

PAL Next

ANNUAL REPORT

2024

PAL Next is a broadly positioned entertainment group specializing in the creation and production of film and series content with a strong focus on Artificial Intelligence (AI). With more than a decade of experience in producing award-winning films and series at PANTALEON Films and the expert team at Storybook Studios creating AI-generated content, PAL Next is promisingly positioned for cutting-edge, contemporary entertainment.

The PAL Next Group cooperates with renowned partners such as Amazon, Apple, Netflix, Degeto, Paramount and Warner Bros. Discovery and is continuously expanding its market position for proven and profitable film and series productions.

PAL Next AG has offices in Munich and Berlin and is listed on the Frankfurt Stock Exchange under the XETRA symbol PAL and ISIN DE000A12UPJ7.

Further information can be found at www.pal-next.com.

Letter to the shareholders

Foreword	3
Supervisory board report	5
PAL Next on the capital market	8
Sustainability at PAL Next	11

Group management report

Business activity and Group structure	14
Control system	15
Macroeconomic and sector-related conditions in 2024	16
Business Performance	17
Outlook, risk and opportunity report	19

Consolidated financial statements 26

Notes to the consolidated financial statements 34

Auditor's report on the consolidated financial statements 39

Separate financial statements 42

Auditor's report on separate financial statements 45

Disclaimer and imprint 47

DEAR SHAREHOLDERS



Stephanie Schettler-Köhler
CEO

The 2024 financial year was a year of operational focus and consistent further development for PAL Next AG. Following the successful strategic realignment in the previous year, we continued on our path with a clear objective: to combine creative excellence with technological innovation. In a year that we defined internally as a “production year”, we made significant progress in terms of content, structure and technology.

A key event was the change of name from PANTAFLIX AG to PAL Next AG, which took effect on August 30, 2024. This step not only underlines the transformation of our Company, but also our strategic self-perception: we are uniting two strong pillars under the umbrella of the PAL Next Group – the established production business of our subsidiary PANTALEON Films and the technological innovation of Storybook Studios in the field of AI-based film and series production. The realignment is therefore reflected not only in the name, but also in our daily work and corporate strategy.

In 2024, PANTALEON Films worked on several high-profile projects in parallel, including the anti-war film THE TIGER (Amazon Prime Video), the feature film THE LIFE OF WISHES starring Matthias Schweighöfer and the second season of the highly acclaimed series ASBEST for the ARD Mediathek. This portfolio was complemented by the feature film NO HIT WONDER starring Florian David Fitz, which – like THE LIFE OF WISHES – is due to be released in German cinemas in 2025.

In economic terms, our production focus was reflected in a temporary decline in revenue, as the income from the completed productions will largely not be realized in 2025. At the same time, we were able to improve EBIT in line with our forecast – a success attributable to a greater extent to our streamlined cost structure following the restructuring carried out in the previous year. Despite the earnings volatility typical of our business model, we believe we are well positioned to generate more stable and predictable income in the medium term – in particular through shorter production cycles and a scalable product portfolio.

A key growth driver here is the development and production of content based on artificial intelligence. Our subsidiary Storybook Studios once again set new standards in this area in 2024. The animated series SPACE VETS was the first almost entirely AI-generated series whose visual world was not based on pre-existing assets but was created from scratch. In addition,

PREVIOUSLY ON is a completely new series format that uses AI-generated recaps to tell complete stories in 30 to 60 seconds – tailor-made for short-form platforms such as TikTok, Instagram or YouTube Shorts

With a view to the 2025 financial year, we are confident: the completion of our productions will be directly reflected in our revenue and we expect a significant increase in revenue and earnings. At the same time, we expect the first commercially viable AI formats from Storybook Studios to make significant contributions to the Group's overall performance.

None of this progress would have been possible without the commitment and passion of our employees. Our special thanks go to them – for their creativity, their perseverance and their willingness to try new things and question the status quo.

We would also like to thank you, our shareholders, for your continued trust in our course. Together with you, we would like to continue writing the history of PAL Next AG – innovative, forward-looking and value-oriented.

Sincerely

A handwritten signature in dark ink, appearing to read 'S. Schettler-Köhler', followed by a long horizontal flourish line.

Stephanie Schettler-Köhler
CEO

DEAR SHAREHOLDERS

At its meetings in the 2024 financial year, the Supervisory Board concentrated on the strategic realignment of the company with a focus on its core business of film and series production. The expansion of the pioneering role of the Storybook Studios subsidiary in the use of artificial intelligence (AI) was also on the agenda. Following the successful course set in the previous year, PAL Next AG was thereby able to consistently continue on its chosen path in the 2024 financial year and play to its strengths. The most visible sign of this is the renaming of the former PANTAFLIX AG following the Annual General Meeting. With the approval of the shareholders, the company has been operating under the name PAL Next AG since August 30, 2024. At the Annual General Meeting, the shareholders also voted in favor of expanding the purpose of the company beyond the entertainment and creative industries. The expanded corporate purpose gives PAL Next AG greater scope to access new, high-growth markets and business areas.

In the persistently challenging economic environment of 2024, all members of the Supervisory Board were always fully informed about the current status and development of the relevant projects. The Supervisory Board also dealt intensively with current film and series productions in the reporting year. Various film and series projects were undergoing production or completed in the 2024 financial year.

All productions were regularly discussed at the Supervisory Board meetings and corresponding resolutions were passed.

As accustomed, the Supervisory Board dealt extensively and intensively with current industry, business and company developments in the 2024 financial year. In doing so, it always maintained an intensive dialog with the Executive Board, which it would like to expressly thank for its work.

KEY TOPICS OF THE SUPERVISORY BOARD MEETINGS IN THE 2024 FINANCIAL YEAR

In the 2024 financial year, the Supervisory Board performed the duties incumbent on it by law, the articles of association and the rules of procedure with due care and diligence. The Supervisory Board regularly advised and continuously monitored the Management Board in its management of the company, provided advice on the strategic development of the company and significant individual measures and satisfied itself that the company was managed in a legal, orderly and expedient manner and that the internal control and risk management system in place was appropriate. The Supervisory Board held a total of seven meetings in the 2024 financial year to perform its duties – on January 2, April 16 (balance sheet meeting for the 2023 financial year), May 29, July 4, August

26, November 20 and December 30, 2024. All meetings, with the exception of the meeting on August 26 following the Annual General Meeting, were held virtually via video or telephone conference. In addition, the Supervisory Board passed urgent resolutions by circular resolution. All Supervisory Board members took part in the Supervisory Board meetings. The Management Board and, if necessary, other employees were invited to attend individual Supervisory Board meetings as guests to present issues and answer any questions.

At the meetings convened, the Supervisory Board discussed the reports of the Management Board in detail and jointly discussed the situation of the company, the development of revenue and earnings, the annual financial statements of the company, the strategy and risk control system of the Management Board, the personnel situation and the financial position of PAL Next AG. Any deviations from the plans and targets were communicated to the Supervisory Board by the Management Board.

The following key issues were also discussed at the Supervisory Board meetings in the 2024 financial year:

- Completion of various cinema/film and series productions
- Capital and financing measures of the Group and its main subsidiaries
- Management Board and other personnel matters within the Group
- Approval and convening of the Annual General Meeting as an in-person event
- Approval and adoption of the individual financial statements for 2023
- Approval of the consolidated financial statements 2023

TRUST-BASED COOPERATION WITH THE MANAGEMENT BOARD

In the 2024 financial year, the Supervisory Board actively supported the Management Board by way of consultations and discussions and was involved in all decisions of material importance to the company. The work of the Supervisory Board was characterized by an active monitoring process. The Management Board informed the Supervisory Board regularly, promptly and comprehensively about all issues of significance to the company relating to planning, business policy and development, the net assets, financial position and results of operations, the risk situation, risk management and risk controlling as well as the status of compliance with legal provisions and internal company guidelines. Consequently, the Supervisory Board was always informed of all relevant events and this close monitoring of the Management Board

ensured careful supervision at all times. The Supervisory Board was also informed of significant business transactions in writing and verbally outside of Supervisory Board meetings as part of the regular reporting process in accordance with Section 90 of the German Stock Corporation Act (AktG).

In addition, the Supervisory Board was also in regular contact with the Management Board outside of Supervisory Board meetings and was informed in detail about the current development of the business situation and significant business transactions. The Supervisory Board also examined important individual business transactions and decided on the transactions presented that required its approval. All decisions and measures requiring its approval were discussed in detail, and resolutions were passed based on the discussions and the resulting resolutions proposed by the Management Board.

COMPOSITION OF THE SUPERVISORY BOARD – CHANGES IN THE 2024 FINANCIAL YEAR

In accordance with the provisions of PAL Next AG's Articles of Association, the Supervisory Board consists of three members. In the 2024 financial year, the Supervisory Board consisted of Mr. Dan Maag (Chairman), Mr. Marcus Boris Machura (Deputy Chairman until 26 August, Chairman from August 26) and Ms. Kerstin Trottnow (Member until August 26 and Deputy Chairman from August 26) until the Annual General Meeting of PAL Next AG on August 26, 2024.

At the Annual General Meeting on August 26, 2024, the shareholders elected a new Supervisory Board by rotation. In addition to the previous Supervisory Board members Mr. Marcus Boris Machura and Ms. Kerstin Trottnow, Mr. Nicolas Sebastian Paalzow was newly elected to the Supervisory Board. The new term of office of the Supervisory Board ends at the end of the 2026 Annual General Meeting.

At its constituent meeting following the Annual General Meeting, the Supervisory Board of PAL Next AG elected Mr. Marcus Boris Machura as Chairman of the Supervisory Board, Ms. Kerstin Trottnow as Deputy Chairman of the Supervisory Board and Mr. Nicolas Sebastian Paalzow as a member.

Due to the fact that the company's Supervisory Board consists of three members in accordance with the Articles of Association, the Supervisory Board has not formed any committees. All the members of the Supervisory Board have dealt with all of the tasks of the Supervisory Board as part of their work.

There were no conflicts of interest on the part of Supervisory Board members in the past financial year.

COMPOSITION OF THE MANAGEMENT BOARD

Ms. Stephanie Schettler-Köhler manages the company as sole member of the Management Board. She was appointed to the Management Board by the Supervisory Board with effect from August 2, 2021 for a three year term of office. The Management Board contract of Ms. Stephanie Schettler-Köhler was contractually extended by a further two years until August 1, 2026.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

Concept Wirtschaftsprüfung GmbH Wirtschaftsprüfungsgesellschaft, Mainz, audited the annual financial statements of PAL Next AG as at December 31, 2024 and the voluntarily prepared consolidated financial statements including the Group management report as at December 31, 2024 in accordance with the principles of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG) and issued an unqualified audit opinion in each case. As part of the audit of the annual financial statements, the auditor conducted an audit of the accounting-related internal control system in order to take into account the findings on the effectiveness of the accounting-related internal control system in the further selection of audit procedures. The audit did not reveal any indications of weaknesses in the accounting-related internal control system.

The Supervisory Board examined the annual financial statements and the consolidated financial statements, including the Group management report, of PAL Next AG as of December 31, 2024, in particular with regard to their legality, regularity and appropriateness, and discussed the documents in detail with the Management Board and the auditor as the basis for a draft audit report. The auditor reported on the results of the audit in its entirety and on the individual focus points of the audit at the Supervisory Board meeting on April 14, 2025, which was held as part of a video conference, and answered the questions of the members of the Supervisory Board in detail. The members of the Supervisory Board took note of the audit reports and the audit opinions, critically assessed them and discussed them, as well as the audits themselves with the auditor, which included questions about the nature and scope of the audit and the audit results. The Supervisory Board was able to satisfy itself of the correctness of the audits and the audit reports. The Supervisory Board conducted its own in-depth review of the annual financial statements and the consolidated financial statements, including the Group management report.

No objections were raised following the completion of this audit. Consequently, the Supervisory Board approved the result of the audit at the Supervisory Board meeting on April 14, 2025. The annual financial statements drawn up by the Management Board were adopted by the Supervisory Board and the consolidated financial statements were approved by the Supervisory Board. The Supervisory Board concurred with the Group management report and the assessment of the company's future development.

AUDIT OF THE DEPENDENT COMPANY REPORT IN ACCORDANCE WITH SECTION 314 (2) AND (3) AKTG

Furthermore, at the meeting on April 14, 2025, the Supervisory Board examined the report of the Management Board pursuant to Section 312 AktG on relationships with affiliated companies for the 2024 financial year (dependent company report).

The Supervisory Board's review of this report did not give rise to any objections. The Supervisory Board had the benefits and potential risks of the legal transactions described in the dependent company report presented to it by the Management Board and weighed them up against each other on the basis of its own assessment. The Supervisory Board also obtained an explanation of the principles according to which the company's services and the consideration received in return were determined.

The report on relationships with affiliated companies drawn up by the Management Board in accordance with Section 312 (1) AktG has also been audited by the auditor. The auditor has issued the following unqualified audit opinion in accordance with Section 313 (3) AktG:

„Following our mandatory audit and assessment, we confirm that

1. the actual disclosures in the report are correct,
2. the consideration paid by the company for the legal transactions listed in the report was not inappropriately high or disadvantages were compensated for under the circumstances known at the time they were carried out,
3. there are no circumstances that indicate a materially different assessment of the measures listed in the report than that of the Executive Board.“

We concur with this judgment. Following the final result of the audit, the Supervisory Board has no objections to the declaration of the Management Board at the end of the dependent company report.

The Supervisory Board would like to thank the Management Board and all employees for their personal commitment and good work in the past financial year. We would also like to express our sincere appreciation to you, our shareholders, for your continued support and trust in PAL Next AG.

For the Supervisory Board



Marcus Boris Machura
Chairman of the Supervisory Board

THE PAL NEXT AG STOCK

THE PAL NEXT AG STOCK

PAL NEXT AG shares are included in the EU-registered SME growth market Scale in the Open Market of the Frankfurt Stock Exchange. Scale, Deutsche Börse’s segment for small and medium-sized enterprises or SMEs, represents an alternative to the EU-regulated segments with access to investors and an efficient possibility of equity financing for young growth companies.

SHARE PRICE DEVELOPMENT 2024

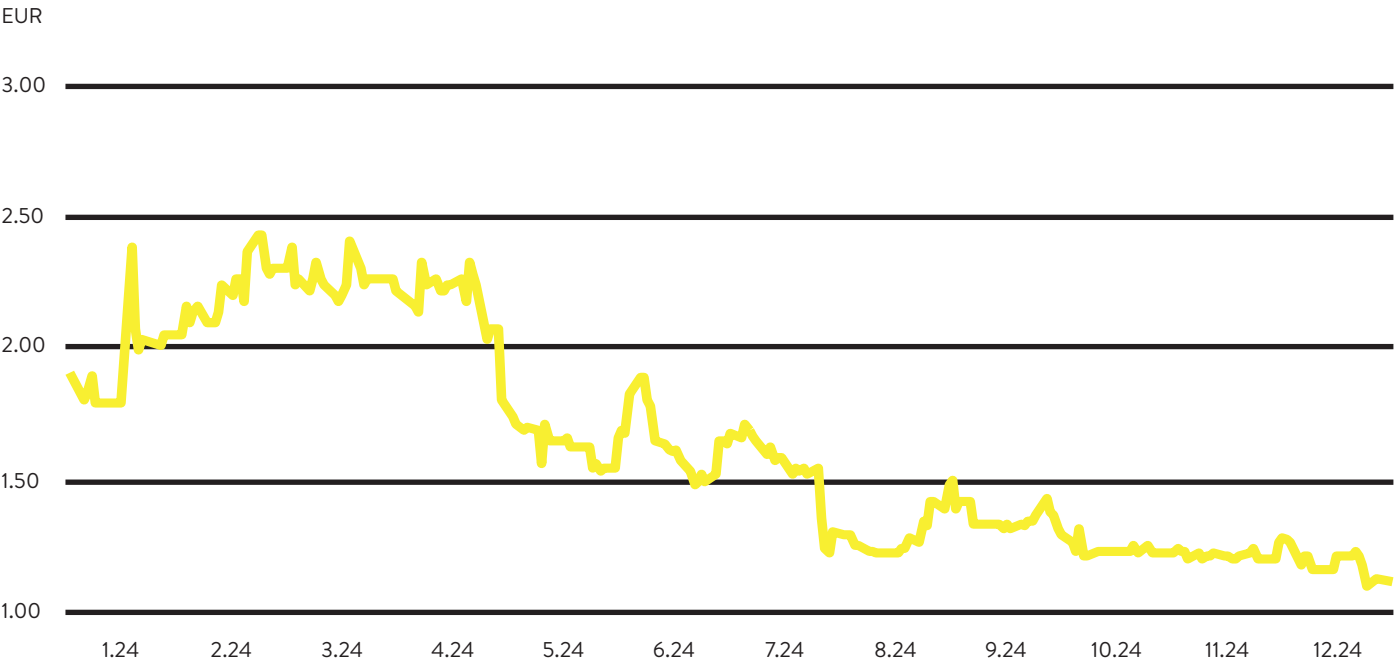
The international stock markets can look back on a successful performance in 2024. The geopolitical conflicts in Ukraine and the Middle East continued to cause uncertainty and thus volatility on the markets over the course of the year. The continued strength of the US economy boosted the stock markets of the industrialized countries, while the late recovery in Chinese share prices, together with strong economic performances in India and Taiwan, supported the stock markets of the emerging markets. In contrast, the weak economy and the low proportion of AI companies had a negative impact on European stock markets.

US equities – as measured by the MSCI USA – rose by 25.1%.¹ European equities – as measured by the MSCI Europe – rose by just 2.4%.² The DAX recorded an increase of 15.4%, making it the top performer among the major European stock exchanges. The Scale All Share Index, which includes PAL Next shares, ended the 2024 stock market year down 7.6%.³

PAL Next AG shares opened the 2024 stock market year at a price of EUR 1.83 on January 2. Initially, the shares benefited from PAL Next AG’s refocusing on the film and series business and the company’s AI transformation, rising to a high of EUR 2.70 on February 21, 2024. From the second quarter onwards, the share price was unable to escape the generally weak growth in the small-cap sector and fell to a low of EUR 1.11 on December 23, 2024 as the year progressed. Overall, PAL Next AG shares closed at EUR 1.17 on December 30, down 39.7% in the 2024 stock market year (all figures based on Xetra prices).

1 <https://www.msci.com/documents/10199/67a768a1-71d0-4bd0-8d7e-f7b53e8d0d9f>
2 <https://www.msci.com/documents/10199/db217f4c-cc8c-4e21-9fac-60eb6a47fa0>
3 <https://www.boerse-frankfurt.de/index/scale-all-share-kursindex>

SHARE PRICE PERFORMANCE IN 2024



The average daily trading volume in PAL Next shares on all German stock exchanges amounted to 4,551 shares in 2024 (2023: 9,422).

On December 30, 2024, the market capitalization amounted to approximately EUR 29.9 million based on 25,565,918 shares and a closing price of EUR 1.17 (all data based on Xetra prices). The registration of 26,000 no-par value shares from the exercise of conversion rights from the 2023/2026 corporate convertible bond was still outstanding as at December 31, 2024.

SHARE PRICE PERFORMANCE IN 2024

Opening price	January 02, 2024	EUR 1.83
Low	December 23, 2024	EUR 1.11
High	February 21, 2024	EUR 2.70
Closing price	December 30, 2024	EUR 1.17
Market capitalization	December 30, 2024	EUR 29.9 million
Share price performance		-39.7%

As the designated sponsor, Hauck Aufhäuser Lampe Privatbank AG provides binding bid and ask prices thus ensuring appropriate tradability of the PAL Next stock. Further information is available to interested investors in the Investor Relations section of the homepage at pal-next.com.

SHARE INFORMATION*

Stock exchange	Xetra, Frankfurt
Ticker symbol	PAL
Total number of shares	25,565,918
Share capital	EUR 25,565,918.00
ISIN	DE000A12UPJ7
WKN	A12UPJ
Market segment	Open market
Transparency level	Scale
Designated Sponsor	Hauck Aufhäuser Lampe Privatbank AG

*As of December 31, 2024

INVESTOR RELATIONS

As a listed company, PAL Next AG cultivates a climate of continuous communication with investors, private investors and financial analysts. PAL Next held an earnings call to accompany the publication of its annual and half-year reports. Furthermore, the Management Board of PAL Next AG exchanged views with representatives of the financial and business press to present the company and its business model. The Management Board also presented PAL Next AG's business model and strategy at the Hamburg Investor Days (HIT) in August 2024.

ANNUAL GENERAL MEETING

PAL Next AG held its Annual General Meeting at the Bavarian stock exchange as an in-person event on August 26, 2024. The shareholders voted almost unanimously in favor of all the resolutions proposed by the management and approved the actions of the Management Board and Supervisory Board. On the date of the vote, 71.36% of the share capital was required to form a quorum. Stephanie Schettler-Köhler, CEO of PAL Next AG, summarized the company's development in the 2023 financial year and presented an outlook on its future in an evolving film industry: the use of artificial intelligence in production processes in order to fully unleash its creative potential.

The voting results of the 2024 Annual General Meeting are available on the company's website at pal-next.com.

ANALYST RESEARCH

The shares of PAL Next AG were analyzed and evaluated by the prestigious research company Montega in the 2024 financial year. In his latest study, analyst Ingo Schmidt emphasizes in particular the fact that PAL Next AG grew in line with the budget in the first months of 2024 and the promising prospects offered by the use of artificial intelligence, especially in the field of animation.

UPDATE	INSTITUTE	ANALYST	RECOMMENDATION	PRICE TARGET
October 14, 2024	Montega Research	Ingo Schmidt	Sell (Sell)	EUR 1.00 (EUR 1.00)
April 25, 2024	Montega Research	Tim Kruse	Sell (Sell)	EUR 1.00 (EUR 0.85)

SHAREHOLDER STRUCTURE

As of December 31, 2024, the company is aware of those shareholders who have submitted one or more notifications in accordance with Section 20 AktG. BlackMars Capital GmbH, based in Hofheim am Taunus, informed the company that it held more than 50% of the shares in the company directly throughout the reporting period.

FINANCIAL CALENDAR 2025

April 30, 2025	Annual Report 2024 & Earnings Call
August 27- 28, 2025	Hamburg Investor Day
August 19, 2025	Annual General Meeting
September 2025	Half-Year Report 2025

Further information is available to interested investors at pal-next.com.

SUSTAINABILITY AT PAL NEXT

In 2024, PAL Next once again remained true to its convictions: sustainability is inseparable from economic success. Ecological and social responsibility are enshrined in our corporate culture, and they determine our entrepreneurial actions. After all, films and series have the potential not only to offer high-quality entertainment but also to promote important social discourse and raise awareness of sustainability issues. For us, acting sustainably also means observing national and international laws and standards and promoting a corporate culture based on legality, integrity, trust and transparency.

We are therefore laying down a clear marker for transparency and responsibility by also volunteering information on sustainability topics and ESG data for 2024. This sustainability report is based on the specifications contained in the VSME standard – voluntary standard for the sustainability reporting of “Voluntary Small and Medium Enterprises” – and presents the key ESG data for PAL Next. In the process, we focus on the most important sustainability topics for our company and our stakeholders. The existing materiality analysis was also updated as part of a workshop. The available results of the analysis were compared with the topics covered by the ESRS (European Sustainability Reporting Standards) and verified on the basis of the double materiality concept. This revealed the following spheres of action to be essential both for the PAL Next Group itself and for key stakeholders:

Besides ESRS topics, one existing company-specific topic was classified as relevant, i.e.:

“Innovation and AI”. Because PAL Next uses AI (Artificial Intelligence) at its Storybook Studios subsidiary in order to redefine storytelling and make production processes more efficient. Our approach in the field of Artificial Intelligence is focused not only on creating innovative entertainment experiences but also on exerting a positive influence on the environment and society as a whole. The use of AI can make a substantial contribution towards boosting cost efficiency and promoting diversity and inclusion through our entertainment products. In doing so, we undertake to maintain the highest ethical standards and create a responsible digital environment. We guarantee strict data protection measures as well as complete transparency in the use of personal data. We intend to ensure that our AI models are not only focused on a homogeneous user group but also take account of a broad range of needs and backgrounds. In this way, we can better reflect the perspectives and needs of our diverse audience, enhance overall quality and at the same time preserve ethical integrity.

As a general rule, PAL Next’s sustainability strategy comprises topics from the spheres of the environment, society, corporate governance and innovation, focusing on the integration of AI into our production processes. This will enable us to generate value added for our stakeholders over the long term.

ESRS E1 - Climate change

- Climate protection
- Energy

ESRS E5 - Use of resources and circular economy

- Inflows / consumption of resources
- Waste

ESRS S1 - Own workforce

- Working conditions
- Equal treatment and equal opportunities
- Data protection

ESRS S2 - Workers in the value chain

- Data protection

ESRS S4 - Consumers / end users

- Data protection
- Protection of children

ESRS G1 - Corporate policy

- Corporate culture
- Protection of whistleblowers
- Corruption and bribery

To implement the sustainability strategy, the Group has internal guidelines and practices aimed at transitioning to a more sustainable way of doing business:

GUIDELINES/PRACTICES	CONTENTS/PURPOSES
Calculation of the corporate carbon footprint with <i>KlimAktiv</i> Green Shooting Calculator (since 2022)	Goal: To monitor and reduce carbon emissions; calculation in accordance with the GHG Protocol (Greenhouse Gas Protocol).
Commitment to Green Motion minimum standards (since 2021)	Goal: To realize production methods in German cinema, TV and online/VoD productions that are more protective of the climate and resources. Standards are applied to productions and at the Group's main facilities.
Waste management	Goal: To reduce work or make it paperless through digitalization; waste separation in offices and on set.
Diversity Charter (since 2022)	Goal: To advance the recognition, appreciation and inclusion of diversity in the working environment in Germany. The Diversity Charter is supported by the federal government commissioner for migration, refugees and integration.
Regular training and further education opportunities (mandatory and voluntary)	Goal: To offer training for all employees in the following areas: sustainability, data protection, AI, occupational safety, first aiders, compliance, new operating systems.
Health & Safety	Goal: To protect permanent employees and project staff – dedicated documentation of dangers and risks in offices and on shoots.
Code of conduct for employees and code of conduct for business partners	Goal: To explain internal guidelines and rules focusing on non-discrimination, equal treatment, diversity, inclusion, human rights, employees' rights, occupational health and safety, compliance with the law, combating corruption, data protection, fair competition, sustainability, AI.
AI guideline / procedural instruction (since February 2025)	Goal: To ensure responsible handling of AI technologies; fulfilment of legal requirements and specifications under data protection legislation; definition of clear responsibilities. Compliance with principles and procedures in the procurement, implementation and use of AI within PAL Next AG.
Guideline on gifts and hospitality	Goal: To avoid the appearance of misconduct and not to allow business decisions to be influenced. Inappropriate donations can lead to disciplinary measures and criminal prosecution.
Data protection specialist and mandatory training for all employees on the subject of data protection	Goal: Strict compliance with the EU General Data Protection Regulation. The data protection specialist serves as the point of contact for all questions from employees and customers relating to the topic of data protection.
Whistleblower system	Goal: To foster a culture of trust and opportunities to report breaches of internal guidelines or violations of the law by means of a dedicated email and telephone number: compliance@pal-next.com / +49-89-2323855118. The whistleblower system is available to all employees but also to business partners and third parties.

The following table shows the key ESG indicators for PAL Next for the 2024 reporting year. As new ESG indicators were surveyed in 2024, that year will also be used as the base year in the future:

KEY ESG INDICATORS	2024
ENVIRONMENT	
Carbon emissions (Scopes 1, 2, 3) - kg	527,282.60
Electricity from renewable sources	
Head Office - %	100
Projects - %	39.27
SOCIAL ASPECTS	
Total number of permanent employees	21
of whom women - % ¹	48
of whom men - % ¹	52
Permanent contracts - % ²	100
Staff turnover rate - % ³	48
Total number of project staff	463
of whom women - % ⁴	45
of whom men - % ⁴	55
Fixed-term contracts - % ⁵	100
GOVERNANCE	
Cases reported via the whistleblower system	0

¹ This indicator was calculated and surveyed as of the reporting date of December 31, 2024.

² All permanent employees have an indefinite contract.

³ Due to restructuring in the 2024 financial year, staff turnover was relatively high.

⁴ Of the absolute number for the whole of 2024.

⁵ All project staff have a fixed-term contract through PANTALEON Films.

NAME CHANGE TO PAL NEXT AG

On August 26, 2024, the Annual General Meeting of PANTAFLIX AG resolved to change the company's name to PAL Next AG. The name change is intended to reflect the company's expanded purpose beyond the entertainment and creative industries and at the same time to reflect the full breadth and diversity of its future business activities. The name change took effect with the entry in the commercial register on August 30, 2024.

BUSINESS ACTIVITY AND GROUP STRUCTURE

PAL Next Group is a broadly positioned entertainment group specializing in the creation and production of film and series content with a powerful focus on Artificial Intelligence (AI). Drawing on more than a decade of experience in producing award-winning films and series at PANTALEON Films and the expert team at Storybook Studios creating AI-generated content, PAL Next is promisingly positioned for advanced, leading-edge, contemporary entertainment. The PAL Next Group cooperates with renowned partners such as Amazon, Apple, Netflix, Degeto as well as Paramount and Warner Bros. and Discovery. The Group is continuously expanding its market position for established and profitable film and series productions.

At present, the Group comprises four subsidiaries (PANTALEON Films GmbH, Storybook Studios GmbH, PANTAFLIX Technologies GmbH and The Special Squad UG), which are based in Munich and Berlin. The Group is bundling its core business activities in the companies of PANTALEON Films and Storybook Studios. PANTALEON Films develops, finances and produces fictional films and series. The company markets them as the rights holder. Storybook Studios focuses on the development and production of films and series harnessing artificial intelligence. As the PAL Next Group plays a pioneering role in the emerging market, Storybook Studios is already working on specific projects for the general public. The operational activities of PANTAFLIX Technologies have been reduced to a minimum. As the holding company, PAL Next AG performs the Group's strategic performance function. In addition to core functions such as management and controlling, it also handles public and investor relations as well as additional tasks in the areas of administration, business development and administration for its subsidiaries.

IN-HOUSE PRODUCTIONS, CO-PRODUCTIONS AND CONTRACT PRODUCTIONS

The PAL Next Group distinguishes between in-house productions, co-productions and contract productions. In-house and co-productions are based on closed production financing. This usually consists of two pillars. The first pillar of such financing is the advance sale of utilization rights that are initially limited in terms of time, space and subject matter. These are specifically the exploitation rights for cinema, home entertainment, pay TV, free TV and world distribution rights, which are monetized by agreeing guarantee payments in the form of minimum guarantees. Funding is the second pillar of production financing, which is usually granted by funding institutions in Germany and abroad in the form of conditionally repayable loans. Other subsidies are

CONTROL SYSTEM

so-called reference funds, which are generated by achieving certain audience figures and successes at festivals and film awards for previous film productions and can be used to finance new film projects.

FINANCIAL LIABILITIES DUE TO INTERIM FINANCING OF IN-HOUSE PRODUCTIONS AND CO-PRODUCTIONS

As the financing components of in-house and co-productions are disbursed in partial amounts during the entire production process, interim financing is arranged and organized. Although this interim financing is shown in the balance sheet as a financial liability, it does not increase the implicit debt, as the coverage of the total amount including interest, and consequently also its repayment, is already arranged and determined in advance by other financing components, such as minimum guarantees and subsidies. Through in-house and co-productions, commercially relevant rights are created in the form of a rights library that can be marketed by way of various exploitation stages.

The PAL Next Group is managed based on the key performance indicators of sales revenue, total operating revenue and EBIT. The cash flow and the equity ratio are also taken into account. Other qualitative and quantitative factors, such as the development of new film and series projects, the acquisition of new partners or the monetization of realized productions in various stages of exploitation, serve to further measure success.

MACROECONOMIC AND INDUSTRIE-RELATED CONDITIONS IN 2024

According to its forecast for 2024 issued in January 2025, the International Monetary Fund (IMF) expects global economic growth to remain subdued at 3.2% following on from 3.3% in the previous year.¹ Over the entire year as a whole, the economic divergence between the economies have narrowed somewhat, but the IMF also emphasizes the negative impact of unresolved structural problems in countries such as China.² Global inflation continues to decline, although the trend is being held back by persistently high inflation in the service sector. As the main influencing factors, the IMF sees inflation trends, the resulting scope for central banks to cut interest rates and the further development of geopolitical and trade conflicts.³

In the eurozone, economic momentum has picked up somewhat, but also remains relatively modest. According to the IMF, economic growth has edged up to 0.8% in 2024 compared to 0.4% in the previous year. Service-oriented economies in particular developed positively, while countries with a strong industrial segment, such as Germany, continued to suffer from the ongoing weakness of the manufacturing sector.⁴

According to the Federal Statistical Office (Destatis), in 2024 the German economy experienced its second consecutive decline in economic performance. Accordingly, gross domestic product (price-adjusted) dipped by a further 0.2% in 2024⁵, having already declined by 0.3% in the previous year.⁶ This development was due to both economic and structural problems. In addition to persistently high interest rates and elevated energy costs, these included growing competition for the German

export industry in key sales markets and uncertainties concerning the economic outlook. Weak investment activity and lower export demand amounted to a particularly negative impact.⁷ By contrast, the „other service providers“ sector, which also includes the creative and entertainment industry, was able to expand its economic activities again compared to the previous year, thereby supporting the economy in 2023. However, the overall increase was only half as strong as in the year before. On the demand side, private consumption edged up by 0.3% year-on-year in price-adjusted terms in 2024, underlining the great uncertainty and low propensity to spend among consumers in spite of uptrending real wages.⁸

The 2024 cinema year also performed slacker than the previous year in terms of both ticket sales and revenue. According to the German Federal Film Board (FFA), several factors were responsible for this. In addition to the European Football Championships in Germany and the Olympic Games in France, these included the Hollywood strikes in particular, which meant that various blockbusters were not released in 2024 as originally planned. At 90.1 million, the number of cinema tickets sold in 2024 stood 5.8% below the prior year figure. Revenue was down by 6.5% to EUR 868.4 million. The average ticket price also declined slightly and, at EUR 9.64, was 0.8% lower than the previous year. A total of 17.7 million tickets were sold for German films and co-productions in 2024, which is 20.9% fewer tickets than in the prior year, while market share decreased from 24.3% to 20.6%.⁹

1 <https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025>

2 <https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024>

3 <https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025>

4 <https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024>

5 https://www.destatis.de/DE/Presse/Pressemitteilungen/2025/02/PD25_069_811.html

6 https://www.destatis.de/DE/Presse/Pressemitteilungen/2024/02/PD24_066_811.html

7 https://www.destatis.de/DE/Presse/Pressemitteilungen/2025/01/PD25_019_811.html

8 https://www.destatis.de/DE/Presse/Pressemitteilungen/2025/01/PD25_019_811.html

9 https://www.ffa.de/files/dokumentenverwaltung/publikationen%20presse%20%28bearbeitet%20HS%29/2024/FFA-Kinojahr_2024.pdf

COURSE OF BUSINESS

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

In the 2024 financial year, the PAL Next Group worked on a wide variety of productions: These include the anti-war film THE TIGER (working title) for Amazon Prime Video, which was completed in the financial year elapsed. In addition, shooting was successfully concluded for THE LIFE OF WISHES and NO HIT WONDER feature films. Both films are scheduled to be released in German cinemas in 2025. Shooting was also completed on the second season of the hit series ASBEST. In the 2024 financial year Storybook Studios released numerous episodes of the AI-produced animation series SPACE VETS. The release of an elaborate Christmas episode of SPACE VETS marked a particular highlight at the end of the year, which was met with great interest from young and old alike. The presentation of the innovative AI-supported narrative format PREVIOUSLY ON at Storybook Studios after the end of the reporting period in February 2025 represented a milestone in the development of AI workflows. The format conveys complete narratives through AI-generated recap segments of 30-60 seconds in length, which were specially designed for short-form video platforms. The efficiency of the format was demonstrated in the first project: THE INDIGO MACHINE, a mystery series with five episodes, was completed in less than 150 working hours.

For the PAL Next Group as a whole, the past 2024 financial year was a production year, meaning that business activities were only characterized to a small extent by the recognition of revenue from completed productions. The PAL Next Group generated revenue of EUR 4,160 thousand (2023: EUR 35,382 thousand), which was within the forecast of between EUR 3 million and EUR 4.5 million and includes the partial recognition of revenue from the anti-war film THE TIGER (working title). In addition, sales also reflect revenue participations. Additions for ongoing projects and disposals for completed projects resulted in an overall increase in inventories of EUR 90 thousand (2023: decrease in inventories of EUR 303 thousand). Total operating performance including other operating income therefore amounted to EUR 5,388 thousand (2023: EUR 37,059 thousand).

The cost of materials decreased to EUR 2,268 thousand (2023: EUR 11,417 thousand). In the previous year, the completed shooting of THE TIGER had a particular impact in this context. The cost of materials includes expenses for commissioned productions and co-producers' shares in the proceeds from the exploitation of film rights, as well as subsequent expenses for

completed projects. By contrast, the costs for in-house and co-productions are reported under fixed assets as advance payments made under intangible assets and subsequently amortized at 90% in the year of completion. Personnel expenses decreased further to EUR 2,358 thousand (2023: EUR 3,628 thousand).

Amortization, mainly on internally generated intangible assets, in particular in connection with completed and revenue-generating in-house productions, totaled EUR 2,018 thousand (2023: EUR 23,412 thousand). Amortization of acquired intangible assets and depreciation of property, plant and equipment are of minor significance. No significant change in the utilization profile is expected in the course of time.

Other operating expenses were down to EUR 2,084 thousand (2023: EUR 2,201 thousand).

All in all, EBIT improved to EUR -3,341 thousand (2023: EUR -3,599 thousand) due to lower sales and lower costs as a result of the restructuring carried out in the previous year and was therefore within the forecast range of EUR -4 million to EUR -2.5 million.

As of December 31, 2024, the consolidated balance sheet total adjusted for the deficit not covered by equity increased to EUR 72,318 thousand (December 31, 2023: EUR 42,374 thousand). The increase in fixed assets to EUR 22,751 thousand (December 31, 2023: EUR 5,399 thousand) resulted from ongoing in-house and co-productions. The increase in current assets to EUR 49,468 thousand (December 31, 2023: EUR 36,879 thousand) is due in particular to the production-related increase in cash and cash equivalents to EUR 44,295 thousand (December 31, 2023: EUR 29,018 thousand). Trade receivables were down to EUR 1,119 thousand (December 31, 2023: EUR 2,857 thousand). Other assets decreased to EUR 3,656 thousand (December 31, 2023: EUR 4,698 thousand), in particular due to project-related receivables from foreign grants for UNWANTED. Consolidated equity decreased to EUR -763 thousand as of December 31, 2024 (December 31, 2023: EUR 2,605 thousand) due to the consolidated net loss for the year. The equity ratio also declined to -1.1% (December 31, 2023: 6.2%) as the result of the increase in liabilities from production activities. The Company expects to be able to report positive consolidated equity of the PAL Next Group again in the further course of the year through the conversion of bonds from the corporate convertible bond issued.

Liabilities to banks, in particular for ongoing or completed but not yet invoiced projects, were up to EUR 56,739 thousand (December 31, 2023: EUR 36,276 thousand).

Based on the authorization granted by the Annual General Meeting on July 21, 2023, the Management Board of PAL Next AG resolved on September 29, 2023, with the approval of the Supervisory Board, to issue a corporate convertible bond with an interest rate of 3.0% in a total nominal amount of up to EUR 8,000,000, divided into up to 8,000 bearer bonds with a nominal amount of EUR 1,000 each, which was fully placed. In the 2024 financial year, bonds of EUR 3,050,421 (December 31, 2023: EUR 34,000) were issued, of which EUR 26,000 (December 31, 2023: EUR 2,000) were converted into 26,000 no-par value shares.

Prepayments received on orders advanced to EUR 11,400 thousand (December 31, 2023: EUR 1,435 thousand), mainly due to projects undergoing production. Trade payables decreased to EUR 705 thousand (December 31, 2023: EUR 838 thousand). Other liabilities, in particular contingently repayable film subsidy loans, third-party revenue shares and taxes, increased to EUR 854 thousand (December 31, 2023: EUR 676 thousand).

LIQUIDITY

In the 2024 financial year the cash flow from operating activities advanced to EUR 11,947 thousand (2023: EUR 7,077 thousand) with a lower consolidated net loss, in particular due to the increase in advance payments received as part of production activities. Accordingly, the cash flow from investing activities of EUR -20,131 thousand (2023: EUR -5,403 thousand) resulted primarily from the capitalization of production costs for in-house and co-productions in intangible fixed assets. The cash flow from financing activities of EUR 3,756 thousand (2023: EUR 4,011 thousand) was determined in particular by the issue of convertible bonds and film funding loans. In the previous year, there was an inflow from capital increases against cash contributions.

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

FINANCIAL PERFORMANCE INDICATORS

The PAL Next Group's objective is to continuously increase revenue, total output and operating results. In addition, the PAL Next Group strives to lift its operating cash flow and to utilize its net working capital as efficiently as possible.

NON-FINANCIAL PERFORMANCE INDICATORS DEVELOPMENT OF FILM AND SERIES PROJECTS

In financial year 2024, the PAL Next Group continued to achieve success with the realization of film and series productions. Overall, the past 2024 financial year was a production year for the PAL Next Group, meaning that no theatrical films or series premiered in front of audiences.

SUSTAINABILITY

As an entertainment group, PAL Next plays a special role in society due to the significance of media in everyday life. The PAL Next Group not only stands for first-class entertainment, but also for sustainable productions and values such as inclusion, diversity, tolerance and respect.

Since 2021, the PAL Next Group has been committed to complying with the „Green Motion Minimum Standards“ of the „Green Shooting“ working group for its productions and at its main sites in order to transition to resource-saving production. Over and beyond this, the corporate carbon footprint has been calculated since 2022 and also for the 2024 reporting year.

The PAL Next Group has always regarded sustainability as far more than merely an environmental issue - it is an integral part of the corporate culture. Responsible business practices not only entail protecting the environment, but also assuming social responsibility and ensuring long-term economic success. Consequently, the promotion of a safe, inclusive and diverse working environment in which employees can develop over the long term represents a key aspect of the Group's sustainability stra-

OUTLOOK, RISK AND OPPORTUNITY REPORT

tegy. Their well-being is at the heart of the company's actions. The PAL Next Group also considers sustainable corporate governance as pivotal for economic success. This includes consistent compliance with all legal regulations, the active fight against corruption and a commitment to the highest ethical standards. In an increasingly digitalized world, the Group is also committed to the responsible use of artificial intelligence in order to ensure a safe, secure and trustworthy digital environment.

A detailed presentation can be found in the sustainability section of the Annual Report 2024.

OUTLOOK

FUTURE ECONOMIC AND SECTOR TRENDS

The International Monetary Fund (IMF) anticipates slightly stronger global economic growth of 3.3% in 2025, a slight uptick compared to the October outlook, which is mainly due to a significantly improved forecast for the US economy (+0.5 percentage points). The new US government's trade policy plans pose a particular risk to global economic development, as these could have a significant impact on global trade and the economy. The IMF also expects a further decline in global inflation, although this will be curbed in some countries by persistently high price increases in the services sector and could also limit the latitude for further interest rate cuts there. According to the IMF, global inflation will decline overall from 5.7% in 2024 to 4.2% in 2025 and 3.5% in 2026.¹⁰

The Kiel Institute for the World Economy (IfW) anticipates weak economic momentum in the eurozone at the outset of 2025. Although rising real wages should boost consumption and the monetary easing that has already taken place will improve the financing environment, the weakness of the manufacturing industry will continue to burden the economy. The loss of fiscal policy stimulus and not least the uncertainties in foreign trade should also have a dampening effect on economic output. Overall, economic growth is expected to advance only slightly to 0.9% in 2025, while only a slight further improvement to 1.1% is seen for 2026.¹¹

According to the IfW, the German economy will stagnate in 2025, following on from the renewed decline in the past financial year. The IfW perceives mainly structural causes for the economic weakness, meaning that the scope for improvement is limited over the short term. These include demographic change, high energy costs and excessive bureaucracy. As a result, the competitive strengths of the German economy have weakened significantly and the country has fallen from 6th to 24th place in a corresponding ranking within 10 years.¹² In addition, the US government's protectionist trade plans threaten to place an additional burden on the export economy. Consequently, the IfW has lowered its expectations by 0.5 percentage points compared to the autumn 2024 forecast and expects growth of 0.0% overall.

¹⁰ <https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025>

¹¹ <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2024-im-zeichen-wirtschaftspolitischer-unsicherheit-33587/>

¹² <https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/rankings/wcr-rankings/>

Positive impetus is expected mainly from government consumption. Private consumption remains subdued, while investment activity is also not gaining momentum. Exports remain weak and foreign trade as a whole is expected to make a negative contribution to growth. According to the IfW, inflation is anticipated to remain at the previous year's level, averaging 2.2% in 2025.¹³

According to the German Entertainment & Media Outlook 2024-2028 published by management consultants PwC, the entertainment and media industry in Germany remains on a growth course. The catch-up effects following the COVID-19 pandemic are waning and the market continues to be characterized by economic and geopolitical uncertainties, as well as reticent and cautious consumer behavior. On the other hand, digitalization continues to advance apace and new technologies such as artificial intelligence will have a noticeable impact in many areas. Accordingly, the previous gap between digital and non-digital sales is expected to close almost entirely by 2028, as the expected further market growth will be driven mainly by online advertising and internet video, while non-digital sales are even expected to decline. The consultants forecast revenue growth of 2.7% to EUR 112.7 billion in 2025¹⁴. By the year 2028, revenue is expected to increase by an average of 2.2% per year to EUR 118.8 billion, although growth rates are expected to level off over time.¹⁵

The cinema market is likewise expected to continue growing, albeit at a slower pace. PwC forecasts average annual growth of 5.5% to EUR 1.2 billion for box office sales up to the year 2028. The strongest growth of 13.1% is expected for 2025, which is due to the postponement of various film premieres resulting from the Hollywood strikes. Overall, both ticket sales (+3.3% p.a.) and ticket prices (+2.1% p.a.) are expected to trend upwards in the period under review (2024-2028).¹⁶

FUTURE DEVELOPMENT OF THE PAL NEXT GROUP – OUTLOOK

The PAL Next Group is promisingly positioned to continuously expand its market position in film and series production. PANTALEON Films GmbH develops and produces major cinema

and streaming projects for the German and international market. At Storybook Studios, the focus in 2025 is on the realization of further projects, including a commercial feature film.

The special form of accounting in the area of film and series production, as well as in general project business, results in an increased susceptibility to fluctuations. These factors will continue to exert a significant influence on PAL Next's future revenue and earnings performance for the time being.

Based on current project planning, the Management Board expects the PAL Next Group to generate revenue of EUR 21 million to EUR 23 million in the 2025 financial year. Total operating revenue plus other operating income will amount to at least EUR 24 million in 2025. The Management Board expects earnings before interest and taxes (EBIT) of between EUR -300 thousand and EUR +200 thousand for the 2025 financial year.

RISK AND OPPORTUNITY REPORT

The development of the net assets, financial position and results of operations of the PAL Next Group depends on various risks and opportunities customary to the industry. Their effects on the net assets, financial position and results of operations are not quantified internally, as the probability of occurrence is difficult to predict.

RISK REPORT

RISK MANAGEMENT

The PAL Next Group has a risk management system in place that is tailored to the company's specifics and requirements, as well as to individual risks. The measures of the internal control system which are geared towards the accuracy and reliability of accounting ensure that business transactions are recorded completely and promptly in accordance with the statutory provisions and the Articles of Association, as well as in line with internal rules (compliance). Appropriate instructions and processes ensure that assets and liabilities are recognized, reported and measured correctly. The Management Board is closely involved in these processes.

13 <https://www.ifw-kiel.de/de/publikationen/deutsche-wirtschaft-im-winter-2024-kein-aufschwung-in-sicht-33589/>

14 Changed system including connectivity to reflect the growing importance of digital consumption of entertainment and media via the Internet

15 <https://www.pwc.de/de/technologie-medien-und-telekommunikation/german-entertainment-and-media-outlook-2024-2028.html>

16 <https://www.pwc.de/de/technologie-medien-und-telekommunikation/german-entertainment-and-media-outlook-2024-2028.html>

MATERIAL INDIVIDUAL RISKS

FILM AND SERIES PRODUCTION

Film and series productions are generally complex projects that are influenced by numerous factors. Typical risks include weather-related interruptions to shooting, technical failures, budget overruns, legal problems with the use of filming locations or the lacking availability of actors. Due to the large number of parties involved and the frequently long planning periods, it cannot be ruled out that production-related delays or even the total cancellation of a project may occur. In film and series productions, the companies of the PAL Next Group rely on an effective risk management system that ensures that they can respond rapidly and efficiently to unforeseen challenges through planning and flexibility. In addition, the companies of the PAL Next Group counter so-called systematic production risks, which are largely beyond the control of the producers, by taking out various production insurance policies. It cannot be ruled out, however, that additional costs may arise that incur negative impacts on the net assets, the financial position and results of operations of PAL Next AG and its subsidiaries.¹⁷

LOANS FOR INTERIM FINANCING

Film and series productions are usually financed from various sources. These include broadcasters, subsidies, as well as distribution and sales companies. As the financing funds often flow to the productions in the course of production after predefined milestones have been reached (e.g. conclusion of the financing agreement, start of shooting, completion of shooting, rough cut approval, zero copy or material delivery), interim financing is required, which is provided by banks. In the German branch banking system, the possibilities of interim financing often reach their limits due to knowledge restrictions, so that the experience gained from film and series financing is bundled organizationally on the part of the banks. The risk management of the banks involved is caught in the field of tension between the decline in contractually arranged broadcasting funds, public film subsidies or minimum guarantees from advance sales on the one hand, and the increase in economic uncertainty and interest rates due to geopolitical challenges on the other.^{18 19}

PUBLIC SUBSIDY POLICY

The financing of production budgets depends partially on funding commitments from the public sector. Specifically, both the Federal Republic of Germany and individual federal states support local productions, as these have a number of positive effects on the local economy. Depending on the project and funding program, a good half of the production budget can be financed by such means. A restriction or abolition of German film funding by the public sector would incur major disadvantages for the entire industry and could also lead to the PAL Next Group only being able to realize productions in connection with higher risk and higher costs or, in the worst case, not at all with regard to its project financing. There is a risk that a deterioration of the general conditions or the actual restriction or abolition of the awarding practice of public film funding in Germany could also have a negative impact on the general conditions for film productions in Germany.

The deterioration of the framework conditions in German film promotion policy could therefore incur negative impacts on the net assets, financial position and results of operations of PAL Next AG and its subsidiaries.

COMPETITION IN THE PRODUCTION AREA

Competition in the production area for the subsidiaries involved - above all PANTALEON Films - mainly takes place in the production of their own films and series. The challenge for market participants lies primarily in gaining access to promising content and scripts, signing up successful directors and actors, concluding favorable contracts with film studios and the film teams, as well as with suitable partners for the successful marketing and distribution of the completed productions. In all of these areas, the PAL Next Group is competing with companies that have greater financial resources, a longer corporate history, more advanced corporate structures, greater development and distribution resources and/or higher staffing levels. Competition in the production sector is increasingly extending to the costs of AI applications. The companies of the PAL Next Group leverage numerous free, open-source applications to develop proprietary

¹⁷ <https://www.gpm-blog.de/risikomanagement-in-filmproduktionen-umgang-mit-unvorhergesehenen-herausforderungen-am-set#:~:text=Typische%20Risiken%20umfassen%20wetterbedingte%20Drehunterbrechungen,können%20den%20Ablauf%20erheblich%20beeinträchtigen.>

¹⁸ https://www.ilb.de/de/filmfinanzierung/arten-der-filmfinanzierung_mit-menue/besicherte-filmfinanzierungen/index.html

¹⁹ <https://www.ilb.de/de/wirtschaft/darlehen/zwischenfinanzierung-von-filmproduktionen/>

workflows. Nevertheless, it cannot be ruled out that the applications will become subject to a fee or that access to servers outside the scope of the European AI Regulation will be restricted.²⁰ At the same time, the Storybook Studios subsidiary is competing internationally for specialists with skills in the production of films harnessing artificial intelligence (AI). The central challenge here is the lack of specific job profiles and qualification standards for AI skills.²¹

COMPETITION FOR AUDIENCES

In addition, the company competes for moviegoers and viewers with films and series produced by other production companies and their exploitation partners. It cannot be ruled out that the simultaneous release of the company's own productions with those of competitors will reduce exploitation success. The competition for moviegoers for German productions is intensified by the trend of a generally rising number of new films debuting in cinemas being offset by a decreasing number of moviegoers. This could mean that the demands on marketing and the associated expenses trend upwards, while, at the same time, films are withdrawn more quickly by cinema operators due to the larger number of films on offer, thereby reducing the overall income from the distribution of cinema films. The increasing number of film and series productions could also step up competition in the exploitation of other rights, for example in television exploitation and especially in the video-on-demand/streaming sector. These circumstances could also lead to rising costs and declining revenues. Ultimately, an increasing number of production companies and productions could have a negative impact on the allocation of public funding, make it more difficult to obtain funding from other sources or deteriorate the underlying conditions. Furthermore, the increasing number of productions in Germany and Europe is leading to a shortage of skilled staff in production teams. This shortage can lead to postponements or even cancellations of shooting. The existing competition and the intensifying competitive situation could incur negative impacts on the results of operations, the financial position and net assets as well as the general business performance of PAL Next AG.

IT RISKS

As digitalization progresses and AI is increasingly at work in the film industry, the operational readiness and performance of the technical infrastructure, including the data centers, is of con-

siderable importance for the successful business performance of Storybook Studios in particular. The company is currently still operating its own internal infrastructure. In the future, the company will probably outsource the corresponding services and rely on renowned and quality-certified partners. It cannot be completely ruled out that system errors or failures could lead to significant delays or the loss of important data with corresponding negative economic implications. In order to minimize these risks, the existing systems are constantly being maintained, and updates keep the security arrangements state-of-the-art at all times. In order to prevent the loss of sensitive data, backups are created at regular intervals and certain data are outsourced.

LEGAL RISKS

In connection with advancing digitalization and the increasing deployment of AI, legal certainty in the creation of content is of considerable importance, especially for the Storybook Studios subsidiary. This applies in particular to the scope of copyright restrictions on text and data mining. According to the European AI Regulation, which came into force in February 2025, all providers and operators of AI systems are also subject to a new type of AI competence obligation for their employees. At the same time, the new AI Office is expected to further consolidate AI regulation at a European level from May 2025 by providing practical guidelines to supplement the AI Regulation. This will also include guidelines specifying the level of detail required in content summaries used for the training of AI systems.²²

FINANCIAL RISKS

Outside of the holding function, financial instruments are exposed to credit risks, liquidity risks and market risks from changes in interest rates.

Interest rate risks can arise primarily from changes in market interest rates that lead to changes in expected cash flows. Some of the loan liabilities to financing partners come with variable interest rates and are therefore subject to interest rate risks. The company mitigates bad debt risks through its selection of business partners and by agreeing advance payments for large-volume transactions and pre-financing requirements. In the case of other receivables, the default risk is limited by the selection of business partners and short terms.

20 <https://www.computerweekly.com/de/feature/Wie-kuenstliche-Intelligenz-IT-Kosten-in-die-Hoehe-treibt>

21 <https://www.macromedia-fachhochschule.de/de/hochschule/ueber-uns/news/studie-ki-in-der-filmindustrie/>

22 <https://the-spot-mediafilm.com/news/kinonews/ki-ausblick-was-erwartet-die-filmbranche-2025/>

If there are identifiable concerns regarding the recoverability of receivables, these receivables are immediately written down individually or derecognized.

In the case of identifiable concerns regarding the recoverability of fixed or current assets, these are written down.

LIQUIDITY RISKS

There are risks from exchange rate and interest rate changes as well as risks emanating from legal disputes.

PAL Next AG's ability to raise new capital from investors depends to a large extent on the underlying conditions on the capital markets. It may prove difficult to raise new capital on the capital market, especially when global capital markets are volatile. Furthermore, PAL Next AG may experience a need for financing if subsidiaries fail to operate profitably.

Financial planning instruments are used throughout the Group to monitor and control liquidity. PAL Next AG manages liquidity risks by continuously monitoring the forecast and actual cash flows of the PAL Next Group.

OVERALL RISK

Due to the consolidated net loss not covered by equity as at December 31, 2024 and the loss amounting to half of the share capital in the separate financial statements of PAL Next AG, as well as the risks described in the risk report, there is a potential material adverse effect on the financial position and financial performance of the PAL Next Group. However, a full conversion of the convertible bond with a volume of EUR 8.0 million issued on September 29, 2023, and fully placed by December 1, 2023, but not yet fully paid, should significantly improve the capital structure and cash flow of PAL Next AG in the future. In addition, the measures implemented to reduce costs and improve earnings will incur positive effects. Nevertheless, we would like to point out that if the earnings situation continues to deteriorate over the long term, liquidity risks may arise, which could jeopardize the company's continued existence as a going concern.

OPPORTUNITIES REPORT

OPPORTUNITIES DUE TO REFORM OF GOVERNMENT FILM FUNDING

Government film funding in Germany was partially reformed by the amendment to the Film Funding Act (FFG), which came into force on January 1, 2025. The originally planned comprehensive reform, however, was not implemented due to the premature discontinuation of the traffic light coalition. In addition to the amendment of the FFG, a new tax incentive model and an investment obligation for streaming services and TV broadcasters (with media libraries) were planned. However, the amendment to the FFG has at least ensured that German screenplays and films will still be eligible for funding in 2025. Overall, the self-administration of the German Federal Film Board (FFA) has been reinforced.

This is now the central point of contact for all film funding programs at federal level: film funding in accordance with the amended Film Funding Act, jury-based federal cultural film funding, the German Federal Film Fund (DFFF) and the German Motion Picture Fund (GMPF). The aim is to make film funding more automated, faster, more efficient and more transparent. For example, the FFA's levy-financed film and distribution funding is now largely based on the reference principle, in which a film earns reference points according to certain criteria, the value of which can then be used to award funding. In addition, the funding rate for incentive funding under the DFFF and GMPF was raised to a uniform 30% of German production costs as from February 2025. Even if the intended reform of state film funding was only partially implemented, the framework conditions for film producers and their planning security have improved as a result. If a new federal government implements further reform steps, there is a chance that conditions for the German film industry will improve further.^{23 24 25}

OPPORTUNITIES BASED ON EUROPEAN LOCATION

The production of films and series is riskier and more expensive in the USA than in Europe. Union strikes, as experienced in 2023 involving screenwriters and actors. Legal regulations and high production costs are considerably more pronounced and make production more arduous. This represents an opportunity for the European film industry, as the framework conditions there are

²³ <https://www.ffa.de/pressemitteilungen-detailseite/ffa-2025-die-filmfoerderung-des-bundes.html>

²⁴ <https://www.deutschlandfunkkultur.de/filmfoerderung-deutschland-reform-100.html>

²⁵ <https://www.bundestag.de/dokumente/textarchiv/2024/kw51-de-filmfoerderungsgesetz-1033252>

DEPENDENT COMPANY REPORT

more favorable, and costs are lower. This could have an impact on the major streaming providers and film production companies. They could increasingly opt to have their films and series produced in Europe in future. PAL Next could benefit from this shift thanks to its long-standing relationships with well-known film producers.²⁶

OPPORTUNITIES PRESENTED BY ARTIFICIAL INTELLIGENCE (AI)

The use of artificial intelligence in the film industry is nothing new. The rapid development of AI tools, however, particularly in the field of generative AI, in the recent past has significantly expanded the range of applications and uses for AI. This development is far from complete. The use of AI offers the opportunity to make film productions much simpler, less complicated, less prone to disruption and less expensive in the future, but also more creative. How the performance and social acceptance of AI will change in the future, and what further opportunities will arise from this, cannot be conclusively determined from today's perspective. With its Storybook Studios subsidiary, PAL Next has already created a powerful combination of generative AI and experienced filmmakers and can therefore benefit from the opportunities presented by this technological advance.

The Management Board of PAL Next AG has submitted its report to the Supervisory Board as required by Section 312 of the German Stock Corporation Act (AktG) and has issued the following final statement:

„With respect to the transactions listed in the report on relations with affiliated companies, PAL Next AG received appropriate consideration for each legal transaction in accordance with the circumstances known to the Management Board at the time the legal transactions were carried out. No legal transactions with third parties or measures at the instigation of or in the interests of controlling companies or one of their affiliated companies were undertaken, implemented or omitted.“

²⁶ <https://www.deutschlandfunkkultur.de/hollywood-schauspieler-streik-100.html>

FORWARD-LOOKING STATEMENTS AND FORECASTS

This report includes forward-looking statements which reflect the Management Boards' current assessments and forecasts and the information currently available to it. These forward-looking statements involve risks and uncertainties and are based on assumptions that may prove to be inaccurate and may cause future developments and results to differ from the estimates and forecasts issued. These risks include, in particular, the factors specified in the Outlook, Risk and Opportunity Report on pages 20 et seq. PAL Next AG accepts no obligation beyond its statutory requirement to update the forward-looking statements in this report.

Munich, April 9, 2025

The Management Board

A handwritten signature in dark ink, appearing to read 'S. Schettler-Köhler', followed by a long horizontal line extending to the right.

Stephanie Schettler-Köhler
CEO

CONSOLIDATED BALANCE SHEET

As of December 31, 2024

ASSETS	12/31/2024	12/31/2023
	EUR	EUR
A. FIXED ASSETS		
I. Intangible assets		
1. Internally generated industrial property rights and similar rights and assets	1,727,806.00	3,635,569.00
2. Purchased concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	40,319.70	104,322.48
3. Advance payments	20,955,526.01	1,605,801.62
	<u>22,723,651.71</u>	<u>5,345,693.10</u>
II. Tangible fixed assets		
1. Technical equipment and machinery	10,836.00	12,505.00
2. Other equipment, operating and office equipment	16,543.00	40,954.00
	<u>27,379.00</u>	<u>53,459.00</u>
	22,751,030.71	5,399,152.10
B. CURRENT ASSETS		
I. Inventories		
1. Work in progress	397,246.48	307,244.10
2. Advance payments	1,470.59	0.00
	<u>398,717.07</u>	<u>307,244.10</u>
II. Receivables and other assets		
1. Trade receivables	1,118,736.13	2,856,794.15
2. Other assets	3,655,888.58	4,697,690.30
	<u>4,774,624.71</u>	<u>7,554,484.45</u>
III. Cash-in-hand, bank balances	<u>44,294,883.63</u>	<u>29,017,594.57</u>
	49,468,225.41	36,879,323.12
C. PREPAID EXPENSES	<u>98,475.23</u>	<u>95,195.29</u>
D. DEFICIT NOT COVERED BY EQUITY	<u>762,801.53</u>	<u>0.00</u>
	72,317,731.35	42,373,670.51

EQUITY AND LIABILITIES	12/31/2024	12/31/2023
	EUR	EUR
A. EQUITY		
I. Subscribed capital	25,591,918.00	25,565,918.00
II. Capital reserves	18,602,595.94	18,602,595.94
III. Revenue reserves		
Legal reserve	14,268.80	14,268.80
IV. Consolidated unappropriated net loss	-44,971,584.27	-41,578,020.83
Deficit not covered by equity	762,801.53	0.00
Book equity	0.00	2,604,761.91
B. PROVISIONS		
Other provisions	312,530.65	511,405.30
C. LIABILITIES		
1. Bonds	3,056,421.00	32,000.00
2. Liabilities to banks	56,739,455.08	36,275,671.57
3. Advance payments received on orders	11,399,862.46	1,435,101.38
4. Trade payables	705,429.02	838,318.22
5. Other liabilities		
of which taxes EUR 178,651.35		
(previous year: EUR 65,209.68)	853,943.67	676,412.13
	2,755,111.23	39,257,503.30
D. DEFERRED INCOME		
Deferred income	12,891.00	0.00
	72,317,731.35	42,373,670.51

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2024

	01/01-12/31/2024	01/01-12/31/2023
	EUR	EUR
1. Revenue	4,160,049.32	35,382,406.82
2. Increase or decrease in finished goods and work in progress	90,002.38	-303,298.51
3. Other own work capitalized	422,990.00	192,000.00
4. Other operating income	714,886.23	1,787,678.92
5. Cost of materials		
Cost of purchased services	2,268,194.66	11,416,894.31
6. Personnel expenses		
a) Wages and salaries	1,986,841.24	3,066,941.18
b) Social security, post-employment and other employee benefit costs	371,474.87	561,168.09
- of which from post-employment benefit costs EUR 13,316.56 (previous year: EUR 13,313.30)		
	2,358,316.11	3,628,109.27
7. Depreciation, amortization and extraordinary write-downs		
extraordinary write-downs of tangible and intangible fixed assets	2,018,268.27	23,412,186.52
8. Other operating expenses	2,083,857.39	2,200,609.92
9. Other interest and similar income	28.00	0.00
10. Interest and similar expenses	53,041.94	17,807.81
11. Taxes on income	-159.00	284.80
12. Earnings after taxes	-3,393,563.44	-3,617,105.40
13. Consolidated net loss for the year	-3,393,563.44	-3,617,105.40
14. Consolidated net loss carried forward	-41,578,020.83	-37,960,915.43
15. Consolidated unappropriated net loss	-44,971,584.27	-41,578,020.83

CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31, 2024

	2024 EUR thousand	2023 EUR thousand
Operating activities		
1. Consolidated net loss for the year	-3,394	-3,617
2. + Depreciation, amortization and extraordinary write-downs of fixed assets	2,018	23,412
3. - Decrease in provisions (not including tax provision)	-199	-656
4. +/- Decrease/increase in inventories, trade receivables and other assets not attributable to investing or financing activities	2,660	4,516
5. -/+ Decrease/increase in trade payables and other liabilities not attributable to investing or financing activities	10,022	-16,677
6. + Loss on fixed asset disposals	761	48
7. +/- Interest result	53	18
8. +/- Income tax refunds/payments	26	33
9. = Cash flow from operating activities	11,947	7,077
Investing activities		
10. + Proceeds from disposals of intangible fixed assets	1	45
11. - Payments for investments in intangible fixed assets	-20,124	-5,437
12. - Payments for investments in tangible fixed assets	-8	-11
13. = Cash flow from investing activities	-20,131	-5,403
Financing activities		
14. + Receipts from additions to equity by shareholders	26	4,677
15. - Disbursements for the acquisition of minority interests	0	-13
16. + Proceeds from the raising of financial loans	1,425	0
17. + Proceeds from the take-up of convertible bonds	3,025	32
18. - Cash outflows to repay borrowings	-667	-667
19. - Interest paid	-53	-18
20. = Cash flow from financing activities	3,756	4,011
21. Net change in cash and cash equivalents	-4,428	5,685
22. Cash and cash equivalents at start of period	-6,591	-12,276
23. Cash and cash equivalents at end of period	-11,019	-6,591
Composition of cash and cash equivalents at end of fiscal year		
Cash-in-hand, bank balances	44,295	29,018
Bank overdrafts repayable at any time	-55,314	-35,609
Cash funds at end of fiscal year	-11,019	-6,591

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

As of December 31, 2024

EUR		ACQUISITION AND PRODUCTION COSTS		
		Balance carried forward 01/01/2024	Additions	Disposals
FIXED ASSETS				
I. Intangible assets				
1. Internally generated industrial property rights and similar rights and assets - of which interest on borrowed capital	121,303,699.28	0.00	0.00	
2. Acquired concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,332,153.55	26,909.50	0.00	
3. Goodwill	177,710.47	0.00	0.00	
4. Advance payments on internally generated industrial property rights and similar rights and assets - of which interest on borrowed capital	1,605,801.62	20,096,796.03	747,071.64	
	125,419,364.92	20,123,705.53	747,071.64	
II. Tangible fixed assets				
1. Technical equipment and machinery	75,102.31	7,145.07	15,234.59	
2. Other equipment, operating and office equipment	142,283.30	310.92	66,981.78	
	217,385.61	7,455.99	82,216.37	
Total tangible fixed assets	125,636,750.53	20,131,161.52	829,288.01	

DEPRECIATION					CARRYING AMOUNTS	
As of 12/31/2024	Balance carried forward 01/01/2024	Additions	Disposals	As of 12/31/2024	As of 12/31/2023	As of 12/31/2024
21,303,699.28	117,668,130.28	1,907,763.00	0.00	119,575,893.28	3,635,569.00	1,727,806.00
2,359,063.05	2,227,831.07	90,912.28	0.00	2,318,743.35	104,322.48	40,319.70
177,710.47	177,710.47		0.00	177,710.47	0.00	0.00
20,955,526.01	0.00	0.00	0.00	0.00	1,605,801.62	20,955,526.01
144,795,998.81	120,073,671.82	1,998,675.28	0.00	122,072,347.10	5,345,693.10	22,723,651.71
67,012.79	62,597.31	8,810.07	15,230.59	56,176.79	12,505.00	10,836.00
75,612.44	101,329.30	10,782.92	53,042.78	59,069.44	40,954.00	16,543.00
142,625.23	163,926.61	19,592.99	68,273.37	115,246.23	53,459.00	27,379.00
144,938,624.04	120,237,598.43	2,018,268.27	68,273.37	122,187,593.33	5,399,152.10	22,751,030.71

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As of December 31, 2024

	Subscribed capital	Reserves		
		Capital reserves	Legal reserves	Total reserves
As of January 1, 2023	20,888,879.00	18,806,848.23	14,268.80	18,821,117.03
Non-cash capital increase	4,677,039.00	0.00	0.00	0.00
Acquisition of minority interests	0.00	-204,252.27	0.00	-204,252.27
Rounding difference	0.00	-0.02	0.00	-0.02
Consolidated net loss for the year	0.00	0.00	0.00	0.00
As of December 31, 2023	25,565,918.00	18,602,595.94	14,268.80	18,616,864.74
As of January 1, 2024	25,565,918.00	18,602,595.94	14,268.80	18,616,864.74
Issue of shares	26,000.00	0.00	0.00	0.00
Acquisition of minority interests	0.00	0.00	0.00	0.00
Rounding difference	0.00	0.00	0.00	0.00
Consolidated net loss for the year	0.00	0.00	0.00	0.00
As of December 31, 2024	25,591,918.00	18,602,595.94	14,268.80	18,616,864.74

EQUITY OF PARENT COMPANY		NON-CONTROLLING INTERESTS			CONSOLIDATED EQUITY
Unappropriated retained earnings	Equity attributable to the parent company	Non-controlling interests in equity	Loss attributable to non-controlling interests	Total non-controlling interests	
-37,960,915.43	1,749,080.60	-118,094.04	-72,653.22	-190,747.27	1,558,333.33
0.00	4,677,039.00	0.00	0.00	0.00	4,677,039.00
0.00	-204,252.27	118,094.04	72,653.22	190,747.26	-13,505.01
0.00	-0.02	0.00	0.00	0.01	-0.01
-3,617,105.40	-3,617,105.40	0.00	0.00	0.00	-3,617,105.40
-41,578,020.83	2,604,761.91	0.00	0.00	0.00	2,604,761.91
-41,578,020.83	2,604,761.91	0.00	0.00	0.00	2,604,761.91
0.00	26,000.00	0.00	0.00	0.00	26,000.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
-3,393,563.44	-3,393,563.44	0.00	0.00	0.00	-3,393,563.44
-44,971,584.27	-762,801.53	0.00	0.00	0.00	-762,801.53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2024

GENERAL DISCLOSURES

The company name and the purpose of the company were changed by means of a resolution adopted by the Annual General Meeting on August 26, 2024. The company is now entered in the commercial register of the Munich District Court under commercial register sheet number 235252 under the name PAL Next AG (formerly PANTAFLIX AG), headquartered in Munich. Its address is: PAL Next AG, Holzstraße 30, 80469 Munich, Germany.

In preparing its consolidated financial statements, PAL Next observes the provisions in recognition, measurement and disclosure set out in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Where there is an option to make disclosures in the balance sheet or in the notes to the financial statements, the option was taken to disclose in the notes to the financial statements.

The income statement was prepared using the nature of expense method.

The company's shares have been listed in Deutsche Börse's "Scale" segment since March 1, 2017.

In accordance with Section 293 HGB, PAL Next AG is exempt from the obligation to prepare consolidated financial statements. These consolidated financial statements are prepared on a voluntary basis.

CONSOLIDATION METHODS AND CONSOLIDATED GROUP

The consolidated group encompasses all subsidiaries in which PAL Next AG holds a majority of the voting rights, either directly or indirectly.

FULLY CONSOLIDATED COMPANIES

The consolidated financial statements include the parent company PAL Next AG and the following subsidiaries:

Company	Interest %
PANTALEON Films GmbH, Munich	100.00
Storybook Studios GmbH (formerly PANTALEON Pictures GmbH), Munich	100.00
PANTAFLIX Technologies GmbH, Berlin	100.00
The Special Squad UG, Munich*	100.00

* wholly owned subsidiary of PANTALEON Films GmbH

CONSOLIDATION METHODS

The fiscal year of the Group and all its consolidated entities is the calendar year, as a consequence of which the reporting date of the separate financial statements of all entities included in the consolidated financial statements is the same as the reporting date of the consolidated financial statements.

Capital is consolidated applying the revaluation method. Accordingly, the acquisition costs of investments are offset against the fair value of the acquired assets and liabilities under disclosure of all hidden reserves, including those attributable to non-controlling interests, at the date of the acquisition of the shares. Increases or decreases in interests in subsidiaries are recognized directly in equity.

Receivables, liabilities and other obligations between consolidated entities are offset against each other. Internal revenues and other income from relationships between consolidated entities are offset against attributable expenses, unless these are of only subordinate importance for the presentation of a true and fair view of the Group's results of operations.

Profits from intra-Group business relationships and services are eliminated, unless they are of subordinate importance for the Group.

NOTES TO THE BALANCE SHEET

The financial statements of the companies included in the consolidated financial statements of the parent company were prepared in accordance with uniform accounting policies. The separate financial statements included in consolidation were prepared in euros.

The accounting policies applied to the consolidated financial statements were retained unchanged from the previous year.

Deferred tax assets and liabilities are recognized on differences between the measurement of assets and liabilities for consolidation and their tax bases, provided the differences can be classified as temporary and are not only of subordinate importance.

FIXED ASSETS

Fixed assets are carried at cost less depreciation and amortization in accordance with the useful lifespan of the respective assets. Intangible assets also include trademarks which are not amortized due to their unlimited useful lifespan. These trademarks were subject to an impairment loss of EUR 73 thousand in the reporting year.

The company's own completed films and co-productions are capitalized at cost within internally generated industrial rights and similar rights and assets, provided the probability of the actual creation of an asset is at least high as of the reporting date. In particular, cost includes the individually attributable costs of the use of goods and services. In addition, interest is recognized for borrowings that are utilized in order to finance production, provided the interest is attributable to the production period. Internally generated industrial rights and similar rights and assets are amortized applying the unit of production method.

Intangible fixed assets purchased from third parties are capitalized at cost and amortized straight-line according to their expected useful lives (pro rata temporis in the year of acquisition). Purchased IT programs are amortized over a normal useful operating life of three years. When the fair values of individual intangible fixed assets are lower than their carrying amounts, impairment is recognized if it is expected to be permanent.

Advance payments for internally generated industrial rights and similar rights and assets comprise co-productions that are not yet complete. These are capitalized at cost of production. In particular, cost includes the individually attributable costs of the use of goods and services.

Tangible fixed assets are measured at cost less straight-line depreciation. Depreciation on acquisitions of tangible fixed assets is recognized pro rata temporis. The useful lives of technical equipment and machinery and operating and office equipment range between two and 13 years. When the fair values of individual assets are lower than their carrying amounts, impairment is recognized if it is expected to be permanent.

The attached statement of changes in fixed assets shows the changes in individual items of fixed assets and the depreciation and amortization for the fiscal year.

INVENTORIES

Work in progress is measured at cost in accordance with the German Commercial Code (HGB). Production costs and ancillary production costs include directly attributable material and production costs, overheads, general administrative expenses and social security benefits. In addition, interest is recognized for borrowings that are utilized in order to finance production, provided the interest is attributable to the production period.

RECEIVABLES AND OTHER ASSETS

Receivables and other assets are measured at the lower of their nominal value or fair value on the reporting date, including all identifiable risks. Current receivables and liabilities denominated in foreign currencies are translated at the mid spot exchange rate on the reporting date.

CASH-IN-HAND AND BANK BALANCES

Cash-in-hand and bank balances are reported at their nominal amount.

PREPAID EXPENSES

Prepaid expenses are payments made before the reporting date that constitute expenditure for a certain period after this date. Deferred income includes payments received before the reporting date that constitute income for a certain period after this date.

EQUITY

The company's share capital is carried at nominal value.

PROVISIONS

In our view, the provisions cover all discernible risks and obligations and are recognized at the settlement amount required based on prudent commercial judgment.

LIABILITIES

Liabilities are carried at their settlement amount.

DEFERRED TAXES

The capitalization of internally generated film rights result in deferred tax liabilities of EUR 696,200 (previous year: EUR 1,165,000). Due to the performance-related amortization of the internally generated film rights, the temporary differences on them are fully eliminated after three to four years at the latest. Deferred tax assets on the tax loss carryforwards existing as of December 31, 2024 were offset against deferred tax liabilities. No further surplus of deferred tax assets was recognized in accordance with the option under Section 274 HGB. Deferred taxes are calculated on the basis of an effective tax rate of 31.575% (15.825% for corporation tax including solidarity surcharge and 15.75% for trade tax), which is expected to arise on the date when the differences reverse.

DISCLOSURES AND NOTES ON INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET

Intangible assets include borrowing costs of EUR 246 thousand (2023: EUR 111 thousand) in the 2024 financial year which were capitalized as costs of production.

All receivables and other assets are due within one year, as in the previous year.

Other provisions relate mainly to outstanding invoices. Furthermore, costs for the preparation and auditing of the financial statements as well as holiday accruals are reported.

The liabilities report the following remaining terms:

EUR thousand	Total	less than 1 year	1 - 5 years	more than 5 years
Bonds	3,056 (2023: 32)	0 (2023: 0)	3,056 (2023: 32)	0 (2023: 0)
Liabilities to banks	56,739 (2023: 36,276)	56,739 (2023: 36,276)	0 (2023: 0)	0 (2023: 0)
Advance payments received on orders	11,400 (2023: 1,435)	11,400 (2023: 435)	0 (2023: 1,000)	0 (2023: 0)
Liabilities Trade payables	705 (2023: 838)	705 (2023: 838)	0 (2023: 0)	0 (2023: 0)
Others	854 (2023: 676)	854 (2023: 676)	0 (2023: 0)	0 (2023: 0)
Liabilities				
Total	72,755 (2023: 39,258)	69,699 (2023: 38,225)	3,056 (2023: 1,032)	0 (2023: 0)

On the basis of the authorization of the Annual General Meeting on July 21, 2022, the company's Management Board resolved on September 29, 2023 with the approval of the Supervisory Board to issue a corporate convertible bond with an interest rate of 3.0% with a total nominal amount of up to EUR 8,000,000 divided into up to 8,000 bearer bonds with a nominal amount of EUR 1,000 each. Bonds in an amount of EUR 3,024,370 (2023: EUR 34 thousand) were issued of which EUR 26,000 (2023: EUR 2 thousand) was converted into 26,000 no-par value shares in 2024.

Bank balances of EUR 5 thousand are restricted as of December 31, 2024.

NOTES TO THE INCOME STATEMENT

The Group's revenues are generated primarily from the exploitation and sale of copyrights to film titles.

Other operating income includes income from currency translation amounting to EUR 0 thousand. Other operating expenses include expenses from currency translation amounting to EUR 0 thousand.

Other operating expenses include expenses from the disposal of intangible assets in an amount of EUR 747 thousand. These expenses relate to film projects no longer pursued.

DISCLOSURES ON CAPITAL

SUBSCRIBED CAPITAL

The company's share capital was increased by EUR 26,000 in the year under review from EUR 25,565,918 to EUR 25,591,918 by exercising conversion rights from a convertible bond and is divided into 25,591,918 bearer shares in the form of no-par value shares.

CONTINGENT CAPITAL

By resolution of the Annual General Meeting on July 19, 2017, and reduction by resolution of December 10, 2020, the company's share capital was conditionally increased by EUR 55,000 (Contingent Capital 2017/I).

By resolution of the Annual General Meeting on July 25, 2018, and reduction by resolution of December 10, 2020 and after partial cancellation by resolution of August 26, 2024, the company's share capital was conditionally increased by EUR 241,000 (Contingent Capital 2018/II).

By resolution of the Annual General Meeting on July 23, 2019, and after partial cancellation by resolutions of August 26, 2021 and August 26, 2024, the company's share capital was conditionally increased by EUR 115,000 (Contingent Capital 2019/I).

By resolution of the Annual General Meeting on July 21, 2022, and after the issue of subscription shares, the company's share capital was conditionally increased by EUR 8,156,612 in the 2024 financial year (Contingent Capital 2022/II).

By resolution of the Annual General Meeting on July 21, 2022, and increase by resolution of August 26, 2024, the company's share capital was conditionally increased by EUR 4,702,183 (Contingent Capital 2022/II).

AUTHORIZED CAPITAL

On August 26, 2024, the Annual General Meeting resolved to cancel Authorized Capital 2023/II and create Authorized Capital 2024/I.

By resolution of the Annual General Meeting on August 26, 2024, the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or several times by a total of up to EUR 12,782,959 against cash and/or in-kind contributions by August 25, 2029 whereby shareholders' subscription rights may be excluded (Authorized Capital 2024/I).

CAPITAL RESERVES

The capital reserve is unchanged at EUR 18,900,175.81.

OTHER DISCLOSURES

MANAGEMENT BOARD

- STEPHANIE SCHETTLER-KÖHLER, businesswoman, Munich

The Management Board has the power of sole representation and is exempt from the restrictions of Section 181 of the German Civil Code (BGB).

With reference to Section 286 (4) of the German Commercial Code (HGB), the total remuneration of the Management Board is not disclosed.

SUPERVISORY BOARD

- DAN MAAG, Film Producer (until August 26, 2024, Chair of the Supervisory Board)
- MARCUS BORIS MACHURA, Attorney, (until August 26, 2024 Deputy Chair of the Supervisory Board, from August 26, 2024 Chair of the Supervisory Board)
- KERSTIN TROTTNOW, Director Finance & Accounting, Thinkproject Holding GmbH, (member of the Supervisory Board until August 26, 2024, from August 26, 2024 Deputy Chair of the Supervisory Board)
- NICOLAS PAALZOW, businessman (from August 26, 2024 member of the Supervisory Board)

The total remuneration of the members of the Supervisory Board for 2024 amounts to EUR 22,666.60.

NUMBER OF EMPLOYEES

In the 2024 financial year, the PAL Next Group employed an average of 83 members of staff (2023: 56), of whom 22 were administrative staff and 61 employees in film projects.

SHARE OPTIONS

As of December 31, 2024, the company had issued 651,000 options from the 2017, 2018 and 2022 stock option programs for the acquisition of no-par value shares in the company. The options can be exercised for the first time after a vesting period of four years from the respective issue date. The options issued under the stock option program can only be exercised within five years of first becoming exercisable.

TOTAL FEE FOR THE AUDITOR OF
THE FINANCIAL STATEMENTS

The total auditor's fee for the past fiscal year amounts to EUR 58 thousand and includes all audit services.

OTHER FINANCIAL OBLIGATIONS

Other financial obligations exist amounting to EUR 574 thousand, particularly from rental agreements, of which EUR 264 thousand are due in fiscal 2025.

EVENTS OF PARTICULAR SIGNIFICANCE AFTER THE END
OF THE FISCAL YEAR (SECTION 314 (1) NO. 25 HGB)

No events occurred that require reporting.

Munich, April 9, 2025

A handwritten signature in dark ink, appearing to read 'S. Schettler-Köhler', followed by a long horizontal line extending to the right.

Stephanie Schettler-Köhler
Management Board

INDEPENDENT AUDITOR'S REPORT

TO PAL NEXT AG:

OPINIONS

We have audited the consolidated financial statements of PAL Next AG, Munich, – consisting of the consolidated balance sheet as at December 31, 2024, the consolidated income statement, the notes to the consolidated financial statements, which provide a summary of significant accounting policies, the consolidated statement of cash flows and the consolidated statement of changes in equity for the business year from January 1, 2024 to December 31, 2024. Further we have audited the group management report of PAL Next AG, Munich, for the business year from January 1, 2024 to December 31, 2024.

The inclusion of the accounting records in the audit of the consolidated financial statements in accordance with Sec. 317 (1) Sentence 1 HGB and the audit of the group management report in accordance with Sec. 317 (2) HGB represent additional legal requirements that go beyond those of the International Standards on Auditing. Our audit conducted in accordance with Sec. 317 HGB did not give rise to any objections.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the group as of December 31, 2024, and of its results of operations for the fiscal year from January 1, 2024, to December 31, 2024, in accordance with German generally accepted accounting principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB

and international auditing standards (ISA) issued by the IAASB. The ISAs were supplemented by the wp.net expert opinion on the audit of financial statements in accordance with ISAs and by the wp.net auditor's report on the audit of the management report in order to comply with German accounting and reporting requirements. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

OTHER INFORMATION

The legal representatives of the parent company are responsible for the other information. The other information includes:

- the other parts of the annual report, with the exception of the audited annual financial statements and the group management report as well as our auditor's report.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

SUBSTANTIAL UNCERTAINTY IN CONNECTION WITH THE COMPANY AS A GOING CONCERN

As of the reporting date, the parent company has reported a loss amounting to half of the share capital. The consolidated financial statements as at December 31, 2024 show a deficit of EUR 763 thousand not covered by equity. The company is dependent on further finance from shareholders or financing from the convertible bond as of the reporting date in order to maintain the company as a going concern.

To this end, the company had carried out the following measures by the date of the report:

The parent company has subscribed to the issue of convertible bonds totaling EUR 8 million with a term until 2026. As at the balance sheet date, EUR 3,084 thousand had been received from this and EUR 28 thousand of this had been converted into share capital. The convertible bond has been fully placed. The remaining convertible bonds in the amount of EUR 4,916 thousand will be called by the Management Board as required by 2026 at the latest and paid in full.

Leaving aside the above-mentioned steps, the financial and operational circumstances show that material uncertainty exists giving rise to significant doubts in the company's ability to continue as a going concern and representing an existential risk as defined by Section 322 (2) Sentence 3 HGB. Our audit opinion has not been modified with regard to this set of circumstances.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

The management is responsible for the preparation of the consolidated financial statements and their compliance in all material respects with the requirements of German commercial law applicable to corporations and for the presentation of a true and fair view of the net assets, financial position and results of operations of the group in accordance with German generally accepted accounting principles. In addition, the management is responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or fraudulent misrepresentation) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for accounting for the continuation of operations on the basis of the accounting principle unless there are factual or legal grounds to the contrary.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements,

complies with German legal requirements, and appropriately presents the opportunities and risks of future developments. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and International Standards (ISA) will always detect a material misstatement.

Misstatements can result from fraud or error and are considered material if it is reasonably expected that they will affect, individually or in aggregate, the economic decisions of users made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise professional judgment and maintain professional skepticism.

In addition

■ we identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, plan and perform audit procedures in response to those risks, and obtain

audit evidence sufficient and appropriate to provide a basis for our opinions. The risk that a material misstatement resulting from fraud will not be detected is higher than the risk that a material misstatement resulting from error will not be detected, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

- we obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control or on the effectiveness of these arrangements and measures.
- we evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- we conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- we evaluate presentation, structure and contents of the consolidated financial statements including the disclosures, as well as whether the consolidated financial statements reflect the underlying transactions and events in a way that gives a true and fair view of the Group's net assets, financial position and results of operations in accordance with German generally accepted accounting principles.

- we evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- we perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information or on the assumptions on which it is based. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Mainz, April 11, 2025

Concept Wirtschaftsprüfung GmbH
Wirtschaftsprüfungsgesellschaft

Joachim Wittlich
Wirtschaftsprüfer

SEPARATE FINANCIAL STATEMENTS OF PAL NEXT AG BALANCE SHEET

As of December 31, 2024

ASSETS	12/31/2024	12/31/2023
	EUR	EUR
A. FIXED ASSETS		
I. Intangible assets		
1. Internally generated industrial property rights and similar rights and assets	1.00	1.00
2. Purchased concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	15,384.70	88,741.48
	<u>15,385.70</u>	<u>88,742.48</u>
II. Tangible fixed assets		
1. Technical equipment and machinery	5,410.00	8,243.00
2. Other equipment, operating and office equipment	16,123.00	27,486.00
	<u>21,533.00</u>	<u>35,729.00</u>
III. Financial assets		
Shares in affiliated companies	6,987,251.00	1,737,251.00
	<u>7,024,169.70</u>	<u>1,861,722.48</u>
B. CURRENT ASSETS		
I. Inventories		
1. Work in progress	0.00	29,608.93
2. Advance payments	1,470.59	0.00
	<u>1,470.59</u>	<u>29,608.93</u>
II. Receivables and other assets		
1. Trade receivables	11,442.38	418,519.57
2. Receivables from affiliated companies	2,225,683.19	5,456,478.22
3. Other assets	505,397.17	161,938.25
	<u>2,742,522.74</u>	<u>6,036,936.04</u>
III. Cash-in-hand, bank balances	<u>680,726.96</u>	<u>203,369.92</u>
	<u>3,424,720.29</u>	<u>6,269,914.89</u>
C. PREPAID EXPENSES	83,822.76	93,884.51
	<u>10,532,712.75</u>	<u>8,225,521.88</u>

EQUITY AND LIABILITIES	12/31/2024	12/31/2023
	EUR	EUR
A. EQUITY		
I. Subscribed capital	25,591,918.00	25,565,918.00
II. Capital reserves	18,900,175.81	18,900,175.81
III. Revenue reserves		
Legal reserve	14,268.80	14,268.80
IV. Loss carried forward	-37,142,034.16	-33,514,041.60
V. Net loss incurred for the year	-1,198,013.04	-3,627,992.56
	6,166,315.41	7,338,328.45
B. PROVISIONS		
Other provisions	59,535.00	198,247.33
C. LIABILITIES		
1. Bonds	3,056,421.00	32,000.00
2. Liabilities to banks	26.71	54.75
3. Trade payables	521,261.40	556,771.33
4. Liabilities to affiliated companies	617,744.26	23,660.26
5. Other liabilities	98,517.97	76,459.76
	4,293,971.34	688,946.10
D. Deferred income		
Deferred income	12,891.00	0.00
	10,532,712.75	8,225,521.88

INCOME STATEMENT

for the period from January 1 to December 31, 2024

	01/01-12/31/2024	01/01-12/31/2023
	EUR	EUR
1. Revenue	555,221.35	738,010.31
2. Increase or decrease in the inventory of finished and unfinished services	-29,608.93	0.00
3. Other operating income	38,845.82	75,142.70
4. Cost of materials		
Cost of purchased services	18,082.16	24,845.05
5. Personnel expenses		
a) Wages and salaries	482,643.56	924,080.88
b) Social security contributions, expenses for pensions and other employee benefits	91,518.66	113,936.89
	574,162.22	1,038,017.77
6. Depreciation, amortization and extraordinary write-downs		
a) on intangible assets and property, plant and equipment	85,094.86	17,352.82
b) on current assets in so far as these exceed the depreciation customary in the corporation	419,076.79	1,034,683.26
	504,171.65	1,052,036.08
7. Other operating expenses	1,024,355.52	2,816,906.32
8. Other interest and similar income	407,020.54	495,336.78
9. Interest and similar expenses	48,720.27	4,677.13
10. Earnings after tax	-1,198,013.04	-3,627,992.56
11. Net loss incurred for the year	-1,198,013.04	-3,627,992.56

INDEPENDENT AUDITOR'S REPORT

TO PAL NEXT AG:

OPINIONS

We have audited the annual financial statements of PAL Next AG, Munich, consisting of the balance sheet as of December 31, 2024, the income statement for the fiscal year from January 1, 2024, to December 31, 2024, the notes to the annual financial statements, which provide a summary of significant accounting policies.

In our opinion, based on the findings of our audit, the accompanying annual financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the company as of December 31, 2024 and of its results of operations for the fiscal year from January 1, 2024 to December 31, 2024 in accordance with German generally accepted accounting principles.

In accordance with Sec. 322 (3) Sentence 1 HGB, we hereby declare that our audit did not give rise to any objections to the annual financial statements.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB and international auditing standards (ISA) issued by the IAASB. The ISAs were supplemented by the wp.net expert opinion on the audit of financial statements in accordance with ISAs and by the wp.net auditor's report on the audit of the management report in order to comply with German accounting and reporting requirements. Our responsibilities under those requirements and principles are further described in the "Responsibility of the auditor for the audit of the annual financial statements" section of our auditor's report. We are independent of the company in accordance with the requirements of German commercial law and professional regulations, and have fulfilled our other German professional duties in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements.

OTHER INFORMATION

The company's management is responsible for the other information. The other information includes

- the other parts of the annual report, with the exception of the audited annual financial statements as well as our auditor's report.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

SUBSTANTIAL UNCERTAINTY IN CONNECTION WITH THE COMPANY AS A GOING CONCERN

Due to the persistent loss-making situation, the company has reported a loss amounting to half of the share capital. The company is dependent on further finance from shareholders or financing from the convertible bond as of the reporting date in order to maintain the company as a going concern.

To this end, the company had carried out the following measures by the date of the report:

The company has subscribed to the issue of convertible bonds totaling EUR 8 million with a term until 2026. As at the balance sheet date, EUR 3,084 thousand had been received from this and EUR 28 thousand of this had been converted into share capital. The convertible bond has been fully placed. The remaining convertible bonds in the amount of EUR 4,916 thousand will be called by the Management Board as required by 2026 at the latest and paid in full.

Leaving aside the above-mentioned steps, the financial and operational circumstances show that material uncertainty exists giving rise to significant doubts in the company's ability to continue as a going concern and representing an existential risk as defined by Section 322 (2) Sentence 3 HGB. Our audit opinion has not been modified with regard to this set of circumstances.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS

The management is responsible for the preparation of the annual financial statements and their compliance in all material respects with the requirements of German commercial law applicable to corporations and for the presentation of a true and fair view of the net assets, financial position and result of operations of the company in accordance with German generally accepted accounting principles. In addition, the management is responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or fraudulent misrepresentation) or error.

In preparing the annual financial statements, management is responsible for assessing the company's ability to continue as a going concern. It also has a responsibility to report matters relating to the continuing operation of the company, if relevant. In addition, it is responsible for accounting for the continuation of operations on the basis of the accounting principle unless there are factual or legal grounds to the contrary.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our opinions on the annual financial statements.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and International Standards (ISA) will always detect a material misstatement. Misstatements can result from fraud or error and are considered material if it is reasonably expected that they will affect, individually or in aggregate, the economic decisions of users made on the basis of these annual financial statements.

During the audit, we exercise professional judgment and maintain professional skepticism.

In addition

- we identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our opinions. The risk that a material misstatement resulting from fraud will not be detected is higher than the risk that a material misstatement resulting from error will not be detected, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

- we obtain an understanding of the internal control relevant to the audit of the annual financial statements, in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- we evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- we draw conclusions on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists in relation to events or circumstances that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to a situation in which the company is unable to continue as a going concern.

- we evaluate presentation, structure and contents of the annual financial statements, including the disclosures, as well as whether the annual financial statements reflect the underlying transactions and events in a way that gives a true and fair view of the company's net assets, financial position and results of operations in accordance with German generally accepted accounting principles.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Mainz, April 11, 2025

Concept Wirtschaftsprüfung GmbH
Wirtschaftsprüfungsgesellschaft

Joachim Wittlich
Wirtschaftsprüfer

DISCLAIMER AND IMPRINT



PUBLISHER

PAL Next AG
Holzstraße 30
80469 Munich/Germany

Web: www.pal-next.com

CONCEPT, EDITING AND DESIGN

CROSS ALLIANCE communication GmbH
Bahnhofstr. 98
82166 Gräfelfing/Munich
Germany

Phone: +49 (0) 89-1250903-30
Email: info@crossalliance.de
Web: www.crossalliance.de

DISCLAIMER

The information published in this Annual Report represents neither a recommendation, nor an offer, nor a solicitation to acquire or sell investment instruments, engage in transactions or conclude any particular legal transaction.

The information and opinions published are provided by PAL Next AG exclusively for personal use and for information purposes; they can be changed at any time without prior notice.

PAL Next AG accepts no liability (either explicit or tacit) for the accuracy, completeness and currency of the information and opinions published in this report. In particular, PAL Next AG is not obliged to remove information which is no longer up to date from the report or explicitly highlight it as such. The disclosures in this report do not represent a decision-making aid for business, legal, tax or other consulting issues, nor may any investment decisions or any other decisions be made on the basis of these disclosures. It is recommended to take advice from a qualified expert.