Convenience translation.
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Report of the Management Board to the Annual General Meeting on the authorizations to exclude subscription rights pursuant to Sec. 203 para. (1) and (2) sentence 2 in conjunction with Sec. 186 para. (4) sentence 2 AktG mentioned under item 5 of the Agenda

Under agenda item 5, the Management Board and the Supervisory Board propose the cancellation of the Authorized Capital 2019/I and the creation of a new Authorized Capital 2021/I in the amount of EUR 9,812,988.00 for the statutory maximum period of five years.

This Authorized Capital 2021/I shall provide a flexible option for raising additional equity if this is in the Company's interests according to the Management Board and with the approval of the Supervisory Board. The new authorized capital is intended to expand the scope for action in the interests of the shareholders and to enable the Company to respond at short notice to financing requirements that may arise. The requested authorization replaces the previously existing authorization, in particular with the addition of the possibility of capital increases in kind from the authorized capital and with the expansion of the cases in which the Management Board can exclude subscription rights with the approval of the Supervisory Board. This ensures the most flexible handling of the use of the authorized capital by the Management Board with the approval of the Supervisory board.

In the event of a capital increase, the shareholders generally have a statutory subscription right. However, the Management Board is to be authorized, with the approval of the Supervisory Board, to exclude this subscription right in certain cases. The report submitted by the Management Board in this regard is published as follows:

1. Exclusion of subscription rights for fractional amounts

The Management Board is to be authorized, with the approval of the supervisory board, to exclude fractional amounts that arise as a result of the subscription ratio from the shareholders' subscription rights to facilitate processing. This should result in a practicable subscription ratio with regard to the amount of the respective capital increase. Without the exclusion of subscription rights with regard to the fractional amount, the technical implementation of the capital increase and the exercise of subscription rights would be considerably more difficult. The new shares excluded from the shareholders' subscription rights as free fractions will be used for the Company.

2. Exclusion of subscription rights in the event of a capital increase against contribution in kind

The authorization to exclude subscription rights in the case of capital increases against contributions in kind for the purposes mentioned is intended to enable the Company to have treasury shares available in order to offer them as consideration when acquiring (also indirectly) companies, parts of companies or a stake in a company or other essential operating resources or assets, including claims against the Company or group companies. The authorization to issue shares as part of a capital increase is intended to give the Company greater scope for financing the acquisition of companies, parts of companies or an interest in a company or other significant operating resources or assets. This form of acquisition financing is frequently required and used in international competition and as the globalization of the economy progresses, especially in times when it is more difficult to obtain outside capital. The proposed authorization is intended to give the Company the necessary room for maneuver to be able to flexibly and quickly take advantage of opportunities that may arise to acquire companies, parts of companies or a stake in a company or other significant operating resources or assets, including claims against the Company or group companies. A capital increase by resolution of the Annual General Meeting will usually not be possible in the short-term if acquisition opportunities become apparent. This is taken into account by the proposed creation of the authorized capital excluding subscription rights in the case of contributions in kind for the acquisition of companies, parts of companies or a stake in a company or other essential operating resources or assets, including claims against the Company or group companies. When shares are issued without the exclusion of subscription rights, the exercise of subscription rights does not lead to a reduction in the relative participation quota and the relative proportion of voting rights of the existing shareholders. In the case of an exclusion of subscription rights, on the other hand, the relative participation quota and the relative voting rights share of the existing shareholders will be reduced. If subscription rights were granted, however, the acquisition of companies, parts of companies or a stake in a company or other essential operating resources or assets, including claims against the Company or group companies, against the granting of shares would not be possible and thus for the Company and the shareholder these benefits would not be achievable. Whether this authorization should be exercised with the exclusion of subscription rights will be checked on a case-by-case basis. There are currently no specific acquisition projects for which this option is to be used. The Management Board will only use the authorized capital, should an acquisition opportunity become concrete, and the Supervisory Board will only give its approval, if such an acquisition is in the best interest of the Company.

3. Exclusion of subscription rights for cash capital increases in accordance with Sec. 186 para. (3) sentence 4 AktG

Pursuant to Sec. 186 para. (3) sentence 4 AktG, subscription rights may be excluded in particular if the capital increase against cash contributions does not exceed 10% of the capital stock and the issue price is not significantly lower than the stock market price. This authorization to exclude subscription rights enables the management to take advantage of opportunities that may arise quickly and flexibly as well as cost-effectively due to the respective stock market situation. This enables the management to raise new equity at short notice and close to the stock market price, thus strengthening the equity base. Furthermore, capital requirements arising from the short-term exploitation of market opportunities can also be covered quickly and flexibly. It is thus in the well-understood interests of the Company and the shareholders. Such cash capital increases are also capped at 10% of the share capital, which takes into account the need of shareholders to be protected against excessive dilution of their shareholdings. This 10% limit pursuant to Art. 186 para. (3) sentence 4 AktG shall include shares that were issued or are to be issued to service option bonds or convertible bonds during the term of this authorization up to the point in time at which they were used are to be counted towards the maximum limit, if the bonds were issued under exclusion of the subscription rights in accordance with Sec. 186 para. (3) sentence 4 AktG, as well as treasury shares that were acquired on the basis of an authorization in accordance with Sec. 71 para. (1) no. 8 AktG and sold under exclusion of the shareholders' subscription rights in accordance with Sec. 186 para. (3) sentence 4 AktG.

4. Exclusion of subscription rights for option bonds and convertible bonds

In addition, the subscription rights should be excluded with the approval of the Supervisory Board, insofar as it is necessary in order to also be able to give the holders of existing and future option bonds and/or convertible bonds a subscription right to new shares if the terms and conditions of the respective bond provide for this. In order to facilitate placement on the capital market, such bonds are generally equipped with an anti-dilution mechanism, which provides that, in the event of subsequent share issues with shareholder subscription rights, the holders may be granted subscription rights to new shares instead of a reduction in the option or conversion price, as is also the case with shareholders. They are thus placed in the same position as if they had already exercised their option or conversion rights or if a conversion obligation had been fulfilled. This has the advantage that the Company – in contrast to protection against dilution by reducing the option or conversion price – can achieve a higher issue price for the shares to be issued upon conversion or exercise of the option.

5. Exclusion of subscription rights for the purpose of implementing a scrip dividend

The Management Board shall also be authorized, with the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders in order to be able to implement a dividend under optimum conditions. In the case of the scrip dividend, the shareholders are offered the option of paying out the dividend as a contribution in kind to the Company in order to purchase new shares in the Company.

A scrip dividend can be carried out as a real subscription rights' issue, in particular in compliance with the provisions of Sec. 186 para. (1) AktG (minimum subscription period of two weeks) and Sec. 186 para. (2) AktG (notification of the issue amount no later than three days before the subscription period expires). Shareholders are only offered whole shares for subscription; with regard to the portion of the dividend entitlement that does not reach (or exceeds) the subscription price for a whole share, the shareholders are referred to the cash dividend and cannot subscribe to any shares in this respect; an offer of partial rights is just as little intended as the establishment of trading in subscription rights or fractions thereof. Because the shareholders receive a cash dividend instead of subscribing to new shares, this appears to be justified and appropriate.

In individual cases, it may be preferable to offer and prepare the granting of a scrip dividend without complying with the restrictions of Sec. 186 para. (1) AktG (minimum subscription period of two weeks) and Sec. 186 para. (2) AktG (notification of the issue amount no later than three days before the subscription period expires). The Management Board shall therefore also be authorized to offer all shareholders entitled to dividends new shares for subscription against contribution of their dividend in compliance with the general principle of equal treatment (Sec. 53a AktG), but to formally exclude the shareholders' subscription rights altogether with the approval of the Supervisory Board. Carrying out the scrip dividend with the formal exclusion of subscription rights enables the Company to perform the capital increase on terms that are more flexible. In view of the fact that all shareholders will be offered the new shares and excess dividend partial amounts will be settled by paying the cash dividend, the exclusion of subscription rights also appears to be justified and appropriate in this respect.

6. Summary

Taking into account all circumstances, the respective authorization to exclude subscription rights within the described limits is necessary and in the interest of the Company and thus of its shareholders. The Management Board will exercise the authorization with the approval of the Supervisory Board. The conditions will be determined in due course in such a way that the interests of the shareholders and the interests of the Company are adequately safeguarded, taking into account the respective circumstances. The Management Board will report to the Annual General Meeting on each utilization of the authorization.

The written report of the Management Board pursuant to Sec. 203 para. (2) sentence 2 in conjunction with Sec. 186 para. (4) sentence 2 AktG on the authorization of the Management Board to exclude shareholders' subscription rights in connection with the resolution on agenda item 5 will be made available to shareholders from the date of convocation of the Annual General Meeting on the Company's website at

https://www.deag.de/navi-bottom/investors/investor-relations/hauptversammlung/2021.html.

III. Total number of shares and voting rights

On the day of convocation of this Annual General Meeting the share capital of the Company amounts to EUR 19,625,976.00, subdivided into 19,625,976 no-par value bearer shares. Each no-par value share entitles the holder to one vote. Therefore, the total number of voting rights amounts to 19,625,976 voting rights.

The Company does not have any voting rights based on its treasury shares. At the time of convocation of the Annual General Meeting, the Company holds 615 treasury shares. Therefore, the total number of eligible shares to participate and vote amounts to 19,625,361 shares at the time of convocation.

Berlin, April 2021

DEAG Deutsche Entertainment Aktiengesellschaft

The Management Board