition and explanation of gross margin after licensing costs refer to 1.3. Profitability on page 8ff
(d) For the definition, explanation and reconciliation of contribution margin refer to 1.3. Profitability of the Group on page 8ff
(e) For the definition and explanation of net working capital refer to 1.3. Profitability on page 8ff
(f) For the definition and explanation of free cash flow refer to 1.3. Financial position on page 11ff

The Group's **adjusted EBITDA margin** improved significantly from –7.8 % in the first half of 2022 to 2.6 % in the first six months of 2023. This was attributable particularly to substantial improvement in gross margin and lower licensing costs, including non-recurring effects related to the release of licensing provisions.

Gross margin increased substantially from 57.9 % to 65.0 % driven by price increases mostly implemented in May 2022, lower costs for inbound logistics (mainly airfreight) as well as favourable effects from channel and product mix. Gross margin after licensing costs increased materially from 41.7 % in the first half of 2022 to 56.5 % in the first six months of 2023 driven by higher gross margin and lower licensing costs in percent of revenue.

Contribution margin increased considerably from 28.2 % to 40.2 %. Substantially higher gross margin and relatively lower costs for licensing more than offset higher fulfillment costs resulting from stronger digital channel growth.

Free cash flow amounted to EUR –39.0 million compared to EUR –54.2 million in the previous year period due to a strong increase in **net working** capital, mostly inventory, within cash flow from operating activities.

1.3. Results of operations of the Group

Revenue

Revenue increased by 34.1 % from EUR 84.4 million in the first six months of 2022 to EUR 113.1 million in the first half of 2023.

in EUR million	H1 2023	H1 2022	Change
Revenue	**113.1**	**84.4**	**34.1 %**
by geography			
DACH	66.2	63.4	4.3 %
US	33.8	12.5	170.7 %
Rest of World	13.1	8.4	55.4 %
by product category			
Tonieboxes	24.9	20.6	20.7 %
Tonies figurines	82.3	60.1	37.0 %
Accessories & Digital	5.9	3.7	61.9 %

The **DACH** market recorded revenue growth of +4.3 % to EUR 66.2 million despite the mature market profile. The revenue increase was mainly driven by strong growth in the digital channels, especially on the Amazon marketplace, and on the product side by Tonies figurines and Accessories & Digital. One major driver of the continued strong sales performance in the DACH region is the high level of aided brand awareness within the parents' target audience, which has even further increased in the second quarter to 82 % compared to 77 % in Q4 2022. tonies is already present in every second German household with kids in its target group.

The revenue generated by the **US** market reached EUR 33.8 million, indicating a growth of 170.7 %. This significant progress was largely fostered by all distribution channels and product categories. While digital channels continued on its rapid growth trajectory, revenue growth in retail was even stronger. Here, the ongoing retail adoption with major players like Target or Kohl's led to a strong increase of total number of point of sales from around 4,200 at the end of 2022 to around 4,600 at the end of the first six months of 2023.

In the **Rest of World** region, which primarily includes the UK, Ireland, and France as well as Hong Kong and the European webshop, in the first half of 2023, revenue grew by 55.4 % from EUR 8.4 million to EUR 13.1 million primarily driven by strong revenue growth in UK and a more than threefold increase in France. The European webshop recorded strong revenue growth – still from a relatively low base – with increasing demand across Europe, where tonies ships to 15 different countries.

As a result of the successful continuous international expansion of tonies, share of revenue outside the DACH region increased substantially in the first six months of 2023 to 41 % (H1 2022: 25 %).

From a product category perspective, **Tonieboxes** revenue was up by 20.7 % in the first six months of 2023 to EUR 24.9 million, significantly increasing tonies footprint and thus the foundation for future sales of Tonies figurines as around 20 Tonies figurines per Toniebox are sold on average in the first 4.5 years.

Revenue of **Tonies figurines** increased by 37.0 % to EUR 82.3 million, driven by both licensed third-party Tonies including Peppa Pig, Paw Patrol and several Disney Tonies and as well as Tonies with in-house produced content and own design such as "Sleepy Friends" and "Playtime Songs". A particular highlight was the greatly anticipated launch of Disney's Encanto in the US market in May, which proved to be the most successful Tonie launch in the US to date. In the first half of 2023, around 8.4 million Tonies figurines were sold across all markets.

In **Accessories & Digital**, revenue grew significantly by 61.9 % to EUR 5.9 million driven by headphones, carriers, shelves and chargers. tonies successfully added two completely new formats to the product category: the Sleepy Sheep Night Light Tonie, which combines beautiful melodies and the ability to record personal goodnight messages with a warm light and the Listening+ Coloring book, where an audio play accompanies the coloring book with illustrations that match the story.

Regarding **distribution channels**, both retail and own digital channels – including Amazon marketplace – remained strategically relevant for tonies. In the first half of 2023, the share of revenue from own digital channels increased materially to 41 % compared to 25 % in the previous year period. The primary factor behind this trend was the country mix effects, wherein international markets, exhibiting a higher online penetration compared to DACH, account for a higher proportion of group revenue.

Profitability

Adjusted EBITDA is a key performance indicator, which is calculated from EBITDA by adjusting for various effects to create a metric for the underlying profitability of the business. EBITDA was historically adjusted for the following non-recurring effects: (i) effects of share-based compensation, (ii) own software development (as this is not currently capitalized), (iii) special projects and boni, and (iv) costs and effects related to tonies IPO/business combination. In the first half of 2023, the adjustments comprised only costs for share-based compensation and own developed software. The adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of revenue. Despite the continued investment in international growth, adjusted EBTIDA improved substantially from – 7.8 % of revenue in the first six months of 2022 (EUR – 6.6 million) to 2.6 % of revenue in H1 2023 (EUR 3.0 million). This was attributable particularly to a substantially higher gross margin and positive effects from lower licensing costs, including non-recurring effects related to the release of licensing provisions.

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

	H1 2023		H1 2022		Change
	EUR m	% of revenue	EUR m	% of revenue	EUR m
Revenue	**113.1**	**100.0%**	**84.4**	**100.0%**	**28.7**
COGS	–39.6	–35.0%	–35.5	–42.1%	–4.1
Gross profit	**73.5**	**65.0%**	**48.9**	**57.9%**	**24.7**
Licensing costs	–9.7	–8.6%	–13.7	–16.2%	4.0
Gross profit after licensing costs	**63.9**	**56.5%**	**35.2**	**41.7%**	**28.7**
Other income	0.7	0.6%	0.5	0.6%	0.1
Personnel expenses	–24.3	–21.5%	–26.8	–31.7%	2.5
Other expenses	–42.1	–37.2%	–28.5	–33.8%	–13.6
EBITDA	**–1.8**	**–1.6%**	**–19.6**	**–23.2%**	**17.8**
Depreciation and amortization	–9.7	–8.5%	–8.2	–9.7%	–1.4
EBIT	**–11.5**	**–10.2%**	**–27.8**	**–33.0%**	**16.3**
Financial result	5.8	5.1%	25.2	29.9%	–19.4
EBT	**–5.7**	**–5.0%**	**–2.6**	**–3.1%**	**–3.1**
Tax income	7.6	6.8%	1.9	2.3%	5.7
Net income	**1.9**	**1.7%**	**–0.6**	**–0.8%**	**2.6**

Adjusted EBITDA is calculated from EBITDA as follows:

	H1 2023		H1 2022		Change
	EUR m	% of revenue	EUR m	% of revenue	EUR m
EBITDA	**–1.8**	**–1.6%**	**–19.6**	**–23.2%**	**17.8**
(i) Share-based compensation	3.5	3.1%	10.8	12.8%	–7.3
(ii) Own developed software (not activated)	1.3	1.2%	2.2	2.6%	–0.9
(iii) Special projects and boni	0.0	0.0%	0.0	0.0%	0.0
(iv) IPO-related costs	0.0	0.0%	0.0	0.0%	0.0
Adjusted EBITDA	**3.0**	**2.6%**	**–6.6**	**–7.8%**	**9.5**

The **contribution margin** is the contribution profit as a percentage of revenue. The contribution profit is calculated from the gross profit after licensing costs less various revenue-related costs that are together aggregated as fulfilment (mostly freight and logistics costs, fees for online marketplaces, costs of payments and certain variable sales costs). Contribution profit and contribution margin show how much is available for coverage of fixed costs such as personnel, other expenses and marketing. Contribution margin increased significantly from 28.2% of revenue in the first six months of 2022 to 40.2% of revenue in the first half of 2023. The increase was mainly driven by a substantially higher gross margin and lower licensing costs. Contribution profit of EUR 45.4 million increased significantly compared to the prior-year level of EUR 23.8 million.

Reconciliation contribution margin	H1 2023		H1 2022		Change
	EUR m	% of revenue	EUR m	% of revenue	EUR m
Gross profit after licensing costs	63.9	56.5 %	35.2	41.7 %	28.7
Logistics costs	– 10.9	– 9.6 %	– 7.7	– 9.1 %	– 3.2
Other sales dependent costs	– 7.6	– 6.7 %	– 3.7	– 4.4 %	– 3.9
Contribution profit	**45.4**	**40.2 %**	**23.8**	**28.2 %**	**21.6**

Gross margin increased substantially from 57.9 % to 65.0 %. Main drivers for the improvement were price increases, which were implemented in May 2022, lower costs for inbound logistics (mainly airfreight) as tension on supply chains eased compared to the previous year period, as well as favourable effects from channel mix due to higher share of revenue from digital channels and product mix driven by higher proportion of revenue from Tonies figurines. In addition, further volumes could be shifted to suppliers with lower costs as part of tonies multiple-source strategy, particularly for Tonies figurines.

Licensing costs decreased from 16.2 % of revenue to 8.6 % as a result of regional mix effects (lower revenue share of DACH which tends to have higher licensing costs), a higher share of in-house produced content and self-developed licenses, successful renegotiations with license partners and a non-recurring effect of EUR 3.4 million due to the release of licensing provisions. Gross margin after licensing costs increased correspondingly from 41.7 % in the first six months to 56.5 % in the first half of 2023.

Personnel expenses decreased from EUR 26.8 million to EUR 24.3 million. Main elements of personal expenses were investments in further international expansion and the build-out of central functions such as technology and operations at the headquarters. Furthermore, expenses for share-based compensation decreased significantly from EUR 10.8 million in the first half of 2022 to EUR 3.5 million in the first six months of 2023. Share-based compensation primarily consists of 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. All costs for share-based compensation were excluded from the calculation of adjusted EBITDA.

Other expenses increased significantly from EUR 28.5 million to EUR 42.1 million in the first half of 2023. Other expenses include a range of different expenses, such as logistics costs, other revenue-based costs, marketing and other operating expenses, all of which have increased with continued international growth. Main drivers was included increased logistics costs as a result of a higher share of revenue from digital channels.

Depreciation and amortization of EUR 9.7 million in the first six months of 2023 (H1 2022: EUR 8.2 million) mostly include the amortization 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 decreased from EUR 25.2 million in the first half of 2022 to EUR 5.8 million in the first six months of 2023. The amount in the first half of 2022 was mainly driven by a financial income resulting from a revaluation of warrant shares at fair value after the decline of tonies SE share price in 2022.

Tax income increased from EUR 1.9 million to EUR 7.6 million, mainly attributable to effects from purchase price allocation in context of the acquisition of tonies GmbH in 2019, elimination of intercompany profits and losses carried forward.

The **net income** amounted to EUR 1.9 million in the first half of 2023 compared to EUR – 0.6 million in the first six months of 2022.

Financial position

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

	H1 2023	H1 2022	Change
	EUR m	EUR m	EUR m
EBITDA	**– 1.8**	**– 19.6**	**17.8**
Decrease (increase) in net working capital	– 24.9	– 28.1	3.2
Decrease (increase) in trade receivables	18.2	5.6	12.7
Decrease (increase) in inventories	– 43.0	– 19.1	– 23.9
Increase (decrease) in trade payables	– 0.1	– 14.6	14.5
Change in other positions	– 7.3	0.2	– 7.5
Cash flow from operating activities	**– 34.0**	**– 47.6**	**13.5**
Acquisition of property, plant and equipment	– 2.6	– 1.2	– 1.4
Acquisition of intangible assets	– 2.4	– 5.5	3.1
Cash flow from investing activities	**– 4.9**	**– 6.7**	**1.8**
Increase (decrease) from equity financing (net of fees)	0.0	0.0	0.0
Increase (decrease) in borrowing	– 1.2	– 0.2	– 0.9
Cash flow from financing activities	**– 1.2**	**– 0.2**	**– 0.9**
Net increase (decrease) in cash	**– 40.1**	**– 54.5**	**14.3**
Change in cash resulting from exchange rate differences	– 0.2	– 0.1	– 0.1
Free cash flow	**– 39.0**	**– 54.2**	**15.3**

Cash flow from operating activities in the first half of 2023 was at EUR – 34.0 million (H1 2022: EUR – 47.6 million). This was driven by a strong increase in net working capital by EUR 24.9 million, mainly caused by earlier inventory build-up to avoid stock-outs and high airfreight costs in case of macroeconomic disruptions and to facilitate further international expansion. Net working capital outlines how much cash is bound in tonies' operations.

Cash flow from investing activities reflects investments in property, plant and equipment and intangible assets, and amounted to EUR – 4.9 million in the first six months of 2023 (H1 2022: EUR – 6.7 million). Investment activities include investments in tools to manufacture Tonies figurines, product-related expenses as well as own content production and software.

Free cash flow (the sum of cash flow from operating activities and cash flow from investing activities) amounted to EUR – 39.0 million (H1 2022: EUR – 54.2 million). Free cash flow represents the Group's cash efficiency and enables an assessment of profitability. This metric also considers capital investments and changes in net working capital. It thus demonstrates changes in cash before financing activities are taken into account.

Cash flow from financing activities amounted to EUR – 1.2 million in the first half of the year (H1 2022: EUR – 0.2 million) mainly driven by lease payments.

Overall, the Group's **cash** decreased from EUR 54.9 million at the end of 2022 by EUR – 40.1 million (including EUR – 0.2 million effects from exchange rate differences) to EUR 14.6 million at the end of the first six months of 2023.

The Group was able to meet its obligations at all times in the first half of 2023 and afterwards.

Assets and liabilities

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

	30.6.2023		31.12.2022		Change
	EUR m	% of BS total	EUR m	% of BS total	EUR m
Assets	**457.4**	**100.0%**	**481.8**	**100.0%**	**–24.5**
Non-current assets	**285.0**	**62.3%**	**289.3**	**60.0%**	**–4.3**
Property, plant and equipment	7.7	1.7%	7.0	1.5%	0.7
Intangible assets (incl Goodwill)	271.8	59.4%	276.8	57.5%	–5.0
Other	5.4	1.2%	5.4	1.1%	0.0
Current assets	**172.4**	**37.7%**	**192.6**	**40.0%**	**–20.2**
Cash	14.6	3.2%	54.9	11.4%	–40.3
Inventories	127.4	27.8%	84.3	17.5%	43.0
Trade receivables	16.5	3.6%	34.8	7.2%	–18.2
Other	13.9	3.0%	18.5	3.8%	–4.6
Equity and Liabilities	**457.4**	**100.0%**	**481.8**	**100.0%**	**–24.5**
Equity	**340.3**	**74.4%**	**334.6**	**69.5%**	**5.7**
Share capital & premium	609.2	133.2%	609.2	126.4%	0.0
Other incl accumulated profit and loss	–268.9	–58.8%	–274.6	–57.0%	5.7
Liabilities	**117.0**	**25.6%**	**147.2**	**30.5%**	**–30.1**
Non-current liabilities	**29.8**	**6.5%**	**38.1**	**7.9%**	**–8.3**
Loans and borrowings	7.2	1.6%	6.8	1.4%	0.3
Lease liabilities	4.2	0.9%	5.0	1.0%	–0.8
Share-based payment liabilities	5.8	1.3%	6.0	1.3%	–0.3
Deferred tax liabilities	12.6	2.8%	20.2	4.2%	–7.6
Current liabilities	**87.3**	**19.1%**	**109.1**	**22.6%**	**–21.8**
Loans and borrowings	0.0	0.0%	0.0	0.0%	0.0
Trade payables	39.3	8.6%	39.4	8.2%	–0.1
Other and provision	41.0	9.0%	55.1	11.4%	–14.0
Financial liabilities	1.2	0.3%	2.2	0.5%	–1.0
Warrant liabilities	5.7	1.3%	12.4	2.6%	–6.7

At EUR 457.4 million, total assets decreased compared to year-end 2022 (EUR 481.8 million).

Assets consisted in particular of **non-current assets**, which accounted for 62.3% of total assets (EUR 285.0 million) and in absolute terms remained on a similar level compared to year-end 2022. The major item is intangible assets. These were highly affected by the purchase price allocation for the acquisition of tonies GmbH in 2019. Goodwill, the brand and the capitalised technology as well as customer relationship assets represented the vast majority of intangible assets and total assets.

Current assets decreased from EUR 192.6 million per 31 December 2022 to EUR 172.4 million per 30 June 2023. Cash decreased from EUR 54.9 million to EUR 14.6 million. Inventories increased from EUR 84.3 million to EUR 127.4 million caused by earlier inventory build-up to avoid stock-outs and high airfreight costs in case of macroeconomic disruptions and to facilitate further international expansion. Trade receivables decreased from EUR 34.8 million per 31 December 2022 to EUR 16.5 million per 30 June 2023. Other assets (current) decreased from EUR 18.5 million to EUR 13.9 million. This item includes VAT receivables and prepaid expenses.

Compared to year-end 2022, **equity** rose by EUR 5.7 million to EUR 340.3 million. Correspondingly, equity ratio increased by 5.0 percentage points to 74.4 % per 30 June 2023 and remained at a very high level (31 December 2022: 69.5 %).

Non-current liabilities decreased from EUR 38.1 million per 31 December 2022 to EUR 29.8 million per 30 June 2023. Loans and borrowings (long term) remained roughly flat at EUR 7.2 million. As further major items, provisions for share-based payment also remained flat at EUR 5.8 million, while deferred tax liabilities declined from EUR 20.2 million per 31 December 2022 to EUR 12.6 million per 30 June 2023.

Current liabilities decreased from EUR 109.1 million per 31 December 2022 to EUR 87.3 million per 30 June 2023. Trade payables remained stable at EUR 39.3 million (31 December 2022: EUR 39.4 million). Other (current) liabilities and provisions decreased from EUR 55.1 million per 31 December 2022 compared to EUR 41.0 million per 30 June 2023. This item also included provisions for copyright collecting agencies and storage media fees. Warrant liabilities decreased due to the revaluation of warrants on tonies SE for former SPAC sponsors and shareholders which amounted to EUR 5.7 million compared to EUR 12.4 million per year-end 2022.

Research and development

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

In the year under review, the Group's in-house development of its products and the required infrastructure amounted to EUR 1.3 million. Development costs have not been capitalised to date because the capitalisation criteria under IAS 38 are not met. However, the corresponding costs were excluded from the calculation of adjusted EBITDA.

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

Overall assessment of the economic situation

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

2. Risks and opportunities report

No material risks or opportunities for the prospective development of the Company have emerged against the comprehensive disclosures included in the Annual Report 2022, pages 55–62, and broadly the same risks apply to the remaining six months of the financial year 2023. One exception is Compliance risks, which tonies no longer considers to be a major risk category as the Company has further developed and implemented the compliance management system and also expanded the compliance department in terms of personnel.

3. Subsequent events

After the end of the six-months period on 30 June 2023, no events have occurred that have a material impact on the Group's future financial position and results of operations. Please also refer to note 23 in the notes for information on events.

4. Outlook for tonies in 2023

tonies confirms its guidance after a very strong first half of 2023 and is fully on track to achieve its ambitious targets. For full-year 2023, several of the positive drivers on adjusted EBITDA in the first half of the year, including effects from price increases, lower licensing costs and non-recurring effects related to the release of licensing provisions will not be reflected to the same extent in the second half of the year.

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

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

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

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

Luxembourg, 22 August 2023

tonies SE

Patric Faßbender CEO and Co-Founder	Marcus Stahl CEO and Co-Founder	Dr. Jan Middelhoff CFO

Management’s responsibility statement

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 2023, 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, 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, 22 August 2023

Patric Faßbender CEO and Co-Founder	Marcus Stahl CEO and Co-Founder	Dr. Jan Middelhoff CFO

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 2023, which comprise the interim condensed consolidated statement of financial position as at 30 June 2023 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 flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated 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.

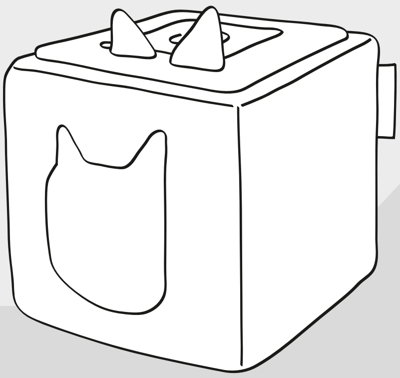
Luxembourg, 22 August 2023

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

Fabien DELANTE
Réviseur d'entreprises agréé

Interim Condensed Consolidated Financial Statements (Unaudited)

- Interim Condensed Consolidated Statement of Financial Position
- Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- Interim Condensed Consolidated Statement of Cash Flows
- Interim Condensed Consolidated Statement of Changes in Equity



In accordance with IAS 34 Interim Financial Reporting, as adopted by the EU

Registered Office:
9, rue de Bitbourg | L-1273 Luxembourg | R.CS Luxembourg : B252939

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

EU-IFRS Interim Condensed Consolidated Statement of Financial Position in kEUR	Notes	30.6.2023	31.12.2022
Assets			
Property, plant and equipment	6	7,724	7,026
Right-of-use assets	8	5,399	5,407
Intangible assets (excl Goodwill)	7	109,611	114,598
Goodwill	7	162,236	162,236
Non-current assets		**284,971**	**289,267**
Inventories	9	127,363	84,322
Return asset		310	115
Trade receivables	10	16,548	34,792
Other assets	10	13,587	18,421
Cash	11	14,604	54,918
Current assets		**172,413**	**192,568**
Total assets		**457,384**	**481,834**
Equity			
Share capital	12	2,030	2,030
Share premium	12	607,166	607,166
Other reserves		– 3,492	– 3,301
Retained earnings		– 267,316	– 239,594
Profit (Loss)		1,949	-31,663
Equity attributable to owners of the company		**340,336**	**334,638**
Non-controlling interests		**0**	**0**
Total equity		**340,336**	**334,638**
Liabilities			
Loans and borrowings	13	7,164	6,849
Lease liabilities	8	4,202	4,989
Share-based payment liabilities	18	5,785	6,049
Deferred tax liabilities		12,607	20,209
Non-current liabilities		**29,757**	**38,096**
Income tax liabilities		117	78
Loans and borrowings	13	1	1
Lease liabilities	8	1,364	586
Trade payables	14	39,333	39,412
Other liabilities	14	23,169	33,151
Financial liabilities	15	1,175	2,202*
Warrant liabilities	15	5,744	12,435
Provisions	16	16,389	21,236
Current liabilities		**87,291**	**109,100**
Total liabilities		**117,048**	**147,196**
Total equity and liabilities		**457,384**	**481,834**

* In fiscal year 2022 financial liabilities from hedging revaluation have been disclosed as part of other liabilities.
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	1.1.2023 – 30.6.2023	1.1.2022 – 30.6.2022
Continuing Operations			
Revenue	17	**113,131**	**84,385**
Changes in inventories		41,624	19,111
Cost of materials		– 81,208	– 54,628
Gross profit		**73,547**	**48,868**
Licensing costs		– 9,676	– 13,688
Gross profit after licensing costs		**63,871**	**35,180**
Other income		655	514
Personnel expenses	19	– 24,271	– 26,777
Other expenses	20	– 42,090	– 28,518
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**– 1,835**	**-19,601**
Depreciation and amortization		– 9,658	– 8,210
Earnings before interest and taxes (EBIT)		**– 11,493**	**– 27,811**
Finance income	21	6,599	25,457
Finance costs		– 798	– 226
Earnings before tax (EBT)		**– 5,691**	**– 2,580**
Tax income		7,640	1,943
Profit (loss) for the period		**1,949**	**– 637**
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation to functional currency		– 191	– 105
Total comprehensive income for the period		**1,757**	**– 742**
Profit (loss) attributable to:			
Owners of the Company		1,949	– 637
Non-controlling interests		0	0
Total comprehensive income attributable to:			
Owners of the Company		1,757	– 742
Non-controlling interests		0	0
Earnings (loss) per share (in EUR)			
Basic	22	0,02	– 0,01
Diluted	22	0,02	– 0,01

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	1.1.2023 – 30.6.2023	1.1.2022 – 30.6.2022
Profit (loss) for the period		**1,949**	**– 637**
Depreciation and amortization		9,658	8,210
Finance (income) expenses		– 5,801	– 25,231
Tax expense (income)		– 7,640	– 1,943
EBITDA		**– 1,835**	**– 19,601**
Decrease (increase) in trade receivables	10	18,244	5,589
Decrease (increase) in inventories	9	– 43,041	– 19,111
Increase (decrease) in trade payables	14	– 79	– 14,601
Decrease (increase) in net working capital		**– 24,876**	**– 28,123**
Decrease (increase) in other assets	10	4,638	– 5,269
Increase (decrease) in other provisions	16	– 4,847	1,143
Increase (decrease) in other liabilities	14	– 10,760	– 4,471
Increase (decrease) in share-based payment liabilities	18	– 264	– 3,592
Equity-settled share-based payment transaction	18	3,745	12,929
Other non-cash (income) expenses		207	0
Cash flow from operating activities before income taxes		**– 33,992**	**– 46,984**
Income tax paid		– 42	– 568
Cash flow from operating activities		**– 34,034**	**– 47,552**
Acquisition of property, plant and equipment	6	– 2,590	– 1,173
Acquisition of intangible assets	7	– 2,397	– 5,524
Interest received		49	0
Cash flow from investing activities		**– 4,938**	**– 6,697**
Repayments of borrowings		0	– 202
Interest paid		– 559	0
Payment of lease liabilities		– 591	0
Cash flow from financing activities		**– 1,151**	**– 202**
Net increase (decrease) in cash		**– 40,123**	**– 54,451**
Change in cash resulting from exchange rate differences		– 191	– 105
Net cash at the beginning of the period		54,918	75,593
Net cash at the end of the period		14,604	21,037

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 Interim Condensed Consolidated Statement of Changes in Equity in kEUR	Notes	Share capital	Share premium	Translation reserve	Transaction costs reserve	Retained earnings	Profit (Loss)	Total	Non-controlling interest	Total equity
Balance as of 1.1.2023		2,030	607,166	– 1,430	– 1,871	– 239,594	– 31,663	334,638	0	334,638
Total comprehensive income										
Profit (loss) for the period							1,949	1,949		1,949
Other comprehensive income				– 191		– 31,663	31,663	– 191		– 191
Total comprehensive income		0	0	– 191	0	– 31,663	33,612	1,757	0	1,757
Contributions and distributions										
Capital increase										
Equity-settled share-based payment transaction	18					3,745		3,745		3,745
Total contributions and distributions		0	0	0	0	3,745	0	3,745	0	3,745
Total transactions with owners of the Company		0	0	0	0	3,745	0	3,745	0	3,745
Other Changes						196		196		196
Balance as of 30.6.2023		2,030	607,166	– 1,621	– 1,871	– 267,316	1,949	340,336	0	340,336

EU-IFRS Interim Condensed Consolidated Statement of Changes in Equity in kEUR	Notes	Share capital	Share premium	Translation reserve	Transaction costs reserve	Retained earnings	Profit (Loss)	Total	Non-controlling interest	Total equity
Balance as of 1.1.2022		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						– 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	18					12,362		12,362		12,362
Total contributions and distributions		0	0	0	0	12,362	0	12,362	0	12,362
Total transactions with owners of the Company		0	0	0	0	12,362	0	12,362	0	12,362
Balance as of 30.6.2022		1,575	548,791	– 714	– 1,871	– 254,227	– 637	292,917	0	292,917

The accompanying notes form an integral part of these interim condensed consolidated financial statements (unaudited).

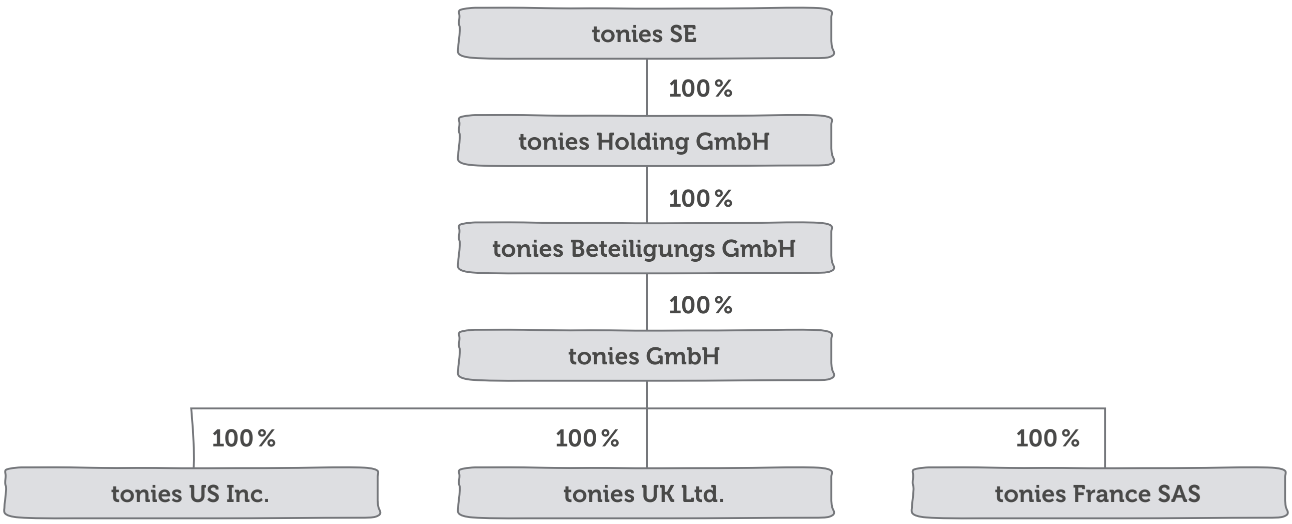
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

1. General information

tonies SE (the **"Company"** or **"tonies"**) was incorporated in Luxembourg on 18 March 2021 and was registered with the Luxembourg Trade and Companies Register under number B252939 on 29 March 2021. The registered office of the Company is in rue de Bitbourg 9, L-1273, Luxembourg. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the **"Group"** or **"tonies"**).

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

Per 30 June 2023, the group structure of tonies SE is without changes to prior year as follows:



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

2. Basis of preparation

2.1. Statement of compliance

The interim condensed consolidated financial statements and notes as at and for the six months ended 30 June 2023 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 2022 ("last annual financial statements").

The 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.

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.

The interim condensed consolidated financial statements were authorized for issue by management on 22 August 2023.

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 2022.

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 2022, except for the adoption of new standards effective as of 1 January 2023. 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 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group:
- IAS 1 and IFRS Practice Statement 2 Amendments Disclosure of Accounting Policies
- IAS 8 Amendment Definition of Accounting Estimates
- IAS 12 Amendment Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 17 Insurance Contracts
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS)
- IAS 12 Amendment International Tax Reform – Pillar II Model Rules

The aforementioned amendments are not considered relevant for tonies SE.

4. Use of judgements and estimates

In preparing the interim condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and the CFO, 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 Chief Operating Decision Maker (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 1.1, 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 2023 based on German GAAP financials. The following tables comprise the reconciliation of information on the reportable segment from management reporting under German GAAP to the amounts under IFRS reported in the financial statements.

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

in kEUR	tonies Group according to management reporting	Reconciliation	tonies Group according to IFRS
1.1.2023 – 30.6.2023			
I. Revenue	113,131		113,131
II. Adjusted EBITDA	2,985	0	2,985
EBITDA Adjustments			– 4,820
Consolidated EBITDA			**– 1,835**
Depreciation/Amortization			– 9,658
Finance Income/Expense			5,801
Consolidated loss before tax			**– 5,691**

in kEUR	tonies Group according to management reporting	Reconciliation	tonies Group according to IFRS
1.1.2022 – 30.6.2022			
I. Revenue	84,370	15	84,385
II. Adjusted EBITDA	–6,407	–158	–6,565
EBITDA Adjustments			–13,036
Consolidated EBITDA			–19,601
Depreciation/Amortization			–8,210
Finance Income/Expense			25,231
Consolidated loss before tax			–2,580

The reconciliation items related to revenue in 2022 result from the reclassification of marketing subsidies from operating expenses to reduction of revenue according to IFRS 15. For 2023 the IFRS presentation has already been incorporated in the local financial statements.

The reconciliation items related to EBITDA in 2022 result from decreased other expenses from leasing contracts under IFRS 16, a reduction of costs of materials due to beneficial USD hedges 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 profit (loss) as follows:

in kEUR	1.1.2023–30.6.2023	1.1.2022–30.6.2022
Adjusted EBITDA		
Profit (loss) for the period	1,949	–637
– Income tax	–7,640	–1,943
+ Finance cost	798	226
– Finance income	–6,599	–25,457
Earnings before interest and taxes (EBIT)	–11,493	–27,811
+ Depreciation and amortization	9,658	8,210
EBITDA	–1,835	–19,601
+ Extraordinary expenses resulting from own developed software	1,340	2,227
+ Expenses resulting from share-based payment	3,480	10,809
Total EBITDA Adjustments	4,820	13,036
Adjusted EBITDA	2,985	–6,565

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 2023, the Group acquired assets with a cost of kEUR 2,590 (six months ended 30 June 2022: kEUR 1,173). The acquisitions are mainly related to tooling for product development as well as equipment for the new office in UK.

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired.

As at 30 June 2023, the Group is performing in line with the budget. Management concludes on the absence of impairment indicators that requires an additional impairment testing.

7. Intangible assets

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

During the six months ended 30 June 2023, the Group acquired intangible assets with a cost of kEUR 2,397 (six months ended 30 June 2022: kEUR 5,524). The acquisitions mainly relate to costs for own content production.

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 2022.

As at 30 June 2023, the Group is performing in line with the budget. Management concludes on the absence of impairment indicators that requires an additional impairment testing.

8. Leases

During the six months ended 30 June 2023, the Group entered a new lease agreement for the office space in the United Kingdom. Due to the first-time recognition of this agreement the right-of-use asset and the lease liability increased by kEUR 375.

9. Inventories

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

Inventories in kEUR	**30.6.2023**	**31.12.2022**
1. Finished goods	111,978	70,034
2. Raw materials	13,460	12,302
3. Work in process	1,925	1,986
Total	**127,363**	**84,322**

During the six months ended 30 June 2023, the Group reversed its inventory write down amounting to kEUR 829 (six months ended 30 June 2022: kEUR 0 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.

During the six months ended 30 June 2023, finished goods increased from kEUR 70,034 to kEUR 111,978. This increase is mainly driven by dedicated stock for fast-growing international markets and the seasonal inventory build-up prior to the Christmas season.

10. Trade receivables and other assets

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

Trade receivables in kEUR	30.6.2023	31.12.2022
Financial assets		
1. Trade receivables	16,548	34,792
Total	**16,548**	**34,792**

Other assets in kEUR	30.6.2023	31.12.2022
Other financial assets		
1. Receivables from marketplaces	2,804	7,927
2. Other receivables financial	220	1,553
3. Deposits	160	158
4. Receivables from employees	20	19
Sum of other financial assets	**3,203**	**9,657**
Other non-financial assets		
1. Deferred expenses and accrued income	5,491	3,509
2. Receivables resulting from input taxes and VAT	4,881	5,245
3. Other receivables non-financial	12	10
Sum of other non-financial assets	**10,385**	**8,764**
Total	**13,587**	**18,421**

As of 30 June 2023, trade receivables have decreased compared to the financial year end due to high sales at the year-end 2022 and corresponding high receivables at year end after the Christmas season. These were reversed through payments in the first quarter of 2023.

11. Cash

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

In line with the seasonality of the business, as of 30 June 2023 tonies had cash with a carrying amount of kEUR 14,604 (31 December 2022: kEUR 54,918), thereof restricted kEUR 267 (31 December 2022: kEUR 872). 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 2023 are shown in tonies' interim condensed consolidated statement of changes in equity.

Share capital

The share capital amounts to kEUR 2,030 with a total number of shares of 126,847,586 of which 112,505,107 shares were issued as of 30 June 2023.

During a capital increase in November 2022 tonies has successfully placed 12,000,000 new class A shares of the Company with institutional investors, including certain existing shareholders of the Company who had committed to participate in the placement, at a placement price of EUR 5.00 per class A share.

As a result, the Company's share capital increased by 10.4 %, from kEUR 1,838 to kEUR 2,030, through the partial utilization of its authorized capital (the "Capital Increase"). Shareholders' preferential subscription rights were excluded in accordance with the articles of association of the Company. The new class A shares will have full dividend rights for the financial year 2022. The Company has received gross proceeds from the capital increase of EUR 60 million.

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.

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

13. Loans and borrowings

Loans and borrowings can be broken down as follows:

Loans and borrowings in kEUR	30.6.2023	31.12.2022
Non-current liabilities		
Non-current portion of the bond	7,164	6,849
Current liabilities		
Current portion of secured bank loans	1	1
Total	**7,165**	6,850

Per 30 June 2023 tonies SE had a total of EUR 26 million (31 December 2022: EUR 26 million) of bank credit lines available of which kEUR 0 (31 December 2022: kEUR 130) were utilized.

Terms and repayment schedule

Loans and borrowings	Original currency	Matures in	Interest type	Effective interest rate in %	Nominal value in kEUR	Carrying amount in kEUR
30.6.2023						
1. Bond	EUR	n/a	fix	5.00	10,000	7,164
2. Secured bank loans	EUR	n/a	fix	6.75	1	1
Total					**10,001**	**7,165**
31.12.2022						
1. Bond	EUR	n/a	fix	5.00	10,000	6,849
2. Secured bank loans	EUR	n/a	fix	4.05	1	1
Total					**10,001**	**6,850**

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.

During the period ended 30 June 2023, there have been no breaches of covenants.

14. Trade payables and other liabilities

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

Trade payables in kEUR	30.6.2023	31.12.2022
1. Trade payables	35,493	34,315
2. Trade accrued expenses	3,550	4,816
3. Return liability	290	280
Total	**39,333**	**39,412**

Other liabilities in kEUR	30.6.2023	31.12.2022
Other financial liabilities		
1. Liabilities for licenses	12,948	15,543
2. Payables to employees	975	496
Sum of other financial liabilities	**13,923**	**16,039**
Other non-financial liabilities		
1. Accrued expenses (non-financial)	3,958	6,298
2. Other liabilities non-financial	2,138	3,623
3. Payroll tax and social security contributions	1,224	1,087
4. Liabilities resulting from input taxes and VAT	1,212	5,037
5. Liabilities from wages and salaries	714	1,067
Sum of other non-financial liabilities	**9,246**	**17,111**
Total	**23,169**	**33,151**

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 in kEUR	Note	Mandatorily at FVTPL – others	Financial assets at amortized costs	Other financial liabilities	Total	Fair Value
Balance as of 30.6.2023						
1. Trade and other receivables	10		30,135		30,135	30,135
2. Cash	11		14,604		14,604	14,604
Financial assets not measured at fair value			**44,739**		**44,739**	**44,739**
1. Bonds	13			7,164*	7,164	7,866
2. Secured bank loans	13			1	1	1
3. Trade and other payables	14			62,501	62,501	62,501
Financial liabilities not measured at fair value				**69,666**	**69,666**	**70,368**
1. Warrants (Level 2)		5,744			5,744	5,744
2. Derivative financial liabilities (Level 2)		1,175			1,175	1,175
Financial liabilities measured at fair value		**6,919**			**6,919**	**6,919**

Financial instruments in kEUR	Note	Mandatorily at FVTPL – others	Financial assets at amortized costs	Other financial liabilities	Total	Fair Value
Balance as of 31.12.2022						
1. Trade and other receivables			53,212		53,212	53,212
2. Cash			54,918		54,918	54,918
Financial assets not measured at fair value			**108,131**		**108,131**	**108,131**
1. Bonds				**6,849**	**6,849**	**6,849**
2. Secured bank loans				1	1	1
3. Trade and other payables				72,563	72,563	72,563
Financial liabilities not measured at fair value				**79,413**	**79,413**	**79,413**
1. Warrants (Level 2)		12,435			12,435	12,435
2. Derivative financial liabilities (Level 2)		2,202			2,202	2,202
Financial liabilities measured at fair value		**14,637**			**14,637**	**14,637**

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.

*Other financial liabilities measured at amortized cost.

16. Provisions

The major part of short-term provisions was recognized to cover the fees for collecting societies for which the contracts have not been finally negotiated. The sales figures and the expected fees were used to determine the provision. During the six months ended 30 June 2023, the Group was able to release parts of the provisions after successful negotiations with the German collecting society GEMA.

In addition, further provisions relate to the expected warranty expenses and the associated outflow of resources, whether in the form of cash or replacement material. Provisions for warranty expenses are usually highest after the Christmas season, so there is also a significant decrease in this item compared to the 2022 financial statements.

In total, the provisions decreased by kEUR 4,847 to kEUR 16,389 compared to 31.12.2022.

17. Revenue

The Group's operations and main revenue streams are those described in the last annual consolidated 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 in kEUR	1.1.2023 – 30.6.2023	1.1.2022 – 30.6.2022
Primary geographical markets		
DACH (Germany, Austria, Switzerland)	66,190	63,446
US	33,820	12,495
Rest of world	13,122	8,444
Total	**113,131**	**84,385**
Major products		
Starterset	24,887	20,620
Content Tonies	80,549	58,023
Creative Tonies	1,779	2,089
Other (e.g. Accessories and mytonies)	5,915	3,654
Total	**113,131**	**84,385**

18. 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, a maximum term of up to 72 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 30 June 2023, the scheme involves 21 (2022: 21) employees of the C- and D-management-level. For two beneficiaries, the program is partly dependent on certain milestones to be reached in local businesses. These components are treated as time-based options.

As of 30 June 2023 a total of kEUR – 311 (31 December 2022: kEUR 756) was recognised as personnel expenses for these employees. The fair value has been calculated using the share prices as at 30 June 2023 as the share prices are the best estimate for the future payments. Total liability from this plan as at 30 June 2023 is kEUR 4,046 (31 December 2022: kEUR 4,356).

Virtual Stock Programme at the level of tonies SE

Starting in 2022 the Group has implemented a share-based payment compensation scheme for eligible employees of tonies US, Inc. in the form of virtual stock options. In 2023 employees of tonies GmbH were added to the plan. The scheme is entirely cash-settled with an option of equity settlement.

The scheme has a vesting period and maximum term 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 30 June 2023, the scheme involves 22 key employees.

Until 30 June 2023 a total of kEUR 46 (31 December 2022: kEUR 1,693) was recognised as personnel expenses for these employees. The fair value has been calculated using the share prices at 30 June 2023 as the share prices are the best estimate for the future payments.

Total liability from this plan as at 30 June 2023 is kEUR 1,739 (31 December 2022: kEUR 1,693).

Equity Stock Option Plan at the level of tonies SE

As of 26 November 2021, tonies SE has implemented an equity-settled equity stock option plan in the favor of Höllenhunde GmbH on the issuance and subscription of public shares in tonies SE at notional value equal to the par value to be issued from tonies SE's existing authorised capital. Concurrently with the issuance and transfer of the New Höllenhunde ESOP Public Shares, Höllenhunde GmbH paid to 468 SPAC I SE (tonies SE) in cash the amount equal to the notional value for the New Höllenhunde ESOP Public Shares issued to an account to be specified by tonies SE. A vesting period and maximum term of 24 months with a cliff period of 12 months has been agreed.

The Equity Stock Option Plan involves a total of 2,751,208 shares, granted at 26 November 2021 and fully outstanding at the beginning of the reporting 1 January 2022. At the end of November 2022 50 % of the shares representing 1,375,604 shares were vested. The remaining 50 % were outstanding as of 31 December 2022. At the end of June 30, 2023, 75 % of the shares are vested, in total 2,063,406. The remaining 25 % is outstanding and will vest with 12.5 % representing 343,901 shares each at 26 August and 26 November 2023. The relevant share price for both vested and outstanding shares is 11.50 Euros as of the grant date.

Until 30 June 2023 a total of kEUR 3,745 (31 December 2022: kEUR 24,539) was recognised as personnel expenses for these employees. The fair value has been calculated using the share prices at grant date as the share prices are the best estimate for the future payments. There are no payouts from this plan.

19. Personnel expenses

Employee benefits expense include the following items:

Personnel expenses in kEUR	1.1.2023 – 30.6.2023	1.1.2022 – 30.6.2022
1. Wages and salaries	17,868	13,584
2. Social security contributions	2,923	2,383
3. Equity and cash-settled share-based payments	3,480	10,810
Total	**24,271**	**26,777**

The average number of employees (FTE) in the first half year of 2023 increased from 365 (2022) to 433.

During the six-months period ended 30 June 2023, the decrease in personnel expenses in comparison to the comparative period amounts to kEUR 2,506. The decrease mainly results from equity and cash-settled share-based payments. For further information on the effects from share-based payments, please refer to note 18.

20. Other expenses

Other expenses include the following:

Other expenses in kEUR	1.1.2023 – 30.6.2023	1.1.2022 – 30.6.2022
1. Logistic costs	13,003	9,232
2. Marketing and sales costs	8,873	6,764
3. Insurance and contributions	7,679	4,139
4. IT costs	4,657	2,776
5. Legal, audit and consulting fees	3,004	3,103
6. Administration costs	2,236	1,343
7. Non-period expenses	295	208
8. Warranties	249	0
9. Miscellaneous other operating expenses	2,094	953
Total	**42,090**	**28,518**

During the six-months period ended 30 June 2023, the increase in other expenses in comparison to the comparative period amounts to kEUR 13,572. 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.

21. Finance income

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

As of 31 December 2022, the fair value of Public warrants was estimated at kEUR 5,400 (EUR 0.54 per warrant), while the valuation as of 30 June 2023 was at kEUR 2,860 (0.29 per warrant).

As of 31 December 2022 the fair value of Sponsor warrants was estimated at kEUR 6,848 (EUR 1.07 per warrant), while the valuation as of 30 June 2023 was at kEUR 2,884 (0.45 per warrant).

22. 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 2023. As of 31 December 2022, the 16,400,000 warrant shares were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

On 28 November 2022 1,375,604 treasury shares and during the first halfyear 2023 two tranches of 343,901 treasury shares each have been transferred to Höllenhunde GmbH reducing the remaining amount of treasury shares that were excluded from the diluted weighted average number of ordinary shares.

The profit attributable to the shareholders of tonies (basic and diluted) amount to kEUR 1,949 (30 June 2022: kEUR – 637). The weighted average number of interests in circulation (basic and diluted) amounts to 112,103,889 (30 June 2022: 98,441,701).

Profit attributable to ordinary shareholders (basic) in kEUR	**1.1.2023 – 30.6.2023**	**1.1.2022 – 30.6.2022**
Profit (loss) for the year, attributable to the owners of the Company	1,949	– 637
Profit (loss) attributable to ordinary shareholder	**1,949**	**– 637**

Weighted-average number of ordinary shares (basic) in # shares	**1.1.2023 – 30.6.2023**	**1.1.2022 – 30.6.2022**
Issued ordinary shares at 1 January	111,817,305	98,441,701
Exercise of share options in February and May	687,802	
Weighted-average number of ordinary shares at 30 June	**112,103,889**	**98,441,701**

EPS	**1.1.2023 – 30.6.2023**	**1.1.2022 – 30.6.2022**
Earnings attributable to shareholders in kEUR	1,949	– 637
Average number of shares outstanding	112,103,889	98,441,701
Basic earnings in EUR per share	**0,02**	**– 0,01**
Diluted earnings in EUR per share	0,02	– 0,01

23. Related parties

23.1. Parent and ultimate controlling party

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

23.2. Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised the following:

Key management personnel compensation in kEUR	1.1.2023 – 30.6.2023	1.1.2022 – 30.6.2022
Short-term employee benefits	444	324
Long-term employee benefits (equity settled share-based payment programme)	2,090	0
Total	**2,534**	**324**

As of 1 May 2023, Jan Middelhoff has been appointed as managing director and CFO of tonies SE and all group entities. As a result, his remuneration is included in the above table for two months. The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control were as follows:

Related parties in kEUR	1.1.2023 – 30.6.2023			1.1.2022 – 31.6.2022		
	Transaction volume			Transaction volume		
	Interest expenses	Sales of goods and services	Purchases of goods and services	Interest expenses	Sales of goods and services	Purchases of goods and services
Transactions with Höllenhunde GmbH	0	0	0	0	0	0
Transactions with PIXIPOP	0	0	– 163	0	0	– 124
Total	**0**	**0**	**– 163**	**0**	**0**	**– 124**

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

No subsequent events occurred after 30 June 2023 that could have had a significant impact on tonies future results of operations, financial position, and net assets. The Company continues its strategy execution within the overall context of the business climate.

Luxembourg, 22 August 2023

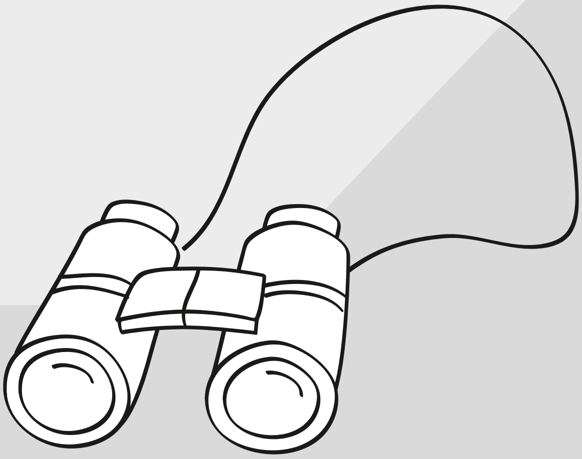
Patric Faßbender
CEO and Co-Founder

Marcus Stahl
CEO and Co-Founder

Dr. Jan Middelhoff
CFO

Other Information

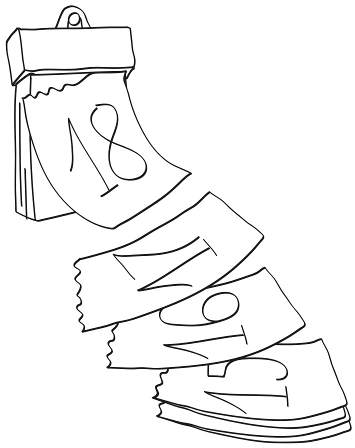
- Financial Calendar 2023
- Imprint



Financial Calendar 2023

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

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



Imprint

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Disclaimer

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