Report by the Board of Management concerning the exclusion of subscription rights in the event of the use of Approved Capital 2023 pursuant to Section 203 Subsection 1 and 2 Sentence 2 in conjunction with Section 186 Subsection 4 Sentence 2 and Section 186 Subsection 3 Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*)

(Agenda Item 10 of the Annual General Meeting of Mercedes-Benz Group AG on May 3, 2023)

Overview

Under Agenda Item 10, the Board of Management and Supervisory Board propose to the General Meeting that the Approved Capital 2018 expiring on April 4, 2023 be replaced by a new Approved Capital 2023.

By resolution of the Annual General Meeting on April 5, 2018, the Board of Management of the Company was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company in whole or in part, on one or more occasions, by up to a total of €1,000,000,000.00 by April 4, 2023 by issuing new registered no-par value shares in return for cash contributions and/or contributions in kind and, in this context, to also exclude shareholders' statutory subscription rights in certain cases (Approved Capital 2018, Art. 3(2) of the Articles of Incorporation). To date, this authorization has not been used.

At present, there is no further approved capital. However, the Company has conditional capital in the amount of €500,000,000.00 (Conditional Capital 2020, see Art. 3(3) of the Company's Articles of Incorporation). The Conditional Capital 2020 serves the purpose of granting holders or creditors of convertible bonds and/or option bonds issued by the Company or any of its affiliated companies under the authorization granted by the Annual Meeting of July 8, 2020 and limited until July 7, 2025 new registered shares if and to the extent they exercise their conversion or option right or satisfy corresponding conversion or option obligations or shares are tendered and no other forms of settlement are used for servicing. To date, this authorization has not been used, either. If fully utilized, the Conditional Capital 2020 would correspond to an increase in the present share capital of around 16.3%.

The authorization period of the Approved Capital 2018 ends before the Annual General Meeting scheduled for May 3, 2023. It is to be replaced by a new Approved Capital 2023 with unchanged content and a five-year term until May 2, 2028, insofar as no use was made of the Approved Capital 2018 before the end of its term.

Approved Capital 2023

The entire automotive industry is currently undergoing fundamental changes. The proposed Approved Capital 2023 is intended to ensure that the Company is in a position, at any time, to seize market opportunities quickly and flexibly and to cover any future capital requirement at very short notice, if necessary. As decisions on covering capital requirements or exercising strategic options generally have to be made at short notice, it is essential that the Company is capable of acting without undue delay and is not dependent on the interval of annual general meetings or the convening of an extraordinary general meeting. This need is reflected in German company law by the instrument of approved capital, which can have a total volume of up to 50% of the share capital. If fully utilized, the proposed volume of the Approved Capital 2023 of up to € 1,000,000,000.00, which has not been changed compared to the Approved Capital 2018, would correspond to an increase in the current share capital of approximately 32.6%.

In connection with the utilization of the Approved Capital 2023, the shareholders generally have a subscription right. The new shares from a cash capital increase can also be acquired by banks or companies pursuant to Section 186, Subsection 5, Sentence 1 of the German Stock Corporation Act (*Aktiengesetz*) with the obligation to offer them to the shareholders for subscription ("indirect subscription right").

However, the Board of Management is to be authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights in the following cases:

Exclusion of subscription rights in the case of residual or fractional amounts

The authorization to exclude subscription rights in the case of residual or fractional amounts serves to obtain a practicable subscription ratio with regard to the amount of the relevant capital increase. Without excluding subscription rights for residual or fractional amounts, the technicalities of a capital increase would be made more difficult, especially with a capital increase in a round number. The residual numbers of shares excluded from shareholders' subscription rights will be either sold on the stock exchange or disposed of in another way to achieve the best possible proceeds for the Company. The Board of Management and the Supervisory Board therefore regard this authorization to exclude subscription rights as appropriate.

Exclusion of subscription rights in the case of capital increases in exchange for non-cash contributions

The Board of Management shall have the option, with the consent of the Supervisory Board, to exclude shareholder subscription rights in the case of capital increases in exchange for non-cash contributions, provided this serves the purpose of (also indirectly) acquiring entities, parts of entities, equity interests in entities or other assets or claims to the acquisition of assets, including receivables from the Company or its group companies, for example for the purpose of implementing a share dividend in which the shareholders are offered the option of contributing their dividend entitlement to the Company in whole or in part as a contribution in kind against the granting of new shares from Approved Capital 2023.

Given the current fundamental changes in the automotive industry, the Company is exposed, to a particular degree, to global competition with other companies, including companies in the IT sector, and must therefore be in a position at any time to act quickly and flexibly in international and regional markets in the interests of its shareholders. This includes being able to acquire other companies, parts of companies such as divisions, participating interests in companies, but also individual legal positions or other assets or claims to the acquisition of assets in order to improve its competitiveness. In light of the increasing consolidation also of those markets in which the Company is active, and the dynamics of technological progress, the Board of Management's ability to react flexibly and in the short term is particularly important, which is why, as a rule, it is not possible to wait for a general meeting in such cases. Owners of attractive acquisition targets often demand voting shares in return for the sale in order to participate in, and be able to influence, the value to be added by the acquisition. Furthermore, issuing shares can be useful or even required in order to protect the Company's liquidity.

In the case of exercising the authorization, the management will carefully review whether there is a reasonable relationship at the time between the value of the new shares and the value of the consideration. The reduction in each shareholder's relative proportion of the Company's share capital and relative proportion of the voting rights caused by the exclusion of subscription rights in connection with a capital increase in exchange for non-cash contributions is therefore offset by the fact that the Group's expansion by way of a strengthened equity base is financed by third parties, and the existing shareholders – though with a lower proportionate share than before – participate in corporate growth that they would have to finance themselves if subscription rights were granted. Due to the Company's stock exchange listing, is also generally possible for each shareholder to increase their proportionate share of the Company's equity by purchasing additional shares on the stock market.

In the case of a scrip dividend, shareholders are offered to contribute, in whole or in part as a contribution in kind into the Company, their right to receive payment of a dividend created by the Annual General Meeting's resolution on the appropriation of profits, receiving new shares in the Company in return. A scrip dividend can be distributed as a genuine share issue with subscription rights in accordance with, in particular, the provisions of Section 186 Subsection 1 German Stock Corporation Act (*Aktiengesetz*) (minimum subscription period of two weeks) and Section 186 Subsection 2 German Stock Corporation Act (*Aktiengesetz*) (announcement of the issue amount no later than three days before the expiry of the subscription period). In individual cases, depending on the situation on the capital markets, it may be preferable to design the distribution of a scrip dividend such that the Board of Management, in accordance with the general principle of equal treatment (Section 53a German Stock Corporation Act (*Aktiengesetz*)), offers all shareholders entitled to dividends new shares in return for the contribution of their dividend entitlements and thus grants shareholders a subscription right in economic terms, but legally excludes shareholder subscription rights to such new shares in their entirety. Excluding subscription rights may also be required where not all shareholders are entitled to dividends for a specific financial year. Such exclusion of subscription rights allows distributing the scrip dividend without the aforementioned restrictions under Section 186 Subsection 1 and Subsection 2 German Stock Corporation Act (*Aktiengesetz*) and hence on more flexible terms. In view of the fact that new shares are offered to all shareholders and fractional dividend amounts will be settled by cash payment of the dividend, excluding subscription rights appears to be reasonable and justified in such cases.

Exclusion of the subscription right for outstanding options and convertible bonds

Furthermore, the Board of Management is to be authorized, with the approval of the Supervisory Board, to exclude subscription rights to the extent necessary to grant holders of bonds with conversion or option rights/conversion or option obligations that were or will be issued by the Company or its direct or indirect subsidiaries a right to subscribe for new registered no-par value shares of the Company in the amount to which they would be entitled as shareholders after exercising the conversion or option rights/after fulfillment of the conversion or option obligations.

In order to place bonds more easily on the capital market, their issue conditions usually allow for protection against dilution. One way of protecting against dilution is that in a share issue in which the shareholders have subscription rights, the owners of bonds with conversion or option rights/conversion or option obligations also have the right to subscribe for the new shares. They are thus put into a position as if they had already made use of their option or conversion rights or as if their conversion or option obligations had already been fulfilled. As in this case, protection against dilution does not have to be secured by reducing the option or conversion price, a higher issue price can be achieved for the registered no-par value shares to be issued upon exercise of conversion or option rights. This procedure is only possible, however, if the shareholders' subscription rights are excluded to that degree. As the placement of bonds with conversion or option rights/conversion or option obligations is facilitated by granting appropriate protection against dilution, the exclusion of shareholders' subscription rights serves the shareholders' interests in obtaining an optimal finance structure for their company.

Exclusion of subscription rights in the case of capital increases in exchange for a cash contribution

Finally, the intention is to enable shareholder subscription rights to be excluded pursuant to Sections 203 Subsection 1 in conjunction with Section 186 Subsection 3 Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) in the case of capital increases in exchange for cash contributions, if the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is definitively set and the computational part of the shares issued with the exclusion of subscription rights pursuant to Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) in the share capital does not exceed 10% of the share capital – neither at the time when this authorization takes effect nor when it is exercised.

This option for excluding shareholders' subscription rights is intended to enable the management to cover its needs for equity capital quickly and flexibly. By avoiding the subscription-rights procedure, which is both cost-intensive and time-consuming, the Board of Management is able to react to favorable market situations at short notice. Experience shows that such capital increases lead to higher flows of funds than a comparable capital increase with subscription rights for shareholders due to the ability to act faster, and also allow to attract new shareholder groups in Germany and abroad. When utilizing the authorization, the Board of Management will keep the discount as low as possible in accordance with the market conditions prevailing at the time of the placement. The divergence from the stock market price at the time of utilizing the Approved Capital 2023 will, in no case, exceed 5% of the stock market price at that time.

The volume of a capital increase for cash contributions with the exclusion of the shareholders' subscription rights pursuant to Section 203, Subsection 1 in conjunction with Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) is also limited to 10% of the share capital at the time when the authorization takes effect or, if lower, at the time when the authorization is exercised for excluding subscription rights. The proposed resolution calls for this 10% limit to include shares issued or sold during the period of this authorization with the exclusion of subscription rights under direct or indirect application of Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). Further, this limit of 10% is to include also the shares that are issued or may be or have to be issued to honor bonds with conversion or option rights/conversion or option obligations if the bonds are issued with the exclusion of the shareholders' subscription rights after this authorization takes effect pursuant to Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

This imputation mechanism, in accordance with the provisions of Section 203, Subsection 1 in conjunction with Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), reflects the shareholders' need for protection against dilution, by as far as possible also maintaining their proportionate share of the Company's share capital with a combination of capital measures and the sale of treasury shares and/or the issue of bonds. As the issue price for the new shares to be issued with simplified exclusion of subscription rights must be oriented towards the stock market price and the authorization is only of limited scope, the shareholders are also able to maintain their proportionate share of the Company's share capital and their proportionate voting rights by purchasing shares on the stock exchange. This therefore ensures that, in accordance with the legal rationale of Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), both the property rights and the voting rights are appropriately maintained when the approved capital is utilized with the exclusion of subscription rights, while the Company is provided with additional scope for action in the interests of all shareholders.

Limitation of the total scope of capital increases upon exclusion of the subscription right

The computational part of the sum of shares issued when utilizing the Approved Capital 2023, and excluding the shareholders' subscription right in exchange for cash and/or non-cash contributions, must not exceed 10% of the share capital at the time when this authorization takes effect. This limit includes shares (i) that are issued or sold during the period of this authorization with the exclusion of subscription rights under direct or indirect application of Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (Aktiengesetz), or (ii) that are issued or may be or have to be issued to honor bonds with conversion or option rights/conversion or option obligations if the bonds are issued with the exclusion of the shareholders' subscription right after this authorization takes effect pursuant to Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

Utilization of the Approved Capital 2023

Currently, there are no plans for the utilization of the Approved Capital 2023. The Board of Management will carefully examine in each individual case whether or not to make use of the authorization to carry out a capital increase with the exclusion of the shareholders' subscription rights. It will only do so, and the Supervisory Board will only grant its consent if, following a careful review, the boards deem it to be in the interests of the Company and its shareholders to do so.

The Board of Management will inform the next General Meeting about any utilization of the Approved Capital 2023.

Stuttgart, March 2023

Mercedes-Benz Group AG

The Board of Management

[Original German version signed by]

Ola Källenius (Chairman)	Dr. Jörg Burzer
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Markus Schäfer	Britta Seeger
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