

# PAL Next

ANNUAL REPORT

---

2025

PAL Next is an investment group headquartered in Munich and Berlin. The existing portfolio includes activities primarily in film and television production as well as technology-enabled content development. Through PANTALEON Films, the group has an established production company, while Storybook Studios advances technology-driven approaches in the development and execution of AI content.

The PAL Next group collaborates with leading international partners such as Amazon, Apple, Netflix, Degeto, Paramount and Warner Bros. Discovery and benefits from a synergetic network within the media and entertainment industry.

PAL Next AG is listed on the Frankfurt Stock Exchange under the XETRA symbol PAL and the ISIN DE000A12UPJ7.

For more information, please visit [www.pal-next.com](http://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	14
Macroeconomic and sector-related conditions in 2025	15
Course of business	16
Outlook, risk and opportunity report	18

---

## Consolidated financial statements

---

**24**

## Notes to the consolidated financial statements

---

**32**

## Auditor's report on the consolidated financial statements

---

**37**

## Separate financial statements

---

**40**

## Auditor's report on separate financial statements

---

**43**

## Disclaimer and imprint

---

**45**

# DEAR SHAREHOLDERS,



Stephanie Schettler-Köhler  
CEO

At the beginning of the current financial year 2026, we made an important strategic decision and realigned the Company's business model to focus on an investment strategy that extends beyond the creative industry. We will continue our existing operating activities, PANTALEON Films and Storybook Studios, as investments. We are currently reviewing the specific future direction with great care.

After a year dominated by production activities, the past financial year 2025 was all about exploitation: we were able to release the content developed and produced in previous years as planned. With the cinema releases of DER TIGER, NO HIT WONDER and DAS LEBEN DER WÜNSCHE, as well as the second season of ASBEST, we successfully brought key projects to audiences. I was particularly pleased by the international response to DER TIGER following its worldwide streaming launch at the beginning of 2026.

In economic terms, the release year also reflected the typical characteristics of our previous business model. Revenues amounted to EUR 23.0 million and were within the originally forecast range. The operating result developed in line with the expectations adjusted in the fall and amounted to EBIT of EUR -0.9 million. Total output, including other operating income, exceeded the minimum guidance communicated during the year, reaching EUR 27.2 million. The high depreciation and amortization are not an indication of deterioration, but reflect the scheduled realization of value from production costs capitalized in previous years. With the expanded business model as an investment group, we aim to achieve a more consistent and broader earnings base going forward.

In the area of AI-supported production processes, we further developed our internal workflows and carefully evaluated potential fields of application. We are deliberately proceeding step by step in this area. Innovation takes time and requires economic substance.

One of my key priorities last year was to further strengthen our financial base. By converting bonds from the corporate convertible bond and through a capital increase in kind, we were able to significantly improve our consolidated equity position. The consolidated equity ratio increased noticeably, providing us with greater financial stability and flexibility. In addition, non-cash impairments on shares in affiliated companies were recognized in the single-entity financial statements of PAL Next AG, reflecting

changed market conditions and updated planning assumptions. These effects have no immediate impact on liquidity and relate exclusively to the single-entity financial statements of PAL Next AG.

For me, 2025 therefore marks not only the end of a production cycle, but also the beginning of a new phase for PAL Next AG. With the transition to a more broadly positioned investment group, we are creating the conditions for structurally more stable development – less dependent on the success of individual productions and with greater flexibility in capital allocation.

I would like to express my sincere thanks to our employees for their creativity, dedication and perseverance. And to you, dear shareholders, I would like to thank you for your trust and warmly invite you to continue supporting PAL Next AG on this journey.

Sincerely

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

Stephanie Schettler-Köhler  
CEO

# DEAR SHAREHOLDERS,

In the 2025 financial year, the Supervisory Board continuously monitored the business development of PAL Next AG and its subsidiaries and was regularly informed about the status of film, series and AI productions, the economic situation as well as key opportunities and risks. The year was characterised by an intensive post-production phase for numerous film and series projects and by preparations for an extensive national and international release programme.

All material projects and initiatives were regularly discussed at the Supervisory Board meetings and the necessary resolutions were adopted. In addition, throughout 2025 the Supervisory Board once again engaged intensively with current industry developments and the overall business and corporate performance.

It maintained an open and continuous dialogue with the Management Board, to whom it expressly extends its appreciation for the dedicated and successful work performed.

## KEY TOPICS OF THE SUPERVISORY BOARD MEETINGS IN THE 2025 FINANCIAL YEAR

In the 2025 financial year, the Supervisory Board duly performed the duties incumbent upon it under the law, the Articles of Association and its Rules of Procedure with the required care. It regularly advised the Management Board in the management of the Company, continuously monitored its activities and closely supported the Company's strategic development as well as significant individual measures. In doing so, the Supervisory Board satisfied itself of the legality, propriety and expediency of the management of the Company and of the adequacy and effectiveness of the established internal control and risk management system.

The Supervisory Board held a total of five meetings in the 2025 financial year to perform its duties – on April 14 (balance sheet meeting for the 2024 financial year), June 23, October 21, November 20 and December 19, 2025. All meetings were held virtually as video or telephone conferences. In addition, urgent resolutions were adopted by way of circular resolution.

All members of the Supervisory Board attended each meeting in full. For individual agenda items, members of the Management Board and, where appropriate, other employees or the statutory auditor were invited as guests in order to explain specific matters and to answer questions of the Supervisory Board.

At its meetings, the Supervisory Board discussed in detail the reports submitted by the Management Board, in particular the Company's position, revenue and earnings development, the annual financial statements, the strategy and risk control system of the Management Board, the personnel situation as well as the financial position of PAL Next AG. Any deviations from the adopted plans and targets were explained to the Supervisory Board by the Management Board.

In the 2025 financial year, the Supervisory Board focused in particular on the following key topics:

- Completion of various cinema, film and series productions
- Capital and financing measures of the Group and its key subsidiaries
- Matters relating to the Management Board and further personnel topics within the Group
- Approval and convening of the Annual General Meeting as an in-person event
- Approval and adoption of the separate financial statements for 2024 and approval of the consolidated financial statements for 2024

## TRUST-BASED COOPERATION WITH THE MANAGEMENT BOARD

In the 2025 financial year, the Supervisory Board actively supported the Management Board by way of intensive consultations and discussions and was involved in all material decisions relevant to the Company. Its activities were characterised by a continuous monitoring process. The Management Board informed the Supervisory Board regularly, in a timely and comprehensive manner about all relevant aspects of planning, business policy and development, the net assets, financial position and results of operations, the risk situation as well as risk management and controlling, including compliance with statutory provisions and internal compliance guidelines.

As a result, the Supervisory Board was at all times fully informed about all relevant developments, thereby ensuring careful supervision of the management of the Company. Significant business transactions were also reported outside Supervisory Board meetings – in accordance with Section 90 of the German Stock Corporation Act (AktG) – in writing and orally as part of regular reporting.

Furthermore, outside the meetings the Supervisory Board maintained close contact with the Management Board, received detailed information on current business developments and significant events and reviewed and approved measures requiring its consent. All relevant decisions were discussed extensively; resolutions were adopted on the basis of these discussions and the resulting proposals of the Management Board.

#### **COMPOSITION OF THE SUPERVISORY BOARD – CHANGES IN THE 2025 FINANCIAL YEAR**

In accordance with the Articles of Association, the Supervisory Board of PAL Next AG consists of three members. In the 2025 financial year, its members were Mr Marcus Boris Machura (Chairman), Ms Kerstin Trottnow (Deputy Chairwoman) and Mr Nicolas Sebastian Paalzow, who had been elected by the Annual General Meeting on August 26, 2024. The term of office of the Supervisory Board ends at the close of the Annual General Meeting 2026.

In view of the three-member composition stipulated in the Articles of Association, the Supervisory Board did not establish any committees. All members dealt comprehensively with the full scope of the Supervisory Board's responsibilities.

No conflicts of interest of members of the Supervisory Board arose during the 2025 financial year.

#### **COMPOSITION OF THE MANAGEMENT BOARD**

Ms Stephanie Schettler-Köhler manages the Company as sole member of the Management Board.

#### **ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

Concept Wirtschaftsprüfung GmbH, Wirtschaftsprüfungsgesellschaft, Mainz, audited the annual financial statements of PAL Next AG as at December 31, 2025 as well as the voluntarily prepared consolidated financial statements together with the Group management report as at December 31, 2025 in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG). Both financial statements were issued with an unqualified audit opinion.

As part of the audit of the annual financial statements, the auditor examined the accounting-related internal control system in order to take findings regarding its functionality into account when determining the nature and scope of further 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 together with the Group management report of PAL Next AG as at December 31, 2025 in detail, in particular with regard to their legality, regularity and expediency. The documents were discussed in detail with the Management Board and the auditor and formed the basis for the Supervisory Board's resolution.

At the Supervisory Board meeting held on March 24, 2026, which took place as a video conference, the auditor reported comprehensively on the results of the audit and the key audit matters 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 audit opinions, reviewed them critically and discussed them with the auditor, including the nature, scope and results of the audit. The Supervisory Board thereby satisfied itself as to the proper conduct of the audits and the reports.

Following the completion of its examination, no objections were raised. The Supervisory Board therefore approved the result of the audit at its meeting on March 24, 2026, adopted the annual financial statements prepared by the Management Board, approved the consolidated financial statements and declared its agreement 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**

At its meeting on March 24, 2026, the Supervisory Board also examined the report of the Management Board pursuant to Section 312 AktG on relations with affiliated companies (dependent company report) for the 2025 financial year.

The Supervisory Board's review of this report did not give rise to any objections. The Supervisory Board had the Management Board explain the benefits and potential risks of the legal transactions presented in the dependency report, weighed these at its own discretion and clarified the principles according to which services rendered by the Company and the consideration received in return were determined.

The dependent company report prepared by the Management Board in accordance with Section 312 (1) AktG was likewise audited by the statutory auditor. The auditor issued the following unqualified audit opinion pursuant to 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 Management Board.“

We concur with this judgment. Following its final examination, the Supervisory Board raises 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 dedicated work during the 2025 financial year. It also extends its sincere thanks to the shareholders for their 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 (SMEs), offers young growth companies efficient access to investors as well as a flexible option for equity financing and thus represents an attractive alternative to the EU-regulated market segments.

## SHARE PRICE DEVELOPMENT 2025

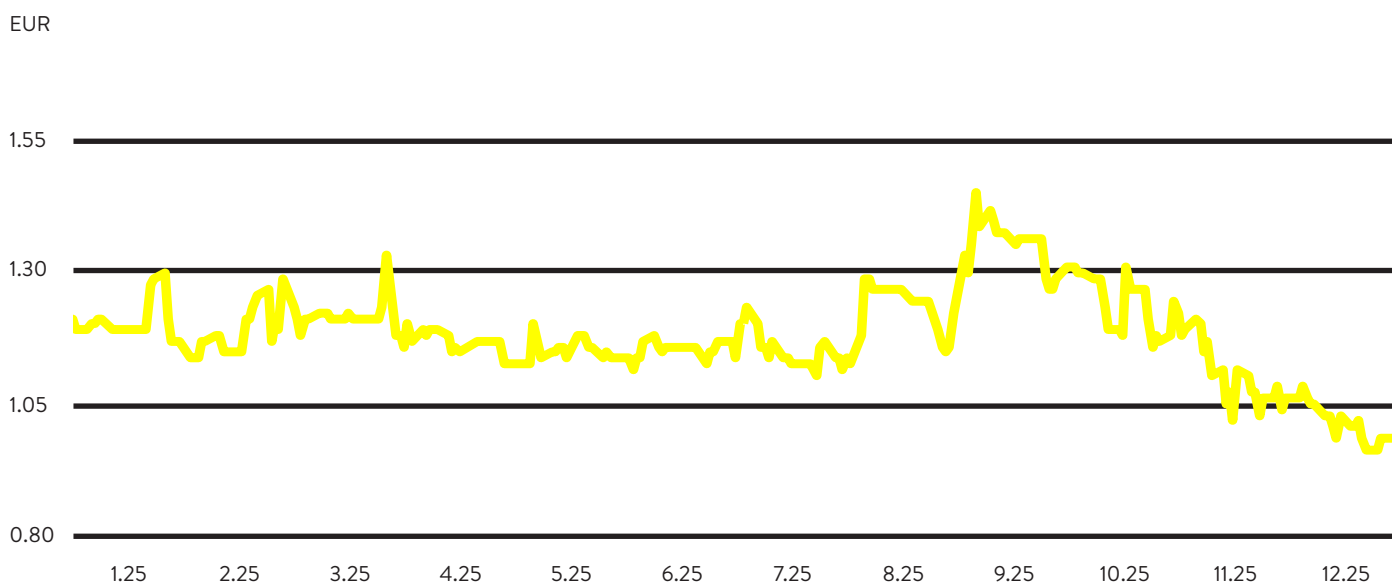
The 2025 stock market year was marked worldwide by trade and geopolitical tensions as well as far-reaching monetary and fiscal policy decisions. For example, the US government's erratic trade policy repeatedly caused market turbulence. The extension of existing tariffs announced in April as part of "Liberation Day" led to sharp price declines in the short term, before the prospect of amicable negotiated solutions favored a recovery on the stock markets. Despite these uncertainties, international stock markets were largely positive overall and closed the year with significant gains in some cases.

The German federal government's economic policy realignment in the spring provided a key stimulus to European stock markets. The announced easing of the debt brake and a comprehensive investment program in infrastructure, energy, and defense strengthened confidence in the capital markets and led to sharp price increases, particularly on the DAX.

Monetary policy remained a key influencing factor in the 2025 stock market year. Against the backdrop of declining inflation rates, the European Central Bank lowered its key interest rate in four steps to 2.0%, while the US Federal Reserve also initiated a cycle of easing in the fall, reducing its key interest rate to 3.5% by December.

PAL Next AG shares opened the 2025 stock market year on January 2 at a price of EUR 1.16. The share reached its annual high (intraday) of EUR 1.44 on September 4, 2025. In the course of the year, the PAL Next share price fell to its low of EUR 0.98 (intraday) on December 22, 2025. With a year-end closing price of EUR 1.06 on December 30, 2025, the PAL Next share recorded a decline of 9.4% in the 2025 stock market year (all figures according to Xetra prices).

## SHARE PRICE PERFORMANCE IN 2025



The average daily trading volume in PAL Next shares on all German stock exchanges amounted to 3,901 shares in 2025 (2024: 4,551 shares).

On December 30, 2025, market capitalization amounted to approximately EUR 36.2 million based on 34,153,156 shares (previous year: 25,565,918 shares) and a closing price of EUR 1.06 (all figures according to Xetra prices). In the 2025 financial year, the number of shares increased by a total of 8,587,238, mainly due to the conversion of the 2023/2026 convertible bond in September. Further information on this can be found in the section “Results of operations, financial position and net assets” of the Group management report.

#### SHARE PRICE PERFORMANCE 2025

Opening price	January 2, 2025	EUR 1.16
Low	December 22, 2025	EUR 0.98
High	September 4, 2025	EUR 1.44
Closing price	December 30, 2025	EUR 1.06
Market capitalization	December 30, 2025	EUR 36.2 million
Share price performance		-9.4%

As designated sponsor, Hauck Aufhäuser Lampe Privatbank AG continued to provide binding bid and ask prices throughout the 2025 stock market year, thus ensuring adequate tradability of PAL Next shares. The agreement with Hauck Aufhäuser Lampe Privatbank AG ended on December 31, 2025. Since January 1, 2026, mwb fairtrade Wertpapierhandelsbank AG has assumed the role of designated sponsor. Further information is available to interested investors in the Investor Relations section of the website at pal-next.com.

#### SHARE INFORMATION\*

Stock exchange	Xetra, Frankfurt
Ticker symbol	PAL
Total number of shares	34,153,156
Share capital	EUR 34,153,156.00
ISIN	DE000A12UPJ7
WKN	A12UPJ
Market segment	Open Market
Transparency level	Scale
Designated Sponsor	Hauck Aufhäuser Lampe Privatbank AG

\* As of December 31, 2025

#### INVESTOR RELATIONS

As a listed company, PAL Next AG maintains an ongoing dialogue with investors, private investors, and financial analysts. The company held an earnings call to accompany the publication of its 2024 annual report. In addition, the Management Board exchanged views on the company and its business model with 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 2025.

#### ANNUAL GENERAL MEETING

PAL Next AG held its Annual General Meeting on August 19, 2025, as an in-person event at the Haus der Bayerischen Wirtschaft in Munich. The shareholders unanimously approved all items on the agenda and expressed their confidence in the sole member of the Executive Board, Stephanie Schettler-Köhler, and the members of the Supervisory Board of PAL Next AG for the 2025 financial year. At the time the resolution was passed, 71.28% of the quorum’s share capital was represented. In her report to the Annual General Meeting, Stephanie Schettler-Köhler provided information on business performance in 2024 and provided an outlook on future prospects, particularly in the area of AI-generated content.

The detailed voting results of the 2025 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 2025 financial year. In his latest study, analyst Ingo Schmidt highlights PAL Next AG’s development in line with plans in the first months of 2025, as well as the promising prospects offered by the strengthening of AI content through proprietary workflows, particularly in the field of animation. The subsidiary Storybook Studios continued to successfully develop its activities and refine its business model in order to realize commercially viable projects following the research and development phase.

<u>UPDATE</u>	<u>INSTITUTE</u>	<u>ANALYST</u>	<u>RECOMMENDATION</u>	<u>PRICE TARGET</u>
<u>September 24, 2025</u>	<u>Montega Research</u>	<u>Ingo Schmidt</u>	<u>Hold (Hold)</u>	<u>EUR 1.20 (EUR 1.20)</u>
<u>May 5, 2025</u>	<u>Montega Research</u>	<u>Ingo Schmidt</u>	<u>Hold (Sell)</u>	<u>EUR 1.20 (EUR 1.00)</u>

### SHAREHOLDER STRUCTURE

As of December 31, 2025, the company is aware of those shareholders who have submitted one or more notifications pursuant to Section 20 of the German Stock Corporation Act (AktG). According to the information provided, BlackMars Capital GmbH, based in Hofheim am Taunus, held more than 50% of the company's shares throughout the entire reporting period.

### FINANCIAL CALENDAR 2026

March 31, 2026

Annual Report 2025

May 18, 2026

Annual General Meeting

August 26- 27, 2026

Hamburg Investor Days (HIT)

September 2026

Half-Year Report 2026

Further information is available to interested investors at [pal-next.com](http://pal-next.com).

# SUSTAINABILITY AT PAL NEXT

## INTRODUCTION

In a dynamic market environment that characterized the year 2025, we consistently focused on our core business: the production of films and series of the highest quality. Sustainability continues to guide our actions during the reporting year. Our corporate culture is based on ecological and social responsibility, which guides our business activities. For us, films and series are not only a way to offer entertainment of the highest quality, but also effective tools for promoting social discourse and raising awareness of pressing issues. As an entertainment group, we see it as our duty not only to monitor our energy footprint, but also to actively manage it. Reducing CO<sub>2</sub> emissions, resource-efficient production, and consistent waste management in our offices are our top priorities. Innovation and AI only unfold their value through the people who stand behind technology with many years of expertise and great commitment. That is

why we at PAL Next are committed to ensuring compliance with working conditions and a working environment characterized by equal opportunities, diversity, freedom of expression, and integrity. Responsible corporate governance based on legal compliance, trust, and transparency also forms the basis for sustainable and successful action.

In 2025, we once again voluntarily report on our key ESG indicators and practices. Our report is guided by the VSME standard – the Voluntary Standard for Sustainability Reporting by Small and Medium-Sized Enterprises – and are thus sending a clear signal of transparency and responsibility toward our environment, our society, and you, our stakeholders. Listed below are the ESG areas of action that are material for us and our key stakeholders, which have been identified based on the classification of topics under the ESRS (European Sustainability Reporting Standards):

### ESRS E1 - Climate Change

- Climate Protection
- Energy

### ESRS E5 - Circular Economy

- Resource Inflows / Use of Resources
- Waste

### ESRS S1 - Own Workforce

- Working Conditions
- Equal Treatment and Opportunities
- Data Protection

### ESRS S2 - Employees in the Value Chain

- Data Protection

### ESRS S4 - Consumers / End Users

- Data Protection
- Child Protection

### ESRS G1 - Business Conduct

- Corporate Culture
- Protection of Whistleblowers
- Corruption and Bribery

In addition to the known ESRS topics, we have identified a company-specific topic that is particularly relevant to us: “**Innovation and AI.**” At our subsidiary **Storybook Studios**, we use AI to redefine storytelling and make production processes more efficient. In doing so, we are committed to adhering to the highest ethical standards and creating a responsible digital environment. We implement strict data protection measures and ensure complete transparency in the use of personal data.

Our sustainability strategy covers topics in the areas of the environment, society, corporate governance, and innovation. This enables us to generate long-term value for our stakeholders. To implement this sustainability strategy, our group has internal guidelines and procedures in place that aim to transition to more sustainable business practices.

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 reporting years 2024 (base year) and 2025:

ESG-KEY INDICATORS	2024	2025
<b>ENVIRONMENT</b>		
<b>CO<sub>2</sub>-Emissions (Scope 1, 2, 3) - Kg</b>	<b>527,282.60</b>	<b>25,721.27<sup>1</sup></b>
<b>Electricity from renewable sources</b>		
Head Office - %	100	100
Projects - %	39.27	- <sup>2</sup>
<b>SOCIAL</b>		
<b>Total number of permanent employees</b>	<b>21</b>	<b>17</b>
of whom Women - %	48	59 <sup>3</sup>
of whom Men - %	52	41 <sup>4</sup>
Permanent Contracts - %	100	94 <sup>5</sup>
Staff Turnover Rate - %	48	24
<b>Total number of project staff</b>	<b>463</b>	<b>27</b>
of whom Women - %	45	48
of whom Men - %	55	52
Fixed Term Contracts - % <sup>6</sup>	100	100
<b>GOVERNANCE</b>		
<b>Cases reported via the whistleblowing system</b>	<b>0</b>	<b>0</b>

1 The reduction of CO<sub>2</sub> emissions in financial year 2025 is attributable to the fact that no new production was launched in the reporting year and post-production for the projects was already almost fully accounted for in 2024.

2 In the 2025 reporting year, no projects were in the shooting phase. Therefore, no projects were taken into account.

3 Calculated and collected as of December 31, 2025.

4 Calculated and collected as of December 31, 2025.

5 With the exception of one permanent employee, all employees had a permanent contract in the 2025 financial year.

6 All project-based employees have a fixed-term contract with PANTALEON Films.

# BUSINESS ACTIVITY AND GROUP STRUCTURE

The PAL Next Group is an investment company headquartered in Munich. Previously, the Group was operationally active in the entertainment sector, developing, financing and producing film and series projects. Since 2026, the PAL Next Group has been consistently leveraging the expertise built up in the structuring, financing and economic assessment of business models to drive its development into an investment company.

PAL Next AG acts as the holding company and manages the Group's investment portfolio. Going forward, value creation will be driven by the development, management and strategic advancement of the individual portfolio companies. The investment portfolio comprises in particular PANTALEON Films GmbH and Storybook Studios GmbH. Both portfolio companies are responsible for the operational business. In addition, the Group holds interests in PANTAFLIX Technologies GmbH and The Special Squad UG. The holding company is responsible for strategic management, capital allocation, financing, controlling and Group-wide functions such as public and investor relations.

# CONTROL SYSTEM

The PAL Next Group is managed using the key performance indicators of revenue, total operating revenue and EBIT. 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.

The PAL Next Group is managed using key financial performance indicators, in particular revenue, total operating revenue and EBIT. Cash flow and the equity ratio are also taken into account. The relevant key performance indicators are recorded at the level of the portfolio companies and consolidated at the level of PAL Next AG. On this basis, the Group continuously analyzes the financial performance of its portfolio companies and derives appropriate measures to safeguard and sustainably improve the Group's profitability. Non-financial performance indicators are regularly discussed with the portfolio companies but have not yet been used as formal key performance indicators.

# MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS IN 2025

According to its forecast published in January 2026, the International Monetary Fund (IMF) expects stable global economic growth in 2025 at the prior-year level of 3.3%.<sup>1</sup> The negative impact of heightened political uncertainty resulting from the new restrictive US trade policy is being offset by an investment boom in the field of artificial intelligence.<sup>2</sup>

Economic momentum in the eurozone has continued to gain pace. According to the IMF, economic growth increased to 1.4% in 2025, up from 0.9% in the previous year. Key influencing factors included government investment programs in Germany as well as front-loaded exports to the USA in anticipation of the announced tariff increases.<sup>3</sup>

According to the Federal Statistical Office (Destatis), the German economy recorded slight growth for the first time again in 2025. Accordingly, gross domestic product (price-adjusted) increased by 0.2%<sup>4</sup> in 2025, having declined by 0.5% in the previous year.<sup>5</sup> The main growth drivers were private and government consumption expenditure. Weak investment activity and lower export demand continued to weigh on the economy.<sup>6</sup> The “other service providers” sector, which also includes the creative and entertainment industry, recorded a slight decline in economic activity in 2025 compared to the prior year.<sup>7</sup>

The 2025 cinema year proved stronger than the previous year in terms of both ticket sales and revenue. According to the German Federal Film Board (FFA), this was attributable in particular to a strong second half of the year with a diverse range of blockbusters and a December in which more than 10 million tickets were sold for the first time. At 91.9 million, the number of cinema tickets sold in 2025 was 2.1% above the prior-year figure. While a diverse range of German films – from sequels and comedies to family films, BookTok adaptations and acclaimed arthouse and festival successes – attracted large audiences and made a significant contribution to this performance, the positive overall result was concentrated on a small number of audience successes. The five most successful German titles accounted for just under half of all ticket sales. Accordingly, the number of tickets sold for German films rose by 37.2% to 24.3 million, and the market share of German films reached 27.4% – the highest level in the past five years. Revenue in the German cinema market improved by 6.4% to EUR 924.0 million. The average ticket price also increased, reaching EUR 10.05, which was 4.3% above the prior-year figure.<sup>8</sup>

1 <https://www.imf.org/en/publications/weo/issues/2026/01/19/world-economic-outlook-update-january-2026>

2 <https://www.imf.org/en/publications/weo/issues/2026/01/19/world-economic-outlook-update-january-2026>

3 <https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025>

4 [https://www.destatis.de/DE/Presse/Pressemitteilungen/2026/01/PD26\\_017\\_811.html](https://www.destatis.de/DE/Presse/Pressemitteilungen/2026/01/PD26_017_811.html)

5 [https://www.destatis.de/DE/Presse/Pressemitteilungen/2026/01/PD26\\_017\\_811.html](https://www.destatis.de/DE/Presse/Pressemitteilungen/2026/01/PD26_017_811.html)

6 [https://www.destatis.de/DE/Presse/Pressemitteilungen/2026/01/PD26\\_017\\_811.html](https://www.destatis.de/DE/Presse/Pressemitteilungen/2026/01/PD26_017_811.html)

7 [https://www.destatis.de/DE/Presse/Pressemitteilungen/2026/01/PD26\\_017\\_811.html](https://www.destatis.de/DE/Presse/Pressemitteilungen/2026/01/PD26_017_811.html)

8 [https://www.ffa.de/files/dokumentenverwaltung/publikationen%20presse%20%28bearbeitet%20HS%29/2025/FFA-Kinojahr\\_2025.pdf](https://www.ffa.de/files/dokumentenverwaltung/publikationen%20presse%20%28bearbeitet%20HS%29/2025/FFA-Kinojahr_2025.pdf)

# COURSE OF BUSINESS

## RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

In the 2025 financial year, the PAL Next Group focused on the completion and exploitation of its productions, following the production-intensive previous year. The anti-war film DER TIGER, produced in collaboration with Amazon MGM Studios, was released in selected German cinemas on September 18, 2025. After the end of the reporting period, in January 2026, the worldwide release on Prime Video also took place. The feature films NO HIT WONDER (theatrical release: October 30, 2025) and DAS LEBEN DER WÜNSCHE (theatrical release: November 13, 2025), whose principal photography had already been completed in the previous year, also premiered in German cinemas in the 2025 financial year. In addition, the second season of the hit series ASBEST was released on ARD Mediathek in the second half of 2025.

In parallel, the portfolio companies of the PAL Next Group continued to develop their activities in the field of AI-assisted production methods. In the 2025 financial year, the focus was on the further development of internal workflows and the evaluation of potential commercial applications. The portfolio companies see fundamental potential for efficiency gains in development and production phases through the integration of AI-based processes, but continue to be in a phase of structured market testing.

The PAL Next Group generated revenue of EUR 22,989 thousand in the 2025 financial year (2024: EUR 4,160 thousand). Revenue was within the forecast range of EUR 21 million to EUR 23 million and reflects in particular the recognition of revenue from the film and series productions released during the course of the year. The change in inventories amounted to EUR 120 thousand in the financial year (2024: EUR 90 thousand) and reflects ongoing project development and current development activities. Total operating revenue including other operating income amounted to EUR 27,154 thousand (2024: EUR 5,388 thousand), exceeding the minimum forecast of EUR 24 million communicated during the course of the year.

The cost of materials decreased to EUR 1,126 thousand (2024: EUR 2,268 thousand). The cost of materials includes expenditure for contract productions, co-producers' shares of licensing revenues for film 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 declined further to EUR 1,753 thousand (2024: EUR 2,358 thousand) as a result of the restructuring measures initiated in previous years.

Depreciation and amortization amounted to EUR 23,895 thousand (2024: EUR 2,018 thousand) and relate primarily to internally generated intangible assets in connection with in-house productions and co-productions that generated revenue in the financial year. Amortization of acquired intangible fixed assets and depreciation of property, plant and equipment are of minor significance. No significant change in the utilization profile is expected over time.

Other operating expenses amounted to EUR 1,289 thousand (2024: EUR 2,084 thousand).

Overall, EBIT improved significantly to EUR -909 thousand (2024: EUR -3,341 thousand), within the forecast range of EUR -1,250 thousand to EUR -550 thousand, as last adjusted in October 2025. The adjustment to the forecast during the course of the year was attributable in particular to balance sheet effects in connection with the contribution of receivables as a contribution in kind and had no impact on the liquidity position of the Group.

The consolidated balance sheet total decreased to EUR 59,704 thousand as of December 31, 2025 (December 31, 2024: EUR 72,318 thousand). The decline in total assets is primarily attributable to the scheduled amortization of completed productions. Fixed assets decreased accordingly to EUR 3,611 thousand (December 31, 2024: EUR 22,751 thousand). The increase in current assets to EUR 56,001 thousand (December 31, 2024: EUR 49,468 thousand) is due in particular to the production-related increase in cash and cash equivalents to EUR 51,559 thousand (December 31, 2024: EUR 44,295 thousand). Trade receivables increased to EUR 2,866 thousand (December 31, 2024: EUR 1,119 thousand). Other assets decreased to EUR 1,059 thousand (December 31, 2024: EUR 3,656 thousand).

Consolidated equity increased as of December 31, 2025, in particular through the conversion of bonds from the corporate convertible bond issued and through the contribution of receivables as a contribution in kind, to EUR 7,044 thousand (December 31, 2024: EUR -763 thousand). The equity ratio improved accordingly to 11.8% (December 31, 2024: -1.1%).

Liabilities to banks, in particular for ongoing or completed but not yet invoiced projects, decreased to EUR 50,665 thousand (December 31, 2024: EUR 56,739 thousand).

Based on the authorization granted by the Annual General Meeting on July 21, 2022, 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. In the financial year, bonds with a nominal value of EUR 4,915,579 (2024: EUR 3,050,421) were issued and bonds with a nominal value of EUR 7,966,000 (2024: EUR 26,000) were converted into 7,966,000 no-par value shares.

Advance payments received on orders decreased primarily as a result of the completion of projects to EUR 328 thousand (December 31, 2024: EUR 11,400 thousand). Trade payables decreased to EUR 672 thousand (December 31, 2024: EUR 705 thousand). Other liabilities, in particular conditionally repayable film subsidy loans, third-party revenue shares and taxes, decreased to EUR 627 thousand (December 31, 2024: EUR 854 thousand).

In the context of the strategic realignment of the investment portfolio, the carrying amounts of interests in affiliated companies were subjected to an impairment test on the basis of updated planning assumptions. On this basis, non-cash-effective impairment losses on interests in affiliated companies of EUR 8,267 thousand were recognized in the separate financial statements of PAL Next AG in the 2025 financial year.

#### LIQUIDITY

Cash flow from operating activities decreased in the 2025 financial year alongside a reduced consolidated net loss for the year to EUR 11,214 thousand (2024: EUR 11,947 thousand). In the previous year, inflows from advance payments received in connection with production activities were a particular factor. Cash flow from investing activities of EUR -4,966 thousand (2024: EUR -20,131 thousand) resulted primarily from the lower capitalization of production costs for in-house productions and co-productions in intangible fixed assets. Cash flow from financing activities of EUR 5,666 thousand (2024: EUR 3,756 thousand) was determined in particular by the issuance of convertible bonds.

#### FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

##### FINANCIAL PERFORMANCE INDICATORS

The PAL Next Group's objective is to continuously increase the revenue, total operating revenue and operating results of its portfolio companies. In addition, the PAL Next Group aims to increase operating cash flow and achieve a sustainable improvement in the equity ratio. The key performance indicators are recorded at the level of the portfolio companies and reported on a consolidated basis.

##### NON-FINANCIAL PERFORMANCE INDICATORS

The portfolio companies of the PAL Next Group successfully completed three film and series projects in the 2025 financial year. In addition, the portfolio companies succeeded in securing partners for further project developments.

##### SUSTAINABILITY

For the PAL Next Group, sustainability extends far beyond environmental responsibility – it is an integral part of the corporate culture. Responsible business practices encompass not only protecting the environment, but also assuming social responsibility and securing long-term economic success.

A detailed presentation can be found in the sustainability section of the Annual Report 2025.

# OUTLOOK, RISK AND OPPORTUNITY REPORT

## FORECAST

### FUTURE ECONOMIC AND INDUSTRY-SPECIFIC TRENDS

The International Monetary Fund (IMF) expects continued stable global economic growth of 3.3% in 2026. High levels of investment in the field of artificial intelligence continue to offset the negative impact of heightened political uncertainty and increased trade barriers. Significant downside risks arise in particular from an escalation of these trade, domestic and geopolitical conflicts, which could jeopardize financial market stability and global supply chains and lead to disruptions in commodity markets.<sup>9</sup>

For the eurozone, the IMF anticipates a slight slowdown in economic momentum in 2026. Among other factors, this reflects the fading of the front-loading effects from the previous year. In addition, the planned increases in defense spending in many countries will only take effect over the longer term, and the investment boom in the field of AI is considerably less pronounced in the eurozone than, for example, in the USA and Asia. These factors are offset by positive impetus from infrastructure programs.<sup>10</sup>

The German economy is expected to grow significantly more strongly in the coming year, benefiting in particular from expansionary fiscal policy and a higher number of working days. The decline in competitiveness will continue to weigh on the manufacturing sector, and the export economy is burdened by the changed conditions in global trade. Structural challenges – including high energy costs by international comparison, demographic change and excessive bureaucracy – continue to stand in the way of a stronger recovery. In addition, corporate investment appetite remains low. The Kiel Institute for the World Economy (IfW) expects overall economic growth in Germany to increase to 1.0% in 2026.<sup>11</sup>

According to the German Entertainment & Media Outlook 2025–2029 published by management consultants PwC, the entertainment and media industry in Germany is continuing its growth trajectory despite ongoing structural change. This includes in particular changing consumer behavior, the progressive transition to digital business models and the increasing use of new technologies such as artificial intelligence. Accordingly,

the main drivers of market growth are digital segments such as online advertising and video streaming. For 2025, the consultants projected revenue growth of 3.9% to EUR 116.0 billion. By 2029, revenue is expected to grow by an average of 2.5% per year to EUR 126.1 billion, with cinema (+4.7%) and internet video (+7.9%) among the above-average growth segments.<sup>12</sup>

For the cinema market specifically, this means that the number of ticket sales is expected to increase by an average of 2.6% per year over the period under review (2025–2029), although the growth rate is expected to slow considerably after a strong increase in 2025. Ticket prices are expected to rise by an average of 2.0% per year, with the growth rate remaining broadly stable over time. Overall, the cinema market is expected to reach a volume of EUR 1.2 billion in 2029.<sup>13</sup>

### FUTURE DEVELOPMENT OF THE PAL NEXT GROUP – OUTLOOK

The PAL Next Group is currently undergoing a phase of strategic realignment. At the same time, the two principal portfolio companies are not yet profitable. Against this backdrop, the Management Board plans to broaden the Group's strategic positioning and expand the investment portfolio over time to include engagements in additional business fields, with the aim of establishing the conditions for a more stable and sustainably profitable development of the PAL Next Group.

The special form of accounting in the project-based film and series business of the portfolio companies currently still results in heightened susceptibility to fluctuations at Group level. The long-term strategic goal of developing into an investment company is to reduce this dependence on the success of individual projects. In the ongoing transformation process, however, project-related volatility will continue to shape the PAL Next Group's revenue and earnings performance.

Based on current project planning of the portfolio companies and assuming that the investment portfolio remains materially unchanged, the Management Board expects the PAL Next Group to generate revenue of EUR 6 million to EUR 9 million in the 2026 financial year. Total operating revenue plus other ope-

9 <https://www.imf.org/en/publications/weo/issues/2026/01/19/world-economic-outlook-update-january-2026>

10 <https://www.imf.org/en/publications/weo/issues/2026/01/19/world-economic-outlook-update-january-2026>

11 <https://www.kielinstitut.de/de/publikationen/deutsche-wirtschaft-im-winter-2025-sand-im-getriebe-staat-auf-dem-gaspedal-19205/>

12 <https://www.pwc.de/de/content/97c3fb13-1248-43e2-8b36-41863bffa146/pwc-studie-gemo-2025.pdf>

13 <https://www.pwc.de/de/content/97c3fb13-1248-43e2-8b36-41863bffa146/pwc-studie-gemo-2025.pdf>

rating income is expected to amount to at least EUR 6.5 million in 2026. The Management Board expects earnings before interest and taxes (EBIT) for the 2026 financial year to be in a range between EUR -3.7 million and EUR -2.5 million.

#### 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 of its portfolio companies that are 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 Group's specific circumstances and requirements as well as to individual risks. The measures of the internal control system geared towards the accuracy and reliability of accounting ensure that business transactions are recorded completely and promptly in accordance with the statutory and articles of association provisions as well as 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.

#### 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 non-availability of cast members. 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. The portfolio companies of the PAL Next Group rely on an effective risk management system in film and series productions that ensures rapid and efficient responses to unforeseen challenges through planning and flexibility. The portfolio 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 have a negative impact on the net assets, financial position and results of operations of PAL Next AG and its portfolio companies.<sup>14</sup>

##### LOANS FOR INTERIM FINANCING

Film and series productions of the portfolio companies are generally financed from various sources. These include broadcasters, subsidies as well as distribution and sales companies. As the financing funds often flow to the productions during 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.<sup>15 16</sup>

##### 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 portfolio companies of 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 their project financing. There is a risk that a deterioration of the general conditions or the actual restriction or abolition of the awarding practice of pu-

<sup>14</sup> <https://www.gpm-blog.de/risikomanagement-in-filmproduktionen-umgang-mit-unvorhergesehenen-herausforderungen-am-set,-:text=Typische%20Risiken%20umfassen>

<sup>15</sup> [https://www.ilb.de/de/filmfinanzierung/arten-der-filmfinanzierung\\_mit-menue/besicherte-filmfinanzierungen/index.html](https://www.ilb.de/de/filmfinanzierung/arten-der-filmfinanzierung_mit-menue/besicherte-filmfinanzierungen/index.html)

<sup>16</sup> <https://www.ilb.de/de/wirtschaft/darlehen/zwischenfinanzierung-von-filmproduktionen/>

blic 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 have a negative impact on the net assets, financial position and results of operations of PAL Next AG and its portfolio companies.

#### COMPETITION IN THE PRODUCTION AREA

Competition in the production area for the portfolio companies involved – above all PANTALEON Films – takes place primarily 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 cast members, concluding favorable contracts with film studios and film teams as well as with suitable partners for the successful marketing and distribution of completed productions. In all of these areas, the portfolio companies of the PAL Next Group compete 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 portfolio companies of the PAL Next Group primarily use commercial software licenses in the development of proprietary workflows. It cannot be ruled out that license costs may increase in the future or that access to servers outside the scope of the European AI Regulation may be restricted.<sup>17</sup> At the same time, the portfolio company Storybook Studios competes 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.<sup>18</sup>

#### COMPETITION FOR AUDIENCES

In addition, the portfolio companies of the PAL Next Group compete 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 Group'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 overall income from the distribution of cinema films. The increasing number of film and series productions could also intensify 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 have a negative impact on the results of operations, financial position and net assets as well as the general business performance of the portfolio companies and thus of PAL Next AG.

#### IT RISKS

As digitalization progresses and AI is increasingly deployed in the film industry, the operational readiness and performance of the technical infrastructure, including data centers, is of considerable importance for the successful business performance of Storybook Studios in particular. The Group and its portfolio companies are currently still operating their own internally built infrastructure. Going forward, the Group and its portfolio companies are expected to 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

---

<sup>17</sup> <https://www.computerweekly.com/de/feature/Wie-kuenstliche-Intelligenz-IT-Kosten-in-die-Hoehe-treibt>

<sup>18</sup> <https://www.macromedia-fachhochschule.de/de/hochschule/ueber-uns/news/studie-ki-in-der-filmindustrie/>

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 portfolio company Storybook Studios. This applies in particular to the scope of copyright restrictions on text and data mining. Under 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, a further consolidation of AI regulation at a European level is expected from May 2025 onwards through the new AI Office, which will provide 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.<sup>19</sup>

#### 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 carry variable interest rates and are therefore subject to interest rate risks. The Group 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.

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

Where there are 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 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 portfolio companies 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 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 results of operations, net assets and financial position of the PAL Next Group. While the conversion of the convertible bond with a volume of EUR 8.0 million issued in September 2023, which was almost fully completed in the 2025 financial year, has improved the capital structure of PAL Next AG, the non-cash-effective impairment losses on interests in affiliated companies recognized in the separate financial statements in the 2025 financial year partially offset this improvement. Nevertheless, it should be noted that a sustained deterioration in the earnings situation could give rise to liquidity risks and a related threat to the continued existence of the Group.

#### OPPORTUNITIES REPORT

##### OPPORTUNITIES FROM THE EXPANSION OF THE INVESTMENT PORTFOLIO

The strategic realignment of the Group enables the PAL Next Group to allocate capital more flexibly and diversify its portfolio more broadly, which could reduce its dependence on the success of individual projects or industry-specific cycles over the long term. The expertise built up in the structuring, financing and economic assessment of business models can serve as a

<sup>19</sup> <https://the-spot-mediafilm.com/news/kinonews/ki-ausblick-was-erwartet-die-filmbranche-2025/>

foundation for identifying and developing new investments. A broader portfolio positioning could also contribute to a more consistent earnings trajectory.

#### OPPORTUNITIES AS AN INVESTMENT COMPANY WITH A EUROPEAN LOCATION

The strategic repositioning as a cross-sector investment company opens up opportunities stemming from PAL Next AG's European domicile. The European regulatory framework, the progressive integration of European capital markets within the context of the Savings and Investments Union, and geopolitically driven shifts in favor of European investment locations could all prove advantageous for the Group.

#### OPPORTUNITIES IN THE ENTERTAINMENT SECTOR FROM THE EUROPEAN LOCATION

Film and series production is riskier and more expensive in the USA than in Europe. Union strikes, legal regulations and high production costs make production considerably more arduous, and are increasingly likely to prompt major streaming providers to shift productions to Europe. As a European investment company with access to established production structures and long-standing industry relationships, the Group is well placed to invest selectively in projects that benefit from this demand trend – channeling capital from international platforms into the portfolio.

#### 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 socially accepted use of AI will develop in the future, and what further opportunities will arise from this, cannot be conclusively determined from today's perspective. With the portfolio company Storybook Studios, 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.<sup>20</sup>

<sup>20</sup> <https://www.deutschlandfunkkultur.de/hollywood-schauspieler-streik-100.html>

# DEPENDENT COMPANY REPORT

# FORWARD-LOOKING STATEMENTS AND FORECASTS

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.”

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 18 et seq. PAL Next AG accepts no obligation beyond its statutory requirement to update the forward-looking statements in this report.

Munich, March 16, 2026

The Management Board



Stephanie Schettler-Köhler  
Vorstand

# CONSOLIDATED BALANCE SHEET

As of December 31, 2025

<b>ASSETS</b>	12/31/2025	12/31/2024
	EUR	EUR
<b>A. FIXED ASSETS</b>		
<b>I. Intangible assets</b>		
1. Internally generated industrial property rights and similar rights and assets	3,181,425.00	1,727,806.00
2. Purchased concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	36,676.56	40,319.70
3. Advance payments	376,022.00	20,955,526.01
	<u>3,594,123.56</u>	<u>22,723,651.71</u>
<b>II. Tangible fixed assets</b>		
1. Technical equipment and machinery	4,777.00	10,836.00
2. Other equipment, operating and office equipment	11,958.00	16,543.00
	<u>16,735.00</u>	<u>27,379.00</u>
	<b>3,610,858.56</b>	<b>22,751,030.71</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Work in progress	517,360.30	397,246.48
2. Advance payments	0.00	1,470.59
	<u>517,360.30</u>	<u>398,717.07</u>
<b>II. Receivables and other assets</b>		
1. Trade receivables	2,866,161.62	1,118,736.13
2. Other assets	1,058,847.95	3,655,888.58
	<u>3,925,009.57</u>	<u>4,774,624.71</u>
<b>III. Cash-in-hand, bank balances</b>	<u>51,558,790.72</u>	<u>44,294,883.63</u>
	<b>56,001,160.59</b>	<b>49,468,225.41</b>
<b>C. PREPAID EXPENSES</b>		
	<u>92,182.51</u>	<u>98,475.23</u>
<b>D. DEFICIT NOT COVERED BY EQUITY</b>		
	<u>0.00</u>	<u>762,801.53</u>
	<b>59,704,201.66</b>	<b>73,080,532.88</b>

<b>EQUITY AND LIABILITIES</b>	12/31/2025	12/31/2024
	EUR	EUR
<b>A. EQUITY</b>		
I. Subscribed capital	34,153,156.00	25,591,918.00
II. Capital reserves	18,757,357.94	18,602,595.94
III. Revenue reserve		
Legal reserve	14,268.80	14,268.80
IV. Consolidated unappropriated net loss	-45,880,330.64	-44,971,584.27
Deficit not covered by equity	0.00	762,801.53
<b>Book equity</b>	<b>7,044,452.10</b>	<b>0.00</b>
<b>B. PROVISIONS</b>		
Other provisions	<b>355,234.00</b>	<b>312,530.65</b>
<b>C. LIABILITIES</b>		
1. Bonds	6,000.00	3,056,421.00
2. Liabilities to banks	50,665,143.03	56,739,455.08
3. Advance payments received on orders	327,900.00	11,399,862.46
4. Trade payables	672,113.41	705,429.02
5. Other liabilities	626,973.55	853,943.67
- of which taxes EUR 25,226.36 (previous year: EUR 178,651.35)		
	<b>52,298,129.99</b>	<b>72,755,111.23</b>
<b>D. DEFERRED INCOME</b>		
Deferred income	<b>6,385.57</b>	<b>12,891.00</b>
	<b>59,704,201.66</b>	<b>73,080,532.88</b>

# CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2025

	01/01-12/31/2025	01/01-12/31/2024
	EUR	EUR
1. Revenue	22,988,651.73	4,160,049.32
2. Increase or decrease in finished goods and work in progress	120,113.82	90,002.38
3. Other own work capitalized	190,000.00	422,990.00
4. Other operating income	3,855,108.71	714,886.23
5. Cost of materials		
Cost of purchased services	1,125,980.43	2,268,194.66
6. Personnel expenses		
a) Wages and salaries	1,458,423.27	1,986,841.24
b) Social security, post-employment and other employee benefit costs	294,123.02	371,474.87
- of which from post-employment benefit costs EUR 18,803.64 (previous year: EUR 13,316.56)		
	<u>1,752,546.29</u>	<u>2,358,316.11</u>
7. Depreciation, amortization and extraordinary write-downs of tangible and intangible fixed assets	23,894,729.94	2,018,268.27
8. Other operating expenses	1,289,151.29	2,083,857.39
9. Other interest and similar income	0.00	28.00
10. Interest and similar expenses	212.68	53,041.94
11. Taxes on income	0.00	-159.00
<b>12. Earnings after taxes</b>	<b>-908,746.37</b>	<b>-3,393,563.44</b>
<b>13. Consolidated net loss for the year</b>	<b>-908,746.37</b>	<b>-3,393,563.44</b>
14. Consolidated net loss carried forward	-44,971,584.27	-41,578,020.83
<b>15. Consolidated unappropriated net loss</b>	<b>-45,880,330.64</b>	<b>-44,971,584.27</b>

# CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31, 2025

	2025	2024
	EUR thousand	EUR thousand
<b>Operating activities</b>		
1. Consolidated net loss for the year	-909	-3,394
2. + Depreciation, amortization and extraordinary write-downs of fixed assets	23,895	2,018
3. - Decrease in provisions (not including tax provision)	43	-199
4. +/- Decrease/increase in inventories, trade receivables and other assets not attributable to investing or financing activities	-1,425	0
5. +/- Decrease/increase in trade payables and other liabilities not attributable to investing or financing activities	721	2,660
6. -/+ Decrease/increase in trade payables and other liabilities not attributable to investing or financing activities	-11,339	10,022
7. + Loss from the disposal of fixed assets	212	761
8. +/- Interest result	0	53
9. +/- Income tax refunds/payments	17	26
<b>10. = Cash flow from operating activities</b>	<b>11,214</b>	<b>11,947</b>
<b>Investing activities</b>		
11. + Proceeds from disposals of intangible fixed assets	0	1
12. - Payments for investments in intangible fixed assets	-4,965	-20,124
13. - Payments for investments in tangible fixed assets	-1	-8
<b>14. = Cash flow from investing activities</b>	<b>-4,966</b>	<b>-20,131</b>
<b>Financing activities</b>		
15. + Receipts from additions to equity by shareholders	750	26
16. + Payments from the issuance of convertible bonds	4,916	3,025
17. - Disbursement from the repayment of financial loans	0	-667
18. - Interest paid	0	-53
<b>19. = Cash flow from financing activities</b>	<b>5,666</b>	<b>3,756</b>
<b>20. Net change in cash and cash equivalents</b>	<b>11,914</b>	<b>-4,428</b>
<b>21. Cash and cash equivalents at start of period</b>	<b>-11,020</b>	<b>-6,591</b>
<b>22. Cash and cash equivalents at end of period</b>	<b>894</b>	<b>-11,019</b>
<b>Composition of cash and cash equivalents at end of fiscal year</b>		
Cash-in-hand, bank balances	51,559	44,295
Bank overdrafts repayable at any time	-50,665	-55,314
<b>Cash funds at end of fiscal year</b>	<b>894</b>	<b>-11,019</b>

# CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

As of December 31, 2024

EUR	ACQUISITION AND PRODUCTION COSTS			
	Balance carried forward 01/01/2025	Additions	Disposals	Reclassifications
<b>FIXED ASSETS</b>				
<b>I. Intangible assets</b>				
1. Internally generated industrial property rights and similar rights and assets <i>- of which interest on borrowed capital</i>	121,303,699.28	4,854,518.25 266,523.79	0.00	20,468,001.69
2. Acquired concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,359,063.05	11,551.86	7,800.00	0.00
3. Goodwill	177,710.47	0.00	0.00	177,710.47
4. Advance payments on internally generated industrial property rights and similar rights and assets <i>- of which interest on borrowed capital</i>	20,955,526.01	99,046.34 266,523.79	210,548.66	-20,468,001.69
	<b>144,795,998.81</b>	<b>4,965,116.45</b>	<b>218,348.66</b>	<b>0.00</b>
<b>II. Tangible fixed assets</b>				
1. Technical equipment and machinery	67,012.79	0.00	24,541.76	0.00
2. Other equipment, operating and office equipment	75,612.44	1,360.00	2,904.13	0.00
	<b>142,625.23</b>	<b>1,360.00</b>	<b>27,445.89</b>	<b>0.00</b>
<b>Total tangible fixed assets</b>	<b>144,938,624.04</b>	<b>4,966,476.45</b>	<b>245,794.55</b>	<b>0.00</b>

	DEPRECIATION				CARRYING AMOUNTS	
	As of 12/31/2025	Balance carried forward 01/01/2025	Additions	Disposals	As of 12/31/2025	As of 12/31/2024
146,626,219.22	119,575,893.28	23,868,900.94	0.00	143,444,794.22	1,727,806.00	3,181,425.00
2,362,814.91	2,318,743.35	15,191.00	7,796.00	2,326,138.35	40,319.70	36,676.56
177,710.47		0.00	177,710.47	0.00	0.00	
376,022.00	0.00	0.00	0.00	0.00	20,955,526.01	376,022.00
<b>149,542,766.60</b>	<b>122,072,347.10</b>	<b>23,884,091.94</b>	<b>7,796.00</b>	<b>145,948,643.04</b>	<b>22,723,651.71</b>	<b>3,594,123.56</b>
42,471.03	56,176.79	6,046.00	24,528.76	37,694.03	10,836.00	4,777.00
74,068.31	59,069.44	4,592.00	1,551.13	62,110.31	16,543.00	11,958.00
<b>116,539.34</b>	<b>115,246.23</b>	<b>10,638.00</b>	<b>26,079.89</b>	<b>99,804.34</b>	<b>27,379.00</b>	<b>16,735.00</b>
<b>149,659,305.94</b>	<b>122,187,593.33</b>	<b>23,894,729.94</b>	<b>33,875.89</b>	<b>146,048,447.38</b>	<b>22,751,030.71</b>	<b>3,610,858.56</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As of December 31, 2025

	Subscribed capital	EQUITY OF PARENT COMPANY		
		Capital reserves	Legal reserves	Reserves Total reserves
<b>As of January 1, 2024</b>	<b>25,565,918.00</b>	<b>18,602,595.94</b>	<b>14,268.80</b>	<b>18,616,864.74</b>
Issue of shares	26,000.00	0.00	0.00	0.00
Consolidated net loss for the year	0.00	0.00	0.00	0.00
<b>As of December 31, 2024</b>	<b>25,591,918.00</b>	<b>18,602,595.94</b>	<b>14,268.80</b>	<b>18,616,864.74</b>
<b>As of January 1, 2025</b>	<b>25,591,918.00</b>	<b>18,602,595.94</b>	<b>14,268.80</b>	<b>18,616,864.74</b>
Issue of shares	8,561,238.00	154,762.00	0.00	154,762.00
Consolidated net loss for the year	0.00	0.00	0.00	0.00
<b>As of December 31, 2025</b>	<b>34,153,156.00</b>	<b>18,757,357.94</b>	<b>14,268.80</b>	<b>18,771,626.74</b>

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	
<b>-41,578,020.83</b>	<b>2,604,761.91</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,604,761.91</b>
0.00	26,000.00	0.00	0.00	0.00	26,000.00
-3,393,563.44	-3,393,563.44	0.00	0.00	0.00	-3,393,563.44
<b>-44,971,584.27</b>	<b>-762,801.53</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-762,801.53</b>
<b>-44,971,584.27</b>	<b>-762,801.53</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-762,801.53</b>
0.00	8,716,000.00	0.00	0.00	0.00	8,716,000.00
-908,746.37	-908,746.37	0.00	0.00	0.00	-908,746.37
<b>-45,880,330.64</b>	<b>7,044,452.10</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>7,044,452.10</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2025

## GENERAL DISCLOSURES

The company is entered in the commercial register of the Munich District Court as PAL Next AG under commercial register sheet number HRB 235252 and is 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	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, in the capital reserve.

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.

## NOTES TO THE BALANCE SHEET – 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 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.

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**

The provisions cover, in our view, 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 results in deferred tax liabilities of EUR 1,004,500 (prior year: EUR 696,200). 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, 2025 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 in the 2025 financial year include borrowing costs of EUR 267 thousand (2024: EUR 246 thousand) 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	6 (2024: 3,056)	6 (2024: 0)	0 (2024: 3,056)	0 (2024: 0)
Liabilities to banks	50,665 (2024: 56,739)	50,665 (2024: 56,739)	0 (2024: 0)	0 (2024: 0)
Advance payments received on orders	328 (2024: 11,400)	328 (2024: 11,400)	0 (2024: 0)	0 (2024: 0)
Trade payables	672 (2024: 705)	672 (2024: 705)	0 (2024: 0)	0 (2024: 0)
Other liabilities	627 (2024: 854)	627 (2024: 854)	0 (2024: 0)	0 (2024: 0)
<b>Total</b>	<b>52,298</b> (2024: 72,755)	<b>52,298</b> (2024: 69,699)	<b>0</b> (2024: 3,056)	<b>0</b> (2024: 0)

Based on the authorization granted by 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 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. In the reporting period, bonds with a nominal value of EUR 4,915,579 (2024: EUR 3,050,421) were issued and bonds with a nominal value of EUR 7,966,000 (2024: EUR 26,000) were converted into 7,966,000 no-par value shares.

## 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 32 (prior year: EUR 5). Other operating expenses include expenses from currency translation amounting to EUR 23 (prior year: EUR 473).

Other operating expenses include primarily expenses for rent (EUR 265 thousand), third-party services (EUR 142 thousand), financial statement preparation and audit costs (EUR 112 thousand) and legal and consulting fees (EUR 102 thousand). Also included are expenses from the disposal of intangible assets amounting to EUR 193 thousand. These expenses relate to film projects no longer pursued.

## DISCLOSURES ON CAPITAL

### SUBSCRIBED CAPITAL

The company's share capital was increased in the reporting year from EUR 25,591,918 by EUR 7,966,000 through the exercise of conversion rights from a convertible bond and by EUR 595,238 through the issuance of new shares against a contribution in kind to a total of EUR 34,153,156, divided into 34,153,156 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 issuance of subscription shares in the 2025 financial year, the company's share capital was conditionally increased by EUR 190,612 (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

By resolution of the Annual General Meeting on August 26, 2024, and after partial utilization in the 2025 financial year, 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 12,187,721 against cash and/or contributions in kind by August 25, 2029, whereby shareholders' subscription rights may be excluded (Authorized Capital 2024/I).

#### CAPITAL RESERVES

The consolidated capital reserve increased in the 2025 financial year through contributions in kind by EUR 154,762.00 to EUR 18,757,357.94 (prior year: EUR 18,602,595.94).

#### 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

- MARCUS BORIS MACHURA, Attorney (Chairman of the Supervisory Board)
- KERSTIN TROTTNOW, Vice President Finance, kununu GmbH (Deputy Chair of the Supervisory Board)
- NICOLAS PAALZOW, businessman (Member of the Supervisory Board)

The total remuneration of the members of the Supervisory Board for 2025 amounts to EUR 32,500.00.

#### NUMBER OF EMPLOYEES

In the 2025 financial year, the PAL Next Group employed an average of 17 members of staff (2024: 83), of whom 16 were administrative staff and 1 employee in film projects.

#### SHARE OPTIONS

As of December 31, 2025, the company had issued 851,000 options from the 2017, 2018, 2019 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 programs 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 57 thousand and includes all audit services.

OTHER FINANCIAL OBLIGATIONS

Other financial obligations exist amounting to EUR 356 thousand, particularly from rental agreements, of which EUR 192 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, March 16, 2026

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

Stephanie Schettler-Köhler  
CEO

# INDEPENDENT AUDITOR'S REPORT

## TO PAL NEXT AG

### AUDIT OPINIONS

We have audited the consolidated financial statements of PAL Next AG and its subsidiaries (the Group) – consisting of the consolidated balance sheet as at December 31, 2025, the consolidated income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows and the consolidated segment reporting for the fiscal year from January 1, 2025 to December 31, 2025, as well as the notes to the consolidated financial statements, including a description of the accounting and valuation policies – and the group management report of PAL Next AG for the fiscal year from January 1, 2025 to December 31, 2025.

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 and give a true and fair view of the net assets and financial position of the Group as at December 31, 2025 and of its results of operations for the fiscal year from January 1, 2025, to December 31, 2025, 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 of the group management report.

### BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those requirements and principles is 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 have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The Group has been generating sustained losses. The parent company has incurred a loss amounting to half of the share capital. Losses are also expected for fiscal year 2026, both at the level of the subsidiaries and the parent company. These financial and operational circumstances indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and that constitutes an existential risk for the Group. Against this backdrop, the Management Board of the parent company is planning structural changes in order to broaden the Group's strategic base and to supplement the investment portfolio with engagements in additional business areas over time.

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

Management is responsible for the preparation of the consolidated financial statements that comply in all material respects with the requirements of German commercial law and for providing 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, 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. manipulation of financial reporting and misappropriation of assets) 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 to disclose, as applicable, matters relating to going concern. In addition, they are responsible for financial reporting on the basis of the going concern principle unless there are factual or legal grounds for its discontinuation.

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 OF 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 German legal requirements and appropriately presents the opportunities and risks of future developments, as well as to issue an auditor's report that includes our audit 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 the German generally accepted standards for the audit of financial statements promulgated by the IDW will always detect a material misstatement. Misstatements can result from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this 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 that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal 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 Group's internal controls or 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 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 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 consolidated financial statements and the group 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 the presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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.
- we obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- 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 audit opinion on the prospective information or on the underlying assumptions. 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, March 24, 2026

Concept Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungsgesellschaft

Joachim Wittlich  
Wirtschaftsprüfer (German Public Auditor)

# SEPARATE FINANCIAL STATEMENTS OF PAL NEXT AG BALANCE SHEET

As of December 31, 2025

ASSETS	12/31/2025	12/31/2024
	EUR	EUR
<b>A. FIXED ASSETS</b>		
<b>I. Intangible assets</b>		
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	26,932.56	15,384.70
	26,933.56	15,385.70
<b>II. Tangible fixed assets</b>		
1. Technical equipment and machinery	2,608.00	5,410.00
2. Other equipment, operating and office equipment	11,645.00	16,123.00
	14,253.00	21,533.00
<b>III. Financial assets</b>		
Shares in affiliated companies	300,002.00	6,987,251.00
	<b>341,188.56</b>	<b>7,024,169.70</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
Advance payments	0.00	1,470.59
<b>II. Receivables and other assets</b>		
1. Trade receivables	1,197.36	11,442.38
2. Receivables from affiliated companies	1,358,269.20	2,225,683.19
3. Other assets	256,874.67	505,397.17
	<b>1,616,341.23</b>	<b>2,742,522.74</b>
<b>III. Cash-in-hand, bank balances</b>	3,684,500.46	680,726.96
	<b>5,300,841.69</b>	<b>3,424,720.29</b>
<b>C. PREPAID EXPENSES</b>	<b>81,282.51</b>	<b>83,822.76</b>
	<b>5,723,312.76</b>	<b>10,532,712.75</b>

<b>EQUITY AND LIABILITIES</b>	12/31/2025	12/31/2024
	EUR	EUR
<b>A. EQUITY</b>		
I. Subscribed capital	34,153,156.00	25,591,918.00
II. Capital reserves	19,054,937.81	18,900,175.81
III. Revenue reserves		
Legal reserve	14,268.80	14,268.80
IV. Loss carried forward	-38,340,047.20	-37,142,034.16
V. Net loss incurred for the year	-10,063,553.22	-1,198,013.04
	<b>4,818,762.19</b>	<b>6,166,315.415</b>
<b>B. PROVISIONS</b>		
Other provisions	<b>69,004.00</b>	<b>59,535.00</b>
<b>C. LIABILITIES</b>		
1. Bonds	6,000.00	3,056,421.00
2. Liabilities to banks	0.00	26.71
3. Trade payables	459,898.52	521,261.40
4. Liabilities to affiliated companies	346,934.27	617,744.26
5. Other liabilities	16,328.21	98,517.97
	<b>829,161.00</b>	<b>4,293,971.340</b>
<b>D. DEFERRED INCOME</b>		
Deferred income	<b>6,385.57</b>	<b>12,891.00</b>
	<b>5,723,312.76</b>	<b>10,532,712.75</b>

# INCOME STATEMENT

for the period from January 1 to December 31, 2025

	01/01-12/31/2025	01/01-12/31/2024
	EUR	EUR
1. Revenue	649,146.77	555,221.35
2. Increase or decrease in the inventory of finished and unfinished services	0.00	-29,608.93
3. Other operating income	36,742.43	38,845.82
4. Cost of materials		
Cost of purchased services	5,205.03	18,082.16
5. Personnel expenses		
a) Wages and salaries	429,632.34	482,643.56
b) Social security contributions, expenses for pensions and other employee benefits	77,744.45	91,518.66
	507,376.79	574,162.22
6. Depreciation, amortization and extraordinary write-downs		
a) on intangible assets and property, plant and equipment	5,926.00	85,094.86
b) on current assets in so far as these exceed the depreciation customary in the corporation	1,345,779.00	419,076.79
	1,351,705.00	504,171.65
7. Other operating expenses	864,531.67	1,024,355.52
8. Other interest and similar income	246,837.75	407,020.54
9. Depreciation on financial assets and on securities held as current assets	8,267,249.00	0.00
10. Interest and similar expenses	212.68	48,720.27
<b>11. Earnings after tax</b>	<b>-10,063,553.22</b>	<b>-1,198,013.04</b>
<b>12. Net loss incurred for the year</b>	<b>-10,063,553.22</b>	<b>-1,198,013.04</b>

# INDEPENDENT AUDITOR'S REPORT

## TO PAL NEXT AG

### AUDIT OPINION

We have audited the annual financial statements of PAL Next AG – consisting of the balance sheet as at December 31, 2025, the income statement for the fiscal year from January 1, 2025 to December 31, 2025, and the notes to the annual financial statements, including a description of the accounting and valuation 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 at December 31, 2025 and of its results of operations for the fiscal year from January 1, 2025 to December 31, 2025, in accordance with German generally accepted accounting principles.

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 annual financial statements.

### BASIS FOR THE AUDIT OPINION

We conducted our audit of the annual financial statements in accordance with § 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those requirements and principles is further described in the „Auditor's Responsibilities 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 and professional law and have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Due to the persistent loss-making situation, the Company has incurred a loss amounting to half of the share capital. As at the reporting date, the Company is dependent on further financing from shareholders in order to continue as a going concern.

Without further financing from shareholders, the financial and operational circumstances show that a material uncertainty exists that may cast significant doubt on the Company's ability to

continue as a going concern, and that constitutes an existential risk within the meaning of Section 322 (2) Sentence 3 HGB. Our audit opinion has not been modified in respect of this matter.

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

Management is responsible for the preparation of the annual financial statements that comply in all material respects with the requirements of German commercial law applicable to corporations and for providing a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German generally accepted accounting principles. In addition, 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. manipulation of financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility to disclose, as applicable, matters relating to going concern. In addition, they are responsible for financial reporting on the basis of the going concern principle unless there are factual or legal grounds for its discontinuation.

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

### AUDITOR'S RESPONSIBILITIES 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 audit opinion 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 the German generally accepted standards for the audit of financial statements promulgated by the IDW will always detect a material misstatement. Misstatements can result from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the

economic decisions of users taken on the basis of these 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 that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- we obtain an understanding of internal control relevant to the audit of the annual financial statements 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.
- 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 related to events or conditions 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 or, if such disclosures are inadequate, to modify our audit opinion. 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 Company to cease to be able to continue as a going concern.

- we evaluate the presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves a true and fair view of the net assets, financial position and results of operations of the Company 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, March 24, 2026

Concept Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungsgesellschaft

Joachim Wittlich  
Wirtschaftsprüfer (German Public Auditor)

# DISCLAIMER AND IMPRINT

## PAL Next

### PUBLISHER

PAL Next AG  
Holzstraße 30  
80469 Munich/Germany

Web: [www.pal-next.com](http://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](mailto:info@crossalliance.de)

Web: [www.crossalliance.de](http://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.