



Mercedes-Benz

**Report of the Board of Management
on Agenda item 10
of the Annual General Meeting
der Mercedes-Benz Group AG
on 7 May 2025***

Report of the Board of Management concerning the exclusion of subscription rights in the event of the issue of convertible bonds and/or bonds with warrants pursuant to Section 221, Subsection 4 in conjunction with Section 186, Subsection 4, Sentence 2 and Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*)

Overview

Under Agenda Item 10, the Board of Management and the Supervisory Board propose to the Annual General Meeting to grant a new authorization to issue convertible bonds and/or bonds with warrants, together with an associated new Conditional Capital 2025. By resolution of the Annual General Meeting adopted on 8 July 2020 the Board of Management was authorized to issue, with the approval of the Supervisory Board, by 7 July 2025 convertible bonds and/or bonds with warrants in an aggregate nominal amount of up to €10,000,000,000.00 with a term of up to ten years. The proportionate amount of the share capital of the shares to be issued on the basis of the conversion and/or warrant rights or conversion and/or warrant obligations must not exceed €500,000,000.00. The Board of Management was also authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in certain cases. In order to fulfil the conversion and/or warrant rights or conversion and/or warrant obligations arising from the corresponding bonds, the same Annual General Meeting resolved to create conditional capital in the amount of €500,000,000.00 (Conditional Capital 2020, see Article 3, Paragraph 3 of the Articles of Incorporation). No use has been made of this authorization. Currently, there are no further authorizations to issue convertible bonds and/or bonds with warrants. Moreover, there are no other conditional capitals, either. However, the Company has an approved/authorized capital in the amount of €1,000,000,000.00 (corresponding to around 32.6% of the current share capital), which is valid until 2 May 2028, and which also provides for the possibility of issuing shares under exclusion of subscription rights for certain scenarios (Approved Capital 2023, Article 3, Paragraph 2 of the Articles of Incorporation). The total of the shares issued against cash and/or non-cash contributions from the Approved Capital 2023 with the exclusion of shareholders'

subscription rights may not account for more than 10% of the share capital at the time the Approved Capital 2023 became effective (i.e., a maximum of €306,967,197.00). This 10% limit shall include shares which (i) are issued or sold during the term of the Approved Capital 2023 with the exclusion of subscription rights in direct or mutatis mutandis application of Section 186, Subsection 3 Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), or which (ii) are, can or must be issued to service bonds with conversion or warrant rights or conversion or warrant obligations, provided that the bonds are issued after the Approved Capital 2023 became effective in mutatis mutandis application of Section 186, Subsection 3 Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) with the exclusion of shareholders' subscription rights.

Since the authorization to issue convertible bonds and/or bonds with warrants dated 8 July 2020 will expire on 7 July 2025, it shall be renewed in its current volume and a corresponding new Conditional Capital 2025 shall be created, which replaces the Conditional Capital 2020. This ensures that the company will continue to have the necessary flexibility in corporate financing in the coming years. The proposed new authorization provides for the issuance of bonds with a total nominal amount of up to €10,000,000,000.00 with conversion/warrant rights or obligations for shares of Mercedes-Benz Group AG (Mercedes-Benz Shares) with a proportionate amount of the share capital of up to €500,000,000.00. If this authorization was fully utilized, bonds could be issued which would grant subscription or conversion rights to up to around 16.3% of the Company's current share capital. In accordance with statutory requirements, the authorization is limited to five years until 6 May 2030.

Advantages of this financing instrument

Adequate capital resources are an essential basis for the Company's corporate development and successful market presence. Depending on the prevailing market situation, the issue of convertible bonds and bonds with warrants or a combination of these instruments (including all possible arrangements envisaged in this resolution hereinafter jointly referred to as "bonds") can enable the Company to take advantage of attractive financing possibilities and conditions in order to provide the Group with capital at low rates of interest. The conversion and/or warrant premiums generated are beneficial to the Company. Furthermore, the issue of convertible bonds or bonds with warrants, potentially in combination with other instruments such as a capital increase, may serve to broaden the investor spectrum, including what are known as anchor investors. For reasons of flexibility, the Company should be able to issue the bonds also via its affiliates within the meaning of Sections 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*) and, depending on the market situation, to make use of the German or of international capital markets and to issue bonds not only in euros but also in the legal currency of any OECD country. The bond conditions may also provide for a conversion or warrant obligation at the end of the term or at any other time; they may also provide for exchange rights of the issuing company or Mercedes-Benz Group AG, in particular rights to replace the considerations originally owed under them by Mercedes-Benz Shares (including in the form of a tender right,

substitution right or redemption option). In addition, it is also intended to enable the issue of bonds in which the issuing company or Mercedes-Benz Group AG can exercise an exchange right after the issue of the bonds by making a declaration to the bondholders, as a result of which Mercedes-Benz Shares are to be delivered in whole or in part instead of the consideration originally guaranteed in the bonds. These structuring options allow a flexible and liquidity-preserving response to changes in the general framework conditions between the issue and the maturity of such bond.

Conversion/warrant price

The conversion/warrant price for a Mercedes-Benz Share must not be below 80% of the average price of Mercedes-Benz Shares at the close of Xetra trading (or at the close of a functionally equivalent successor to the Xetra system) on the Frankfurt Stock Exchange on the ten trading days prior to the day of the resolution by the Board of Management on the issue of the convertible bonds or bonds with warrants or on the declaration of acceptance following the public invitation to submit subscription offers. To the extent that the shareholders have the right to subscribe to the bond issue, the average price of Mercedes-Benz Shares at the close of Xetra trading (or at the close of a functionally equivalent successor to the Xetra system) during the trading days of subscription rights trading on the Frankfurt Stock Exchange can be used as a basis for the determination of the 80% threshold (excluding the days of the subscription period that are required to announce the conversion/option price in due time in accordance with Section 186, Subsection 2 of the German Stock Corporation Act (*Aktiengesetz*)).

In the case of bonds with mandatory conversion or an exchange right of the issuing company or Mercedes-Benz Group AG, the conversion or warrant price can also be alternatively based on the average volume-weighted price of the Mercedes-Benz Share in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange on at least three trading days immediately prior to calculation of the conversion/warrant price as defined in more detail by the terms and bond conditions, even if this average price is below the minimum price (80%) set out above. Section 9, Subsection 1 and Section 199, Subsection 2 of the German Stock Corporation Act (*Aktiengesetz*) shall remain unaffected.

Without prejudice to Section 9, Subsection 1 and Section 199, Subsection 2 of the German Stock Corporation Act (*Aktiengesetz*), the conversion or exercise price may be adjusted by virtue of a dilution protection or adjustment clause in accordance with the bond conditions in particular if the Company, for example, changes its share capital during the term of the bonds (e.g., through a capital increase, a capital decrease, or a stock split). Furthermore, dilution protection or other adjustments may be provided for in connection with dividend payouts, the issue of additional convertible and/or bonds with warrants, transformation measures, and in the case of other events affecting the value of the conversion/warrant rights or conversion/warrant obligations or exchange rights that may occur during the term of the bonds (e.g., control gained by a third party).

Dilution protection or other adjustments may be provided in particular by granting subscription rights, by changing the conversion or warrant price, and by amending or introducing cash components.

Authorized/approved capital (“genehmigtes Kapital”), treasury shares, cash settlement, determination of additional terms and conditions

The bond conditions can provide for or allow that shares from an authorized/approved capital (“genehmigtes Kapital”) or treasury shares of the Company can be used for servicing the conversion/warrant rights, conversion/warrant obligations or exchange rights. To further increase flexibility, the bond conditions can also include the provision or allowance that instead of granting shares in the Company to the holders of conversion/warrant rights or of bonds with corresponding obligations in the case of conversion or warrant rights being exercised or conversion or warrant obligations being fulfilled, the Company does not grant Mercedes-Benz Shares, but pays out an equivalent value in cash or delivers other transferable securities that can be traded at a trading venue in accordance with Section 2, Subsection 22 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). This enables the Company to use financing close to capital-market conditions with no actual need for a capital-raising measure under company law. This takes into account the fact that an increase in share capital may be inappropriate at the future time of exercise of the conversion/warrant rights or fulfillment of corresponding obligations. Moreover, since no new shares are issued, utilization of the cash settlement option protects the shareholders against any reduction in the relative amounts of their shareholdings and against dilution of the net asset value of their shares. In this respect, in accordance with the conversion/warrant conditions, the equivalent value to be paid in cash corresponds to the average price of Mercedes-Benz shares at the close of Xetra trading (or at the close of a functionally equivalent successor to the Xetra system) on the Frankfurt Stock Exchange during the last ten to twenty trading days after the announcement of the cash settlement. Furthermore, the provision can also be made that the number of shares to be granted upon exercise of conversion or warrant rights or after fulfillment of corresponding obligations, or a related conversion ratio, is variable and can be rounded up or down to a whole number. Furthermore, for technical reasons, a supplemental cash payment can be stipulated, and/or provision can be made for fractions to be combined and/or compensated in cash.

Shareholders’ subscription rights and exclusion of subscription rights

The shareholders are generally to have subscription rights when convertible bonds and/or bonds with warrants are issued. However, with the approval of the Supervisory Board, the Board of Management can exclude subscription rights in certain clearly defined cases. First, the Board of Management shall be authorized in mutatis mutandis application of Section 221, Subsection 4, Sentence 2 in conjunction with Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) to exclude subscription rights, with the approval of the

Supervisory Board, if the bonds are issued in exchange for cash payment and the issue price is not significantly below the theoretical market value of the bonds, as calculated according to generally accepted, in particular actuarial calculation methods. This enables the Company to respond quickly to favorable stock-market situations and to place bonds on the market quickly and flexibly with attractive conditions. On the other hand, in view of the increased volatility of the stock markets, the issue of convertible bonds and/or bonds with warrants with the inclusion of subscription rights is often less attractive, as in order to comply with the subscription period, the issue price must be set at a very early stage, which is to the detriment of optimum exploitation of the stock-market situation and the value of the bonds. Favorable conditions as close as possible to those prevailing on the market can generally only be established if the Company is not bound to them for an excessively long offer period. The achievable conditions (in particular, the conversion/warrant price per share and the amount of the option premium received or to be paid out, as well as the exchange rate in the case of foreign currencies) can be estimated much more reliably at very short notice, allowing attractive conditions to be achieved more reliably. In the event of subscription rights being granted, the success of the placement would be jeopardized due to the uncertainty surrounding the utilization of the subscription rights or would involve additional expense and significantly longer lead times, during which market conditions could change. Otherwise, a safety margin would be necessary to ensure the attractiveness of the conditions and thus the chances of success of the respective issue for the entire offer period. When borrowing foreign currencies, the exclusion of subscription rights and a correspondingly shortened offer period can also help to minimize the impact of exchange rate fluctuations on the issue.

If the bonds are issued in exchange for cash upon exclusion of the subscription right in mutatis mutandis application of Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), the shareholders' interests are safeguarded by the bonds being issued at a price that is not significantly lower than the theoretical market value of the bond. The theoretical market value is to be calculated here according to generally accepted, in particular actuarial calculation methods. In determining the price and taking into account the then current capital market situation, the Management will keep the discount on that market price as small as possible, thus reducing the financial value of a subscription right in respect of the bonds to near zero. As a result, shareholders will not suffer a material economic disadvantage following the exclusion of their subscription rights. However, it is also ensured that the conditions are determined in line with the market and that thus a considerable dilution of the value is avoided if, for instance, a book building process is carried out. In this case, investors are asked, on the basis of preliminary bond conditions, to submit purchase requests, specifying e.g., the interest rate deemed in line with the market and/or other economic components. This way, the total value of the bond is determined in close conformity with market conditions and it is ensured that the exclusion of the subscription right does not result in a significant dilution of the share value. Shareholders who wish to maintain their relative shareholdings in the Company's share capital can do so under almost identical conditions by making additional purchases on the capital market. This provides

appropriate protection for their asset interests. The computational portion of the share capital attributable to shares to be issued or granted in return for a cash payment on the basis of bonds issued under this authorization, with shareholders' subscription rights excluded in accordance with Section 186, Subsection 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), may not exceed 10% of the share capital, either at the time when this authorization becomes effective or, if the latter amount is lower, at the time when it is exercised. When determining this limit of 10% of the share capital, shares shall also be taken into account which, during the term of this authorization until its use, are issued or disposed of by direct or mutatis mutandis application of Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). Furthermore, this limit shall also include shares that were issued or granted or are still to be issued or granted on the basis of a convertible bond or bond with warrants issued during the term of this authorization with shareholders' subscription rights excluded in accordance with Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

It is further proposed that the Board of Management shall be authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription rights if the bonds are issued in exchange for contribution or consideration in kind. This allows inter alia to use the bonds in appropriate cases as an acquisition currency, in the context of business combinations or for the purpose of acquiring (also indirectly) companies, businesses, parts of companies, participations or other assets or rights to acquire assets, including receivables against the Company or its affiliates pursuant to Sections 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*). This enables the Board of Management to react quickly and flexibly to advantageous offers or other opportunities arising on the national and international market and to take advantage of opportunities to expand the company by acquiring companies or interests in companies in return for the issue of bonds in the interests of the company and its shareholders. The Management will check in each individual case whether to make use of this authorization as soon as such acquisition opportunities take a more concrete shape. It will not exclude the shareholders' subscription rights to bonds unless this would be in best interests of the Company and its shareholders.

The proposed authorization to exclude the subscription right in the case of fractions that may result from the amount of the total amount issued from time to time and from a practicable conversion or subscription ratio serves the purpose to facilitate ease of handling.

Finally, the Board of Management, with the approval of the Supervisory Board, shall also be authorized to exclude subscription rights to these bonds in order to grant holders/creditors of conversion or warrant rights in the Company's shares or respective conversion or warrant obligations from bonds issued or to be issued by Mercedes-Benz Group AG or its affiliates within the meaning of Sections 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*) on the basis of other authorizations to grant subscription rights to bonds as compensation against the effects of dilution to the extent to which they would be entitled upon exercising such rights or

fulfilling such obligations. The exclusion of shareholders' subscription rights for the benefit of holders/creditors of outstanding bonds has the advantage that the conversion/warrant price for the already outstanding bonds, which are commonly equipped with an anti-dilution mechanism, does not have to be reduced. As a result, the attractiveness of a bond issue may be enhanced by placing the bonds in several tranches in order to raise a higher total inflow of funds.

Pursuant to Section 221, Subsection 4, Sentence 2 of the German Stock Corporation Act (*Aktiengesetz*), Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) shall apply mutatis mutandis to the exclusion of subscription rights when issuing convertible bonds and/or bonds with warrants. The statutory limit for exclusions of subscription rights of up to 20% of the relevant share capital provided for therein shall not be exhausted. Rather, under this authorization, bonds may only be issued under exclusion of the subscription right if the computational portion of the share capital attributable to the total of new shares to be issued or granted on the basis of such bond, does not exceed, 10% of the share capital at the time this authorization takes effect or at the time it is exercised, if the latter amount is lower. Where shares issued or sold during the term of this authorization until the time of its exercise in direct or mutatis mutandis application of Section 186, Subsection 3, Sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), then these shares are to be included in the above limit. Shares shall also be included in this limit that were issued or granted or are still to be issued or granted on the basis of a convertible bond or bond with warrants issued during the term of this authorization and on the basis of the exercise of another authorization, with shareholders' subscription rights being excluded in accordance with the same legislative provision.

Conditional Capital 2025

The Conditional Capital 2025 is required to be able to service the conversion/warrant rights or conversion/warrant obligations associated with convertible bonds and bonds with warrants, unless other forms of performance are used for servicing. The issue price is equal to the conversion/warrant price.

There are currently no concrete plans to make use of the authorization to issue convertible bonds or bonds with warrants. In each case, the Board of Management will carefully examine whether it is in the interest of the Company and its shareholders to exercise the authorization. In the event that the authorization to issue bonds with the exclusion of subscription rights is exercised, the Board of Management will report on this at the following Annual General Meeting.

Stuttgart, 11.03.2025

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