

PAL Next

HALF-YEAR REPORT

2024

ABOUT PAL NEXT AG

The PAL Next Group unites entertainment companies with a focus on the integration of AI (artificial intelligence) into established production processes. By way of the experts at Storybook Studios, who realize AI-generated content and AI-driven production processes, and thanks to more than a decade of experience in producing award-winning films and series at PANTALEON Films, PAL Next is uniquely positioned. PAL Next Group cooperates with renowned partners such as Amazon, Disney, Sky, Netflix, Paramount and Warner Bros. to produce authentic and innovative entertainment. PAL Next AG (formerly: PANTAFLIX AG) is represented in Munich and Berlin and is listed on the Frankfurt Stock Exchange under the Xetra symbol PAL and the ISIN DE000A12UPJ7.

Further information is available at www.pal-next.com

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DEAR SHAREHOLDERS,



Stephanie Schettler-Köhler
CEO

Following the course set in the previous year, we consistently charted our chosen course and played to our strengths in the first half of 2024. The most visible sign is the renaming of PANTAFLIX AG after the end of the reporting period: We have now been operating under the name PAL Next AG since August 30, 2024. An apt choice to unite our established production business of PANTALEON Films and our pioneers in the use of artificial intelligence in film and series production at Storybook Studios in the PAL Next Group.

In operational terms, the first half of 2024 proceeded according to plan, whereby we consider the current 2024 financial year as a whole to be a production year, as outlined in the 2023 Annual Report. This means that we at PANTALEON Films were working at full capacity in the first half of 2024 with a wide variety of film and series productions that are scheduled to generate revenue in the coming financial year. Fluctuations in sales compared to the previous year are factored in, and will continue to accompany us for the time being as an inherent part of our business model. However, we intend to reduce this volatility by significantly shortening production times through the use of artificial intelligence and creating more diverse and attractive content overall that is tailored to different audience segments.

We are delighted that our Storybook Studios has once again demonstrated and further expanded its pioneering role in the entertainment and media industry. The feedback on the pilot episode of our SPACE VETS animated series, the first series produced almost entirely with artificial intelligence, was overwhelmingly positive. We are particularly proud of the story and the visual world, which were created completely from scratch by Storybook Studios and are not based on existing artwork as is the case with other AI animation series. At the same time, we were able to make the production process significantly more efficient, faster and more scalable: The semi-automated development and production were completed in just 60 days and entailed a fraction of the size of a conventional animation team.

In future, we will be able to produce a large number of formats in parallel and market them internationally at the same time. We expect this innovation to provide us with a clear competitive advantage and further consolidate our position.

In the first half of 2024 we also worked on various productions: In particular, this includes the anti-war film THE TIGER (working title) for Amazon Prime Video, which was in post-production at the time of reporting after the shooting was completed in the 2023 financial year. Shooting was also ongoing for the movie THE LIFE OF WISHES, which was successfully completed in July 2024. The film is due to be released in German cinemas in 2025. Shooting for the movie ONE HIT WONDER and the second season of the hit series ASBEST are set to begin in the current financial year.

I would like to take this opportunity to express my special thanks to our employees. Their commitment, passion and performance not only drive the development of our company forward. As a formative part of the German and international cultural landscape, they demonstrate in economically challenging times that creativity and a spirit of innovation also open up future prospects.

I would like to thank you, dear shareholders, for your continued trust and support in realizing our vision. We are determined to use AI productions to scale high-quality film and series formats more quickly in the future and generate sustainable, predictable revenue.

We look forward to working with you on the future of PAL Next.

Kindest regards



Stephanie Schettler-Köhler
CEO

PAL NEXT ON THE CAPITAL MARKET

THE PAL NEXT AG SHARE

PAL Next AG shares are listed on 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 option for equity financing for young growth companies.

SHARE PRICE PERFORMANCE IN THE FIRST HALF OF 2024

The positive trend on the international stock markets at the end of 2023 continued in the first half of 2024. The stock markets benefited from generally good economic data across all economic regions, declining inflation rates and stable corporate profit margins. The boom in artificial intelligence also appears to be gaining momentum, meaning that even interest rate hikes by the US Federal Reserve and the European Central Bank and a minor banking crisis were unable to throw the stock markets off course.

On balance, US equities – as measured by the MSCI USA – were up by 14.9 % in the first half of 2024.¹ European equities – as measured by the MSCI Europe – rose by 6.4 %.² The DAX recorded gains of 8.9 %. The Scale All Share Index, in which the PAL Next share is included, recorded a loss of 1.1 % in the same period.³

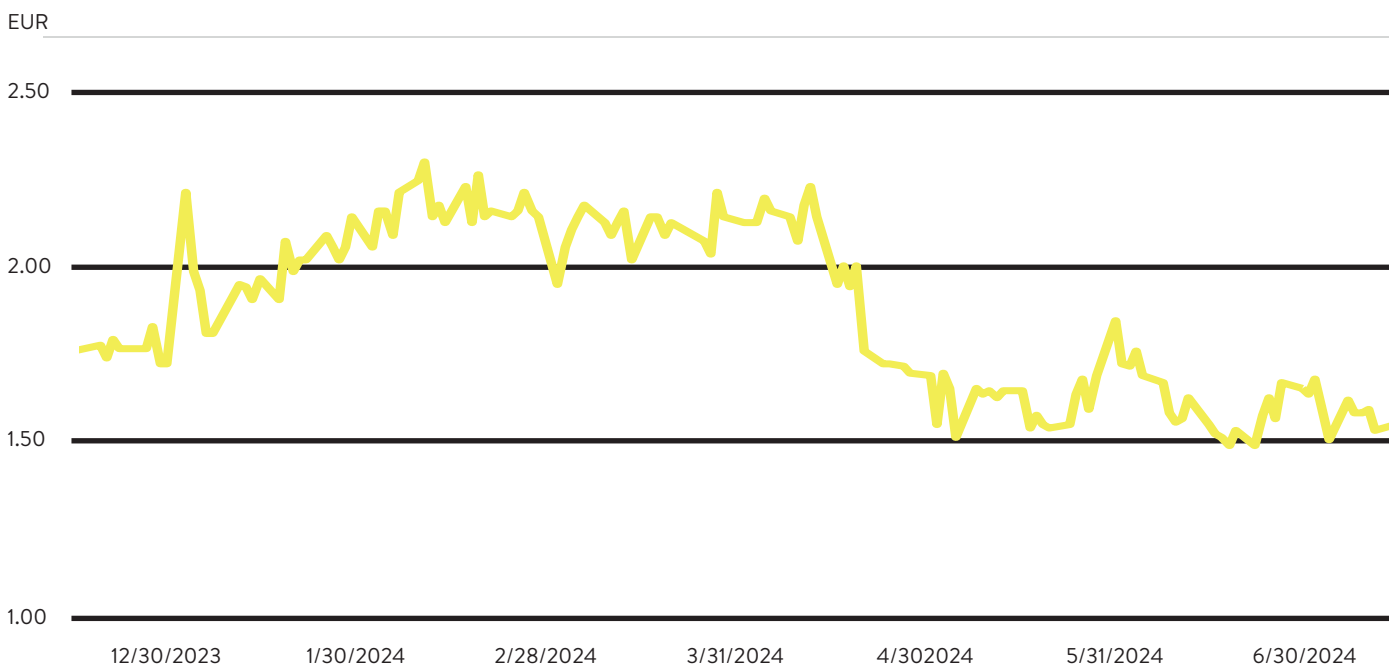
PAL Next AG shares opened the first half of the 2024 stock market year at EUR 1.77 on January 2. The share peaked at EUR 2.52 on February 20, 2024. The PAL Next AG share reached its low of EUR 1.45 on June 24, 2024. As the year progressed, the shares benefited from the prospects of the AI transformation with a price recovery. Overall, PAL Next AG’s share price was down by 5.7 % in the first half of the 2024 stock market year, closing at EUR 1.66 on June 28 (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-60eb6a47faf0>

3 <https://www.boerse-frankfurt.de/index/scale-all-share-kursindex>

SHARE PRICE PERFORMANCE IN THE FIRST HALF OF 2024



In the first six months of 2024, an average of 6,404 PAL Next shares were traded daily on all German stock exchanges, compared with a daily average of 6,542 shares in the prior-year period.

On June 28, 2024, the market capitalization amounted to approximately EUR 42.4 million based on 25,565,918 shares and a closing price of EUR 1.66 (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 is still pending.

SHARE PRICE PERFORMANCE H1 2024

Opening price	January 02, 2024	EUR 1.77
Low	June 24, 2024	EUR 1.45
High	February 20, 2024	EUR 2.52
Closing price	June 28, 2024	EUR 1.66
Market capitalization	June 28, 2024	EUR 42.4 million
Share price performance		-5.7 %

As the designated sponsor, Hauck Aufhäuser Lampe Privatbank AG provides binding bid and ask prices, thereby ensuring the appropriate tradability of the PAL Next share. Interested investors will find further information in the Investor Relations area 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 June 30, 2024

INVESTOR RELATIONS

As a listed company, PAL Next AG maintains continuous, ongoing communication with investors, private investors and financial analysts. PAL Next held an earnings call to accompany the publication of the 2023 Annual Report. The Management Board of PAL Next AG also communicated and presented the business model and strategy to representatives of the financial and business press. The Management Board also presented PAL Next AG's business model and strategy at the Hamburg Investor Days (HIT) in August 2024.

ORDINARY ANNUAL GENERAL MEETING

After the end of the reporting period on August 26, 2024, PAL Next AG held its Annual General Meeting at the Bavarian Stock Exchange as an in-person event. The shareholders voted almost unanimously in favor of all the resolutions the company's management proposed and approved the actions of the Management Board and Supervisory Board. At the time of the vote, 71.36 % of the share capital was quorate. Stephanie Schettler-Köhler, CEO of PAL Next AG, summarized the challenges of the past financial year 2023 and presented an outlook on the future of the company in a changing film industry: the use of artificial intelligence in production processes in order to fully unleash creative potential.

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

ANALYST RESEARCH

The shares of PAL Next AG were analyzed and evaluated by the renowned research company Montega during the reporting period. In their most recent study, due to the recommendation to sell PAL Next shares as well as the increase in the price target the analysts reflect the strong outperformance of the share price following the announcement of the initiated AI transformation.

UPDATE	INSTITUTE	ANALYST	RECOMMENDATION	PRICE TARGET
April 25, 2024	Montega Research	Tim Kruse	Sell (Sell)	EUR 1.00 (EUR 0.85)
October 13, 2023	Montega Research	Nils Schwarwächter/ Tim Kruse	Sell (Hold)	EUR 0.85 (EUR 0.75)

SHAREHOLDER STRUCTURE

Over and above the shareholdings of management bodies and founding shareholders known to the company – the company is aware of the following shareholders as of June 30, 2024 who have submitted one or more reports pursuant to Sec. 20 AktG. BlackMars Capital GmbH, based in Hofheim am Taunus, reportedly directly held more than 50% of the shares in the company throughout the reporting period.

FINANCIAL CALENDAR 2024

April 22, 2024

Publication of the 2023 Annual Report

April 23, 2024

Earnings call on the publication of the 2023 Annual Report

August 21-22, 2024

Hamburg Investor Days HIT

August 26, 2024

Annual General Meeting

September 25, 2024

Publication of the 2024 half-year report

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

CHANGE OF NAME 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 as well as to reflect the breadth and diversity of its future business activities. With the entry in the commercial register on August 30, 2024, the change of name has been effectively completed and, although it did not take place until after the balance sheet date of June 30, 2024, is already fully implemented for the purpose of this half-year financial report.

MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK CONDITIONS

The global economic situation and the growth in Europe and Germany have a considerable influence on the activities of the PAL Next Group in terms of the development, production and global exploitation of new films and series and the resulting rights.

After global economic activity and global trade picked up at the turn of the year, the first half of 2024 also saw this improved, albeit still subdued, level. The production differences between the economies have narrowed somewhat. In its latest economic outlook in July, the International Monetary Fund (IMF) confirmed its forecast for global growth of 3.2 % for 2024 as a whole. Global inflation is continuing to decline, although the trend is being held back by persistently high inflation in the services sector. The IMF sees inflation trends, the resulting scope for central banks to cut interest rates and the further development of geopolitical and trade conflicts as key influencing factors.

The IMF is forecasting growth of 0.9 % for the eurozone for 2024 as a whole. In April, the forecast still stood at 0.8 %. By contrast, the German economy is expected to see comparatively low growth of 0.2 % in the current year (April 2024: 0.2 %). In 2025, the German economy is anticipated to grow significantly faster again at 1.3 %.¹

Market studies suggest that total spending on content from global streaming providers such as Netflix, Apple TV+, Amazon Prime, Paramount+, Disney+ and Max will increase by around 7 % to a total of USD 46 billion in 2024. The development is essentially characterized by a continued focus on international productions and the delayed release of US original titles as a result of last year's actors' strike in the USA.²

¹ <https://www.imf.org/en/Publications/WEO/Issues/2024/07/16/world-economic-outlook-update-july-2024>

² <https://www.mediaplaynews.com/ampere-global-content-spend-to-grow-2-in-2024-recovering-from-strike-hit-2023/>

COURSE OF BUSINESS

In July 2024, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) published the Global Entertainment & Media Outlook 2024-2028. According to the report, revenue in the global entertainment and media industry is expected to grow by an average of 3.9 % annually between 2024 and 2028 to a total of USD 3.4 trillion. PwC assumes total revenue of USD 3.0 trillion for 2024. Of this, USD 0.87 trillion is attributable to the slowest-growing area of product purchases by consumers, USD 0.92 trillion to the fastest-growing area of advertising and USD 1.18 trillion to connectivity, which remains by far the largest area. Advertising is the largest growth driver and will contribute more than half of the expected market growth over the next five years.³

In terms of the German cinema market, the first half of 2024 presented a mixed picture. In view of the foreseeable consequences of the Hollywood strike in the previous year and the resulting lack of potential blockbuster films, however, the German Federal Film Board (FFA) considers the decline in visitor and sales figures to be moderate. A total of 41.9 million tickets were sold in the period from January to June 2024, which is almost 7.3 % fewer than in the previous year. The decline in turnover was more pronounced. At EUR 403.5 million, this was recorded at 11.3 % below the previous year's figure, meaning that the cinema market thereby continued to lag behind pre-pandemic levels. The number of cinemas remained stable and the number of screens was practically unchanged, underlining the importance of a comprehensive range of cinemas for the population. Against the backdrop of various international blockbuster candidates,⁴ the FFA is optimistic about the second half of 2024.

NOTE ON COMPARABILITY WITH THE HALF-YEAR REPORT 2023

In the first half of 2023, the competencies of the PAL Next Group were still bundled in operating subsidiaries and functionally allocated to the PLATFORM, PRODUCTION, ADJACENT BUSINESS and ADMINISTRATION divisions. In the 2023 financial year, a comprehensive restructuring was initiated with the strategic goal of focusing the PAL Next Group on the established production business for film and series projects. In this context, the wholly owned subsidiaries PantaSounds GmbH and PANTAFLIX Studios GmbH were merged into PAL Next AG. Creative Cosmos 15 GmbH (CC15), whose activities were bundled in the ADJACENT BUSINESS division until the first half of 2023, was legally merged with PAL Next AG as of December 30, 2023 and entered in the commercial register on January 26, 2024. As a result of the strategic focus on the established production business, the above-mentioned divisions have no longer been reported since the 2023 Annual Report.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

In the first half of 2024, the PAL Next Group worked on a wide variety of productions: In particular, they include the anti-war movie THE TIGER (working title) for Amazon Prime Video, which is in post-production at the time of reporting after shooting was completed in the 2023 financial year and is scheduled to premiere in 2025. The movie DAS LEBEN DER WÜNSCHE was also shot and successfully completed in July 2024. This movie is due to be released in German cinemas in 2025. Shooting for the movie ONE HIT WONDER and season 2 of the hit series ASBEST began in the second half of the year after the financing phase was completed. In addition, the wholly-owned subsidiary Storybook Studios began work on the AI-produced animation series SPACE VETS in the first half of the year. Released on August 20, 2024, the pilot episode marked an important milestone in the development of AI workflows at Storybook Studios, as the semi-automated development and production were completed in just 60 days and with a fraction of a traditional animation team size.

Overall, the current 2024 financial year represents a production year for the PAL Next Group, meaning that business activities in the first half of 2024 will only reflect the recognition of revenue from completed productions to a negligible extent. In the course of the first half of 2024, the PAL Next Group generated revenue of EUR 1,158 thousand (H1 2023: EUR 21,197 thousand). Additions for ongoing projects mainly led to an increase in in-

³ <https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>

⁴ <https://www.ffa.de/pressemitteilungen-detailseite/ffa-kinobilanz-fuer-das-erste-halb-jahr-2024-stabiler-kinobestand-und-419-millionen-verkaufte-tickets-in-deutschland.htm>

ventories of EUR 84 thousand (H1 2023: reduction of EUR 126 thousand). Total operating revenue plus other operating income amounted to EUR 1,523 thousand (H1 2023: EUR 21,196 thousand). The significant decline is due to the fact that, in contrast to the same period in the previous year, no significant sales revenues from film and series projects were realized or budgeted as each project was progressing through the production phase. The aforementioned sales revenues mainly result from a further partial realization for THE TIGER.

The reduction in the cost of materials of EUR 940 thousand (H1 2023: EUR 1,596 thousand) resulted primarily from the continued low volume of commissioned productions. The cost of materials includes expenditure for commissioned productions, co-producers' shares of licensing revenues for movie rights as well as retrospective expenses for completed projects. The costs for in-house productions and co-productions, on the other hand, are recognized as advance payments under intangible assets and 90% amortized in the year of completion.

Personnel expenses decreased to EUR 1,188 thousand (H1 2023: EUR 2,164 thousand) in the course of the 2023 financial year, primarily due to the restructuring of the PAL Next Group.

Depreciation and amortization, mainly on internally generated intangible assets, particularly in connection with completed and revenue-generating in-house productions, decreased in line with the revenue trend to EUR 973 thousand (H1 2023: EUR 17,042 thousand). By contrast, internally generated intangible assets in the first half of 2024 related to production projects that had not yet been completed and were not yet recognized in revenue. Amortization of purchased intangible fixed assets and depreciation of tangible fixed assets play only a minor role. No significant change in the utilization profile is expected over time.

Other operating expenses fell to EUR 672 thousand (H1 2023: EUR 1,129 thousand). Further cost savings were realized in the first half of 2024 due to the restructuring measures implemented.

Overall, EBIT decreased to EUR -2,250 thousand due to the significant fall in sales revenue (H1 2023: EUR -734 thousand).

Taxes on income amounted to EUR 0 thousand in the first half of 2024 (H1 2023: EUR 32 thousand).

The Group's total assets increased to EUR 48,128 thousand as of June 30, 2024 (December 31, 2023: EUR 42,374 thousand). The increase in fixed assets to EUR 9,788 thousand (December 31, 2023: EUR 5,399 thousand) resulted primarily from advance payments made for in-house and co-productions, which more than compensated for the amortization of internally generated intangible assets. The increase in current assets to EUR 38,251 thousand (December 31, 2023: EUR 36,879 thousand) is due in particular to the production-related increase in cash and cash equivalents to EUR 32,738 thousand (December 31, 2023: EUR 29,018 thousand). Trade receivables, on the other hand, decreased to EUR 650 thousand (December 31, 2023: EUR 2,857 thousand). Other assets, mainly from production-related receivables from foreign subsidiaries for UNWANTED, were almost unchanged at EUR 4,472 thousand (December 31, 2023: EUR 4,698 thousand).

Equity decreased to EUR 513 thousand (December 31, 2023: EUR 2,605 thousand) as of June 30, 2024 due to the consolidated loss incurred. As a result, the equity ratio fell to 1% (December 31, 2023: 6%). Further conversions of the convertible bond issued in December 2023 may have a positive effect on the capital structure in the second half of 2024. In addition, liabilities to banks, in particular for ongoing or completed but not yet invoiced projects, in an amount of EUR 39,431 thousand (December 31, 2023: EUR 36,276 thousand) were mainly attributable to the UNWANTED project. Liabilities from the corporate convertible bond issued in December 2023 increased to EUR 1,756 thousand (December 31, 2023: EUR 32 thousand). Advance payments received on orders increased to EUR 4,409 thousand (December 31, 2023: EUR 1,435 thousand), mainly due to projects still in production but not yet completed. Trade payables rose to EUR 1,350 thousand (December 31, 2023: EUR 838 thousand). Other liabilities, in particular from taxes and revenue shares, decreased to EUR 465 thousand (December 31, 2023: EUR 676 thousand).

OUTLOOK, RISK AND OPPORTUNITY REPORT

FUTURE DEVELOPMENT OF THE PAL NEXT GROUP - FORECAST

The PAL Next Group is an entertainment company that integrates AI (artificial intelligence) into established production processes. With over a decade of experience producing award-winning films and series at PANTALEON Films and Storybook Studios' expert team creating AI-generated content, PAL Next is uniquely positioned to produce cutting-edge, contemporary entertainment and continually expand its market position in film and series production. In this context, the entertainment market, which is expected to generate global sales of USD 3.0 trillion, continues to offer considerable growth potential. Demand for high-quality productions from Germany remains high. In addition to major cinema and streaming projects for the German market, the PAL Next Group and its subsidiary PANTALEON Films GmbH are also targeting higher-budget, international projects that offer greater revenue opportunities. The interaction between the two sister companies generates great potential for growth: newly developed AI workflows are applied directly in real projects that reach a huge international audience. This makes production processes dramatically more efficient, facilitating larger entertainment spheres than ever before.

Based on the business performance to date in the first half of 2024 and on current project planning, the Management Board confirms its forecast for the 2024 financial year and expects the PAL Next Group to generate revenue of between EUR 3 million and EUR 4.5 million in 2024. Total operating revenue plus other operating income will amount to at least EUR 4 million in 2024. Due to lower costs as a result of the PAL Next Group's focus on established production business for film and series projects, the Management Board expects earnings before interest and taxes (EBIT) to remain at the previous year's level of between EUR -4 million and EUR -2.5 million despite lower revenue. The lower revenue expectation compared to the previous year is due to the fact that film and series projects in production in the 2024 financial year will not be recognized in revenue until the following year 2025 due to the scheduled length of production or the production period provided for. For 2025, the Management Board is again budgeting an increase in sales revenues to around the level of the 2022 financial year of around EUR 21 million and breakeven in terms of earnings before interest and taxes.

The special form of accounting in the film and series production segment, as well as in general project business, leads to increased susceptibility to fluctuations. These factors will continue to have a decisive influence on PAL Next's future revenue and earnings performance.

RISK AND OPPORTUNITY REPORT OVERALL RISK:

The opportunity and risk situation of PAL Next AG has not changed significantly compared to the presentation on pages 26 to 29 of the 2023 Annual Report.

The risks described therein could potentially have a material adverse effect on the financial position and performance of the PAL Next Group.

The Management Board assumes that, despite the current risk situation, solvency is more than likely guaranteed in the period under review. Nevertheless, the company points out that any sustained deterioration in the earnings situation would lead to liquidity risks which could jeopardize the company's continuation as a going concern.

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

The Management Board is not aware of any events of particular significance and with a significant impact on the company's net assets, financial position and results of operations after the balance sheet date.

FORWARD-LOOKING STATEMENTS AND FORECASTS

This report includes forward-looking statements which reflect the Management Board's 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 estimations and forecasts issued. These risks include, in particular, the factors specified in the Risk and Opportunity Report on pages 26 to 29 of the Annual Report. PAL Next AG accepts no obligation beyond its statutory requirement to update the forward-looking statements in this report.

Munich, September 24, 2024

The Management Board



Stephanie Schettler-Köhler
CEO

CONSOLIDATED BALANCE SHEET

as of June 30, 2024

ASSETS	06/30/2024	12/31/2023
	EUR	EUR
A. FIXED ASSETS		
I. Intangible assets		
1. Internally generated industrial property rights and similar rights and assets	2,681,684.00	3,635,569.00
2. Purchased concessions, industrial property rights and similar rights an assets as well as licenses to such rights and assets	136,380.68	104,322.48
3. Advance payments made	6,920,552.82	1,605,801.62
	9,738,617.50	5,345,693.10
II. Tangible fixed assets		
1. Technical equipment and machinery	7,943.00	12,505.00
2. Other equipment, operating and office equipment	41,331.00	40,954.00
	49,274.00	53,459.00
	9,787,891.50	5,399,152.10
B. CURRENT ASSETS		
I. Inventories		
1. Work in progress	391,535.21	307,244.10
	391,535.21	307,244.10
II. Receivables and other assets		
1. Trade receivables	650,026.90	2,856,794.15
2. Other assets	4,471,656.07	4,697,690.30
	5,121,682.97	7,554,484.45
III. Cash-in-hand, bank balances	32,738,078.01	29,017,594.57
	38,251,296.19	36,879,323.12
C. PREPAID EXPENSES	88,386.79	95,195.29
	48,127,574.48	42,373,670.51

EQUITY AND LIABILITIES	06/30/2024	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		
1. Statutory reserves	14,268.80	14,268.80
IV. Consolidated unappropriated net loss	-43,695,640.21	-41,578,020.83
	<u>513,142.53</u>	<u>2,604,761.91</u>
V. Non-controlling interests	0.00	0.00
	513,142.53	2,604,761.91
B. PROVISIONS		
1. Other provisions	194,647.00	511,405.30
	194,647.00	511,405.30
C. LIABILITIES		
1. Bonds	1,756,472.00	32,000.00
2. Liabilities to banks	39,431,162.77	36,275,671.57
3. Prepayments received on orders	4,408,781.41	1,435,101.38
4. Trade payables	1,349,968.28	838,318.22
5. Other liabilities	465,432.25	676,412.13
- of which taxes EUR 351,706.29 (previous year EUR 65,209.68)		
	<u>47,411,816.71</u>	<u>39,257,503.30</u>
D. DEFERRED INCOME		
1. Deferred income	7,968.24	0.00
	48,127,574.48	42,373,670.51

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to June 30, 2024

	01/01-06/30/2024	01/01-06/30/2023
	EUR	EUR
1. Revenue	1,158,096.21	21,196,687.18
2. Decrease in finished goods and work in progress	84,291.11	-126,183.63
3. Other own work capitalized	192,340.00	0.00
4. Other operating income	87,984.40	125,600.68
5. Cost of materials		
a) Cost of purchased services	939,654.73	1,595,639.85
6. Personnel expenses		
a) Wages and salaries	993,020.92	1,824,461.59
b) Social security, pension schemes and other employee benefit costs	194,716.67	339,297.95
- of which from post-employment benefit costs: EUR 5,450.28 (previous year: EUR 7,906.82)		
	<u>1,187,737.59</u>	<u>2,163,759.54</u>
7. Depreciation, amortization and extraordinary write-downs		
a) extraordinary write-downs of tangible and intangible non-current assets	972,746.41	17,042,183.91
	<u>972,746.41</u>	<u>17,042,183.91</u>
8. Other operating income	672,132.86	1,128,785.16
9. Other interest and similar income	148,309.86	-7,753.79
10. Interest and similar expenses	16,369.37	0.00
11. Taxes on income	0.00	31,735.06
12. Earnings after taxes	<u>-2,117,619.38</u>	<u>-773,753.08</u>
13. Consolidated net loss for the year	<u>-2,117,619.38</u>	<u>-773,753.08</u>
14. Non-controlling interests in net result	0.00	85,874.76
15. Consolidated net loss	<u>-2,117,619.38</u>	<u>-687,878.32</u>
16. Consolidated net loss carried forward	<u>-41,578,020.83</u>	<u>-37,960,915.43</u>
17. Consolidated unappropriated net loss	<u>-43,695,640.21</u>	<u>-38,648,793.75</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2024

GENERAL DISCLOSURES

The company is entered under the corporate name of PAL Next AG („PAL Next“ or „PAL Next Group“) in the commercial register of the Munich District Court under commercial register sheet number 235252. Its address is: PAL Next AG, Holzstraße 30, 80469 Munich, Germany.

The name change from PANTAFLIX AG to PAL Next AG, which was resolved by the Annual General Meeting on August 26, 2024, was entered in the commercial register on August 30, 2024 and, although it did not take place until after the reporting date of June 30, 2024, has already been fully implemented for the purposes of this half-year financial report. At the same time, the name change reflects the company's expanded purpose beyond the entertainment and creative industries and reflects the full breadth and diversity of its future business activities.

In preparing its consolidated financial statements, the company 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	Equity interest in %
PANTALEON Films GmbH, Munich	100.00
Storybook Studios GmbH., Munich	100.00
PANTAFLIX Technologies GmbH, Berlin	100.00
The Special Squad UG, Munich*	100.00

* 100 percent 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.

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

ACCOUNTING POLICIES

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 and valuation methods applied to the interim consolidated financial statements correspond to the methods presented in the consolidated financial statements as at December 31, 2023. The interim consolidated financial statements as at June 30, 2024 should therefore be read in conjunction with the consolidated financial statements as at December 31, 2023.

DISCLOSURES AND NOTES ON INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET

Intangible assets include borrowing costs of EUR 21 thousand (H1 2023: EUR 353 thousand) capitalized as costs of production in the reporting year.

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	1,756	0	1,756	0
	(2023: 32)	(2023: 0)	(2023: 32)	(2023: 0)
Liabilities to banks	39,431	39,431	0	0
	(2023: 36,276)	(2023: 36,276)	(2023: 0)	(2023: 0)
Advance payments received for orders	4,409	3,409	1,000	0
	(2023: 1,435)	(2023: 435)	(2023: 1,000)	(2023: 0)
Trade payables	1,350	1,350	0	0
	(2023: 838)	(2023: 838)	(2023: 0)	(2023: 0)
Other liabilities	465	465	0	0
	(2023: 676)	(2023: 676)	(2023: 0)	(2023: 0)
Total	47,412	44,655	2,756	0
	(2023: 39,258)	(2023: 38,258)	(2023: 1,032)	(2023: 0)

Based on the authorization of the Annual General Meeting on July 21, 2022, the company's Management Board resolved on September 29, 2023 and December 1, 2023, with the approval of the Supervisory Board, to issue a 3.0% interest-bearing corporate convertible bond with a total nominal value of up to EUR 8,000,000 divided into up to 8,000 bearer bonds with a nominal value of EUR 1,000 each. The entire convertible bond was subscribed.

Bank balances of EUR 5 thousand are restricted as of June 30, 2024.

NOTES TO THE INCOME STATEMENT

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

OTHER DISCLOSURES

CEO

- STEPHANIE SCHETTLER-KÖHLER, Businesswoman, Munich

The CEO 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 CEO is not disclosed.

SUPERVISORY BOARD

- MARCUS BORIS MACHURA, Attorney,
(Chairman of the Supervisory Board)
- KERSTIN TROTTNOW,
Director Finance & Accounting Thinkproject Holding GmbH
(Deputy Chair of the Supervisory Board)
- NICOLAS SEBASTIAN PAALZOW,
Independent Management Consultant
(Member of the Supervisory Board)

Outside the reporting period, the company's Annual General Meeting was held on August 26, 2024. The term of office of all incumbent Supervisory Board members ended with effect from the end of the Annual General Meeting. At the constituent Supervisory Board meeting held on the same day, Marcus Boris Machura was elected as Chairman of the Supervisory Board, Kerstin Trottnow as Deputy Chair of the Supervisory Board and Nicolas Sebastian Paalzow as a member. The new term of office ends at the end of the 2026 Annual General Meeting.

NUMBER OF EMPLOYEES

In the reporting period, the PAL Next Group employed an average of 81 employees (2023: 56). More project-related employees were employed in the first half of 2024 than in the previous year.

Munich, September 24, 2024

The Management Board



Stephanie Schettler-Köhler
CEO

DISCLAIMER AND IMPRINT

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