

IVECO GROUP N.V.
INTERIM CONDENSED COMBINED
FINANCIAL STATEMENTS

For the nine months ended September 30, 2021 and 2020

IVECO GROUP N.V.
INTERIM CONDENSED COMBINED INCOME STATEMENT
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	<u>Nine Months Ended September 30,</u>	
Note	<u>2021</u>	<u>2020</u>
	(€ million)	
Net revenues vs third parties	8,676	6,589
Net revenues vs CNH Industrial Group post-Demerger	<u>600</u>	<u>357</u>
Total Net revenues	(1) <u>9,276</u>	<u>6,946</u>
Cost of sales	(2) 7,953	6,533
Selling, general and administrative costs	(3) 583	483
Research and development costs	(4) 357	324
Result from investments:	(5) 21	(4)
Share of the profit/(loss) of investees accounted for using the equity method	21	(4)
Gains/(losses) on the disposal of investments	(13) 7	—
Restructuring costs	(6) 8	4
Other income/(expenses)	(7) (82)	(86)
Financial income/(expenses)	(8) <u>(82)</u>	<u>(89)</u>
PROFIT/(LOSS) BEFORE TAXES	<u>239</u>	<u>(577)</u>
Income tax (expense) benefit	(9) <u>(72)</u>	<u>151</u>
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	<u>167</u>	<u>(426)</u>
PROFIT/(LOSS) FOR THE PERIOD	<u>167</u>	<u>(426)</u>
 PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of Iveco Group	145	(443)
Non-controlling interests	22	17

IVECO GROUP N.V.
INTERIM CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	Note	Nine Months Ended September 30,	
		2021	2020
		(€ million)	
PROFIT/(LOSS) (A)		167	(426)
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on the remeasurement of defined benefit plans	(20)	—	—
Net change in fair value of equity investments measured at fair value through other comprehensive income	(20)	(83)	223
Tax effect of Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss	(20)	3	(3)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss, net of tax (B1)		(80)	220
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedging instruments	(20)	(11)	34
Exchange gains/(losses) on translating foreign operations	(20)	(2)	(128)
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(20)	(24)	2
Tax effect of Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	(20)	3	(8)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss, net of tax (B2)		(34)	(100)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX (B) = (B1) + (B2)		(114)	120
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		53	(306)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of Iveco Group		27	(323)
Non-controlling interests		26	17

IVECO GROUP N.V.
INTERIM CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION
At September 30, 2021 and December 31, 2020
(Unaudited)

	Note	At September 30, 2021	At December 31, 2020
		(€ million)	
ASSETS			
Intangible assets	(11)	1,274	1,260
Property, plant and equipment	(12)	2,904	3,032
Investments and other non-current financial assets:	(13)	500	546
Investments accounted for using the equity method		217	209
Equity investments measured at fair value through other comprehensive income		236	319
Other investments and non-current financial assets		47	18
Leased assets	(14)	65	73
Defined benefit plan assets		1	1
Deferred tax assets		686	681
Total Non-current assets		5,430	5,593
Inventories	(15)	2,966	2,246
Trade receivables	(16)	387	444
Financial receivables from CNH Industrial Group post-Demerger	(16)	3,511	3,543
Receivables from financing activities	(16)	2,503	2,831
Current tax receivables	(16)	62	73
Other current receivables and financial assets	(16)	533	353
Prepaid expenses and other assets		45	51
Derivative assets	(17)	24	28
Cash and cash equivalents	(18)	622	463
Total Current assets		10,653	10,032
Assets held for sale	(19)	1	6
TOTAL ASSETS		16,084	15,631
INVESTED EQUITY AND LIABILITIES			
Invested capital and reserves attributable to owners of Iveco Group		2,312	2,268
Non-controlling interests		16	68
Total Invested equity	(20)	2,328	2,336
Provisions:		1,917	1,814
Employee benefits	(21)	610	610
Other provisions	(21)	1,307	1,204
Debt:	(22)	5,694	5,313
Asset-backed financing	(22)	1,626	2,031
Debt payable to CNH Industrial Group post-Demerger	(22)	3,323	2,563
Other debt	(22)	745	719
Derivative liabilities	(17)	40	27
Trade payables	(23)	2,942	3,082
Tax liabilities		61	65
Deferred tax liabilities		16	11
Other current liabilities	(24)	3,086	2,983
Total Liabilities		13,756	13,295
TOTAL INVESTED EQUITY AND LIABILITIES		16,084	15,631

IVECO GROUP N.V.
INTERIM CONDENSED COMBINED STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	Nine Months Ended September 30,	
Note	2021	2020
	(€ million)	
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(18) 463	417
B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(loss)	167	(426)
Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)	408	413
(Gains)/losses on disposal of property plant and equipment and intangible assets (net of vehicles sold under buy-back commitments)	(7)	1
Other non-cash items	(23)	29
Dividends received	16	-
Change in provisions	96	(8)
Change in deferred income taxes	8	(164)
Change in items due to buy-back commitments ^(a)	21	86
Change in operating lease items ^(b)	(1)	17
Change in working capital	(904)	(748)
TOTAL	(219)	(800)
C) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:		
Investments in:		
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments and operating leases)	(305)	(198)
Combined subsidiaries, net of cash acquired and other equity investments	(3)	(132)
Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)	1	1
Net change in receivables from financing activities	310	728
Change in other current financial assets	(69)	-
Other changes	27	19
TOTAL	(39)	418
D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:		
Issuance of other medium-term borrowings (net of repayment)	(11)	(26)
Net change in debt and derivative assets/liabilities	414	639
Purchase of ownership interests in subsidiaries	-	(8)
TOTAL	403	605
Translation exchange differences	14	(19)
E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS	159	204
F) CASH AND CASH EQUIVALENTS AT END OF PERIOD	(18) 622	621

(a) Cash generated from the sale of vehicles under buy-back commitments is recognized under operating activities in a single line item, which includes changes in working capital, capital expenditure, depreciation and impairment losses.

(b) Cash from operating lease is recognized under operating activities in a single line item, which includes capital expenditure, depreciation, write-downs and changes in inventory.

IVECO GROUP N.V.
INTERIM CONDENSED COMBINED STATEMENT OF CHANGES IN INVESTED EQUITY
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	Invested capital and retained earnings	Cash flow hedge reserve	Cumulative translation adjustment reserve	Defined benefit plans remeasurement reserve	Equity investments at FVTOCI	Cumulative share of OCI of entities consolidated under the equity method	Non-controlling interests	Total Invested Equity
	(€ million)							
AT DECEMBER 31, 2019	2,968	(11)	(148)	(180)	(4)	55	38	2,718
Purchase of ownership interests in subsidiaries from non-controlling interests	(4)	-	-	-	-	-	(4)	(8)
Total comprehensive income/(loss) for the period	(443)	26	(128)	1	219	2	17	(306)
Other changes ⁽¹⁾	10	-	-	-	-	-	(1)	9
AT SEPTEMBER 30, 2020	2,531	15	(276)	(179)	215	57	50	2,413
	(€ million)							
AT DECEMBER 31, 2020	2,572	2	(256)	(190)	87	53	68	2,336
Dividends distributed	-	-	-	-	-	-	(75)	(75)
Total comprehensive income/(loss) for the period	145	(8)	(6)	2	(82)	(24)	26	53
Other changes ⁽¹⁾	17	-	-	-	-	-	(3)	14
AT SEPTEMBER 30, 2021	2,734	(6)	(262)	(188)	5	29	16	2,328

(1) Other changes of Earnings reserves include the impact of IAS 29 - Financial reporting in hyperinflationary economies applied for subsidiaries that prepare their financial statements in a functional currency of a hyperinflationary economy. In particular, from July 1, 2018, Argentina's economy was considered to be hyperinflationary. This item also includes minor changes related to share-based compensation expense.

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

BACKGROUND

CNH Industrial N.V. (“CNH Industrial” and, collectively with its subsidiaries, the “CHN Industrial Group”) is the company formed as a result of the business combination transaction (the “Merger”), completed on September 29, 2013, between Fiat Industrial S.p.A. and its majority owned subsidiary CNH Global N.V. CNH Industrial N.V. is incorporated under the laws of the Netherlands. CNH Industrial N.V. has its corporate seat in Amsterdam, the Netherlands, and its principal office in London, England, United Kingdom. CNH Industrial is a leading company in the capital goods sector that, through its various businesses, designs, produces and sells agricultural equipment, construction equipment, trucks, commercial vehicles, buses and specialty vehicles, in addition to a broad portfolio of powertrain applications. In addition, CNH Industrial’s Financial Services segment offers an array of financial products and services, including retail financing for the purchase or lease of new and used CNH Industrial and other manufacturers’ products and other retail financing programs and wholesale financing to dealers. CNH Industrial has industrial and financial services companies located in 44 countries and a commercial presence in approximately 180 countries.

At its Capital Markets Day event held on September 3, 2019, CNH Industrial announced its intention to separate its “Iveco Group” (commercial vehicles and powertrain) business and “Off-Highway” (agriculture and construction) business. On May 6, 2020, CNH Industrial announced that, while the intention to separate the Iveco Group business remained unchanged, the original timeline for the implementation was extended due to market conditions resulting from the COVID-19 pandemic. Starting from the end of 2020, CNH Industrial reaffirmed its intention to proceed with the separation.

STRUCTURE OF THE DEMERGER

The separation will occur by way of the statutory Demerger (*juridische afsplitsing*), governed by the laws of the Netherlands, of equity investments attributable to the Iveco Group Business operations, as well as the portion of CNH Industrial N.V. financial payables attributable to Iveco Group Business operations, from CNH Industrial in favor of Iveco Group N.V. (“the Company”), a newly-established company incorporated in the Netherlands. The Demerger is expected to occur after a series of preliminary transactions will have been completed. Such preliminary transactions include the following:

- i. the incorporation of the Company (wholly owned by CNH Industrial until the Effective Date). The Company was incorporated under the laws of the Netherlands on June 16, 2021, and has its corporate seat in Amsterdam, the Netherlands, and its place of effective management, principal office and business address in Turin, Italy. The Company will be the recipient of the interests and equity investments that will be transferred by universal title of succession (*algemene titel*) pursuant to the Demerger,
- ii. the incorporation of a new Financial Services legal entity, CIFINS, which is to hold 49.9% of CNH Industrial’s interest in CNH Industrial Capital Europe S.a.S., a joint venture with the BNP Paribas Group providing financing solutions to customers of the CNH Industrial Group in several European countries. Such 49.9% interest will be transferred into CIFINS by way of a contribution in kind, governed by the laws of Italy in December 2021. CIFINS was incorporated under the laws of Italy on June 11, 2021, and has its corporate seat in Turin, Italy, as a wholly owned subsidiary of CNH Industrial. As part of the Demerger, CNH Industrial will transfer 50% of the shares in CIFINS to the Company; and
- iii. a separation of operational activities at a local level, in particular in Brazil and Argentina, by way of intra-group demerger transactions into separate legal entities. The activities to be demerged are already operationally and from a reporting standpoint separated from the ‘Agriculture’ and ‘Construction’ activities and only require legal separation into separate entities to enable a transfer of only those entities to the Company as part of the Demerger.

In the first quarter of 2022, after the Demerger, the Company expects to settle all deposits in CNH Industrial post-Demerger’s cash management pools, as well as all debt towards CNH Industrial post-Demerger.

The Demerger will entail the transfer by universal title of succession, from CNH Industrial to the Company, of: (a) all interests directly owned by CNH Industrial in the legal entities attributable to the Iveco Group Business operations, (b) all interests owned in the Financial Services legal entities included in the Iveco Group Business perimeter, (c) 50% of CNH Industrial’s interest in CIFINS (owning 49.9% of CNH Industrial Capital Europe S.a.S.), (d) the portion of CNH

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Industrial N.V. financial payables attributable to Iveco Group Business operations, and (e) all issued and paid up 25,000,000 common shares, each with a nominal value of EUR 0.01 currently held by CNH Industrial in the share capital of the Company. The Demerger will become effective on the Effective Date.

All other assets, liabilities and interests not transferred to the Company upon Demerger will remain with CNH Industrial.

Universal title of succession means that the legal title to the assets and liabilities concerned transfers to the receiving company by operation of law by virtue of the legal demerger: no separate transfer deeds or other actions are required for the transfer of title other than the notarial deed of demerger.

Generally, third party consents do not need to be obtained. There is a one-month opposition period following the filing of the demerger proposal during which creditors, and parties to a legal relationship with CNH Industrial or the Company, who believe that their position is jeopardised by the Demerger, may object and may require security to be given to them if their position deteriorates as a result of the Demerger. The same applies to counterparties to contracts who believe that their contracts are not properly transferred. Contractual relationships may only be transferred in their entirety.

The Demerger will also entail the allotment of common and special voting shares of the Company to all CNH Industrial's shareholders proportionally to their holding of each type of common and special voting shares in CNH Industrial in accordance with the Exchange Ratio. The allotment of shares pursuant to the Demerger does not require a separate deed or action: the allotment is accomplished by operation of law pursuant to the execution of the notarial deed of demerger.

Following the Demerger, the Company will operate as an independent, publicly listed company.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These Interim condensed combined financial statements for the nine months ended September 30, 2021 and 2020 together with the notes thereto (the "Interim Condensed Combined Financial Statements") have been prepared in connection with the Demerger and have been derived from the condensed consolidated financial statements and accounting records of CNH Industrial at the same dates. These Interim Condensed Combined Financial Statements have been prepared to represent the combined historical results of operations, financial position and cash flows of the Iveco Group business structure that will be controlled by the Company following the Demerger (together the "Group" or the "Iveco Group"). The Interim Condensed Combined Financial Statements are presented as if the entities controlled directly or indirectly by CNH Industrial until the Demerger and that will be controlled by the Company afterwards, together with other assets and liabilities, had been combined for all periods presented.

As the Demerger is considered a "business combination involving entities or businesses under common control", it is outside the scope of application of IFRS 3 – *Business Combinations* and IFRIC 17 - *Distributions of Non-cash Assets to Owners*. Accordingly, assets and liabilities are accounted for at the carrying value in the accounting records of the transferring entity (i.e. CNH Industrial). The Interim Condensed Combined Financial Statements are therefore prepared under the historical cost convention, modified as required for the measurement of financial instruments, as well as on a going concern basis. Despite operating in a continuously difficult economic and financial environment negatively impacted by the continuing spread of the COVID-19 pandemic, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern, in view also of the measures already undertaken by the Group to preserve cash and contain costs, and to preserve its industrial and financial flexibility and its strong liquidity position. As of September 30, 2021, the Company had approximately €0.6 billion cash and cash equivalents, and €0.2 billion net financial receivables from CNH Industrial post-Demerger consisting in cash deposited in the central treasury of CNH Industrial post-Demerger.

EU-IFRS do not provide principles for the preparation of combined and/or carved-out financial statements, accordingly, in preparing these Interim Condensed Combined Financial Statements, accounting and allocation conventions commonly used in practice for the preparation of combined and/or carved-out financial statements were applied.

The following paragraphs describe the significant estimates and assumptions applied by management in the preparation of these Interim Condensed Combined Financial Statements:

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

- Where they do not correspond to a separate legal entity, assets and liabilities attributable to the Group's operations have been identified and recognized in the Interim Condensed Combined Financial Statements by adjusting equity.
- Income and expenses attributable to operations have been allocated on a basis consistent with the allocation of the assets and liabilities that generated them or the legal entities to which they relate. In particular, corporate general and administrative functions costs in the areas of corporate governance, including senior management, corporate responsibility and other corporate functions, such as tax, legal, investor relations, treasury, communication functions, were not charged or allocated to the Iveco Group business in the past. These Interim Condensed Combined Financial Statements include a reasonable allocation of these corporate general and administrative functions costs, primarily based on headcount.
- All the items resulting from transactions between entities remaining in the CNH Industrial Group post-Demerger and entities being transferred to Iveco Group are included in these Interim Condensed Combined Financial Statements as items relating to third parties, except for net revenues from the sale of goods and services, and receivables and payables of a financial nature (meaning those resulting from transactions with the treasury entities and financial service entities of the CNH Industrial Group post-Demerger) which have been stated in specific line items of the income statement and statement of financial position, respectively, given their size.
- Income tax expense or benefit, deferred income tax assets and liabilities and income tax receivables and liabilities attributable to Iveco Group were determined based on actual taxation. In certain cases, entities being transferred to the Iveco Group business have historically been included in consolidated tax filing groups with other entities that will not be transferred to the Iveco Group business. In these instances, the current and deferred taxes presented in the Interim Condensed Combined Financial Statements for the nine months ended September 30, 2021 and 2020 have generally been calculated considering the effects resulting from these entities participating in their respective group tax filings.
- Dividends and other equity transactions between Iveco Group and CNH Industrial Group post-Demerger were recognized directly to retained earnings in the Invested capital and reserves attributable to owners of Iveco Group.

The Group believes that the assumptions above described underlying the Interim Condensed Combined Financial Statements, including recharges of expenses from CNH Industrial Group, are reasonable. Nevertheless, the Interim Condensed Combined Financial Statements may not include all of the actual expenses that would have been incurred by Iveco Group and may not reflect the combined results of operations, financial position and cash flows had Iveco Group been a stand-alone group during the periods presented. Actual costs that would have been incurred if Iveco Group had been a stand-alone group would depend on multiple factors, including organizational structure and strategic decisions made in various areas.

These Interim Condensed Combined Financial Statements are prepared using the euro as the presentation currency.

Authorization of the Interim Condensed Combined Financial Statements and compliance with International Financial Reporting Standards

These Interim Condensed Combined Financial Statements together with the notes thereto of Iveco Group for the nine months ended September 30, 2021 and 2020, were authorized for issuance by the Board of Directors of Iveco Group N.V. on November 29, 2021 and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU-IFRS"). The designation "IFRS" also includes International Accounting Standards ("IAS"), as well as all interpretations of the IFRS Interpretations Committee ("IFRIC").

The Interim Condensed Combined Financial Statements, which have been prepared in accordance with IAS 34 - *Interim Financial Reporting*, do not include all of the information and disclosures required for annual financial statements and should be read in conjunction with the audited Iveco Group Combined Financial Statements at December 31, 2020, 2019 and 2018. The accounting standards and policies are consistent with those used at December 31, 2020, except as described in the following paragraph "New standards and amendments effective from January 1, 2021".

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Use of accounting estimates and management's assumptions

The preparation of the Interim Condensed Combined Financial Statements requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities, accumulated other comprehensive income and disclosure of contingent assets and contingent liabilities. Furthermore, certain valuation procedures, in particular those of a more complex nature, are only carried out in full during the preparation of the annual financial statements, when all the information required is available, other than in the event that there are indications of impairment when an immediate assessment is necessary. In the same way, the actuarial valuations that are required for the determination of employee benefit provisions are also usually carried out during the preparation of the annual consolidated financial statements. The recoverability of deferred tax assets is assessed quarterly using historical financial results and figures from budget and plans for subsequent years. Income taxes are recognized based upon the best estimate of the actual income tax rate expected for the full financial year.

Due to the currently unforeseeable global consequences of the COVID-19 pandemic, these estimates and assumptions are subject to increased uncertainty. Actual results could differ materially from the estimates and assumptions used in preparation of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the Interim Condensed Combined Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

These Interim Condensed Combined Financial Statements include all updates of estimates and assumptions considered necessary by management to fairly state the Group's results of operations, financial position and cash flows. See section "Significant accounting policies", paragraph "Use of estimates", in the Iveco Group Combined Financial Statements at December 31, 2020 for a description of the significant estimates, judgments and assumptions of Iveco Group at that date.

Iveco Group is exposed to operational financial risks such as credit risk, liquidity risk and market risk, mainly relating to exchange rates and interest rates. These Interim Condensed Combined Financial Statements do not include all the information and notes about financial risk management required in the preparation of annual financial statements. For a detailed description of this information see the "Risk management and Control System" section and Note 30 "Information on financial risks" of Iveco Group Combined Financial Statements at December 31, 2020, as well as those discussed in Note 16 "Current receivables and Other current financial assets".

Format of the financial statements

Iveco Group presents an income statement using a classification based on the function of expenses (otherwise known as the "cost of sales" method), rather than one based on their nature, as this is believed to provide information that is more relevant.

For the statement of financial position, a mixed format has been selected to present current and non-current assets and liabilities, as permitted by IAS 1 – *Presentation of Financial Statements*. These Interim Condensed Combined Financial Statements include both industrial activities companies and financial services companies. The investment portfolios of financial services companies are included in current assets, as the investments will be realized in their normal operating cycle. However, financial services companies obtain only a portion of their funding from the market: the remainder has historically been obtained from the parent company through its treasury operations (included in Industrial Activities), which lend funds both to industrial activities companies and to financial services companies as the need arises. This financial services structure within the Iveco Group does not allow the separation of financial liabilities funding the financial services operations (whose assets are reported within current assets) and those funding the industrial activities operations. Presentation of financial liabilities as current or non-current based on their date of maturity would not facilitate a meaningful comparison with financial assets, which are categorized on the basis of their normal operating cycle.

The statement of cash flows is presented using the indirect method.

New standards and amendments effective from January 1, 2021

On August 27, 2020 the IASB issued *Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*, which addresses the accounting for changes in the basis for determining contractual cash flows as a consequence of IBOR reform. Furthermore, the amendments include additional temporary exceptions from applying specific hedge accounting requirements and additional disclosures. The amendments are effective retrospectively for

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

annual reporting periods beginning on or after January 1, 2021. These amendments had no impact on these Interim Condensed Combined Financial Statements.

Accounting standards, amendments and interpretations not yet applicable and not early adopted by the Group

See paragraph “Accounting standards, amendments and interpretations not yet applicable and not early adopted by the Group” of the section “Significant accounting policies” in the Notes to the Combined Financial Statements as of December 31, 2020, for a description of other new standards not yet effective and not adopted as of September 30, 2021. Furthermore, on May 7, 2021 the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*, which specifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments clarify that no exemption applies on such transactions and that companies are required to recognize deferred tax when they recognize the related assets or liabilities for the first time. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Group is currently evaluating the impact of the adoption of these amendments.

Global Supply Chain Disruptions

On October 13, 2021, it was announced the temporary closure of several of the Group’s European commercial vehicle and powertrain manufacturing facilities in response to ongoing disruptions to the procurement environment and shortages of core components, especially semiconductors. The global supply chain still shows increasing input costs and logistics pressures, with ongoing disruptions to the procurement environment forcing repeated reviews of production schedules. Critical conditions affecting the supply chain are expected to remain through the last quarter of the year and the Group can make no assurances that further temporary closures of its commercial vehicle and powertrain manufacturing facilities will not be necessary.

SCOPE OF THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS

A list of the companies included in the scope of these Interim Condensed Combined Financial Statements that will be allocated to the Iveco Group as part of the Demerger is included in Note 31.

BUSINESS COMBINATIONS

There were no significant business combinations in the nine months ended September 30, 2021 and 2020.

COMPOSITION AND PRINCIPAL CHANGES

1. Net revenues

The following table summarizes Net revenues for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Commercial and Specialty Vehicles	7,460	5,449
Powertrain	2,912	2,157
Eliminations and Other	(1,189)	(740)
Total Industrial Activities	9,183	6,866
Financial Services	139	129
Eliminations and Other	(46)	(49)
Total Net revenues	9,276	6,946

In the nine months ended September 30, 2021 and 2020, total Net revenues included €600 million and €357 million, respectively, of Revenues from CNH Industrial Group post-Demerger.

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

The following table disaggregates Net revenues by major source for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Revenues from:		
Sales of goods	8,541	6,253
Rendering of services and other revenues	439	404
Rents and other income on assets sold with a buy-back commitment	203	209
Revenues from sales of goods and services	9,183	6,866
Finance and interest income	69	62
Rents and other income on operating lease	24	18
Total Net revenues	9,276	6,946

During the nine months ended September 30, 2021 and 2020, revenues included €315 million and €324 million, respectively, relating to the reversal of contract liabilities outstanding at the beginning of each period. Refer to Note 24 "Other current liabilities" for additional details on contract liabilities.

As of September 30, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations related to extended warranties/maintenance and repair contracts, and transactions for the sale of vehicles with a buy-back commitment, was approximately €2.3 billion (approximately €1.9 billion as of December 31, 2020). Iveco Group expects to recognize revenue on approximately 36% and 82% of the remaining performance obligations over the next 12 and 36 months, respectively (approximately 32% and 77% as of December 31, 2020, respectively), with the remaining recognized thereafter.

2. Cost of sales

Cost of sales amounted to €7,953 million and €6,533 million in the nine months ended September 30, 2021 and 2020, respectively. In the nine months ended September 30, 2020, Cost of sales included asset optimization charges of €247 million and other assets impairment charges of €6 million.

3. Selling, general and administrative costs

Selling, general and administrative costs amounted to €583 million in the nine months ended September 30, 2021, up €100 million compared to the nine months ended September 30, 2020 as cost returned to more normal levels from the pandemic-affected low levels experienced last year.

4. Research and development costs

In the nine months ended September 30, 2021, research and development costs were €357 million (€324 million in the nine months ended September 30, 2020) and included all the research and development costs not recognized as assets in the period amounting to €197 million (€168 million in the nine months ended September 30, 2020) and the amortization of capitalized development costs of €160 million (€156 million in the nine months ended September 30, 2020). During the nine months ended September 30, 2021 the Group capitalized new development costs of €166 million (€103 million in the nine months ended September 30, 2020).

5. Result from investments

This item mainly includes Iveco Group's share in the net profit or loss of the investees accounted for using the equity method, as well as any impairment losses, reversal of impairment losses, accruals to the investment provision, and dividend income. In the nine months ended September 30, 2021, Iveco Group's share in the net profit or loss of the investees accounted for using the equity method was a gain of €21 million (loss of €4 million in the nine months ended September 30, 2020), including the positive impact of €11 million from the sale of investments by a joint venture accounted for under the equity method.

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

6. Restructuring costs

The Group incurred restructuring costs of €8 million and €4 million during the nine months ended September 30, 2021 and 2020, respectively.

7. Other income/(expenses)

This item consists of miscellaneous costs which cannot be allocated to specific functional areas, such as accruals for various provisions not attributable to other items of Cost of sales or Selling, general and administrative costs, net of income arising from operations which is not attributable to the sale of goods and services. Other expenses were €82 million and €86 million in the nine months ended September 30, 2021 and 2020, respectively.

8. Financial income/(expenses)

The item “Financial income/(expenses)” is detailed as follows:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Financial income (a)	21	17
Interest and other financial expenses (b)	66	69
Net income/(expenses) from derivative financial instruments at fair value through profit or loss	(27)	2
Exchange rate differences from derivative financial instruments	(10)	(39)
Total net income/(expenses) and exchange differences from derivative financial instruments (c)	(37)	(37)
Net financial income/(expenses) (a) - (b) + (c)	(82)	(89)

9. Income tax (expense) benefit

Income tax (expense) benefit recognized in the condensed combined income statement consists of the following:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Current taxes	(55)	(24)
Deferred taxes	(5)	144
Taxes relating to prior periods	(12)	31
Total Income tax (expense) benefit	(72)	151

The effective tax rates for the nine months ended September 30, 2021 and 2020 were 30.1% and 26.2%, respectively. The current period effective tax rate reflects the Company’s full year estimated annual tax rate, which was calculated in accordance with the applicable jurisdictional tax laws. For the nine months ended September 30, 2020, income taxes were a benefit of €151 million, primarily caused by Iveco Group reporting a loss before taxes during the period of €577 million.

Iveco Group files income tax returns in multiple jurisdictions and is subject to examination by taxing authorities throughout the world. Iveco Group has open tax years from 2010 through 2020. Due to the global nature of Iveco Group’s business, transfer pricing disputes may arise and Iveco Group may seek correlative relief through competent authority processes. Further, as various ongoing audits are concluded, or as the applicable statutes of limitations expire, it is

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

possible Iveco Group's amount of unrecognized tax benefits could change during the next twelve months. Iveco Group does not believe the resolution of any outstanding tax examinations will have a material effect on Iveco Group's results of operations, statement of financial position, or cash flows.

10. Earnings per share

As these Interim Condensed Combined Financial Statements have been prepared on a combined/carve-out basis, earnings per share is not a meaningful measure of financial performance for any of the periods presented. The Iveco Group has not had share capital during the periods presented, therefore, management has determined that presenting an earnings per share ratio calculated on the combined/carve-out information would not accurately reflect the historical earnings per share. Accordingly, the requirement of IAS 33 - *Earnings per share* to disclose earnings per share is not applicable.

11. Intangible assets

Changes in the carrying amount of Intangible assets for the nine months ended September 30, 2021 were as follows:

	At December 31, 2020	Additions	Amortization	Foreign exchange effects and other changes	At September 30, 2021
			(€ million)		
Goodwill	70	-	-	-	70
Development costs	1,092	166	(160)	1	1,099
Other	98	26	(20)	1	105
Total Intangible assets	1,260	192	(180)	2	1,274

Goodwill is allocated to the segments as follows: Commercial and Specialty Vehicles for €53 million, Powertrain for €5 million and Financial Services for €12 million. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently if a triggering event occurs and impairment indicators are identified. Iveco Group performed its most recent annual impairment review as of December 31, 2020. The results of the impairment tests confirmed the absence of an impairment loss. During the nine months ended September 30, 2021, no impairment indicators were identified.

12. Property, plant and equipment

Changes in the carrying amount of Property, plant and equipment for the nine months ended September 30, 2021 were as follows:

	Carrying amount at December 31, 2020	Additions	Depreciation	Foreign exchange effects, disposals and other changes	Carrying amount at September 30, 2021
			(€ million)		
Property, plant and equipment acquired	1,458	113	(178)	7	1,400
Right-of-use assets	203	45	(50)	(3)	195
Assets sold with a buy-back commitment	1,371	399	(163)	(298)	1,309
Total Property, plant and equipment	3,032	557	(391)	(294)	2,904

At September 30, 2021, right-of-use assets refer primarily to the following lease contracts: industrial buildings for €130 million (€140 million at December 31, 2020), plant, machinery and equipment for €15 million (€17 million at December

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

31, 2020), and other assets for €50 million (€46 million at December 31, 2020). For a description of the related lease liabilities, refer to Note 22 "Debt".

Short-term and low-value leases are not recorded in the statement of financial position. For these leases, Iveco Group recognizes lease expense (€6 million and €8 million in the nine months ended September 30, 2021 and 2020, respectively) in the income statement on a straight-line basis over the lease term.

13. Investments and other non-current financial assets

Investments and other non-current financial assets at September 30, 2021 and December 31, 2020 consisted of the following:

	At September 30, 2021	At December 31, 2020
	(€ million)	
Equity investments measured at fair value through other comprehensive income	236	319
Other investments	230	214
Total Investments	466	533
Non-current financial receivables and other non-current securities	34	13
Total Investments and other non-current financial assets	500	546

Equity investments measured at fair value through other comprehensive income include the fair value of the approximately 6.5% investment held by Iveco Group in Nikola Corporation ("Nikola"), made in the context of the strategic partnership with Nikola to industrialize fuel-cell and battery electric Heavy-Duty trucks. During the second quarter of 2020, Nikola completed a business combination with VectoIQ Acquisition Corp., a publicly-traded special purpose acquisition company. Under the terms and conditions of the business combination, the former shareholders of Nikola received 1.901 shares of VectoIQ for every one share held in Nikola and became shareholders of VectoIQ, which, in turn, changed its name to "Nikola Corporation". The combined company's shares continued to list on NASDAQ under the new ticker symbol "NKLA". Before the completion of the business combination, Iveco Group increased its investment in Nikola to €250 million. The market price of Nikola shares as of September 30, 2021 was \$10.67, determining a value of €236 million for the 25,661,448 shares held by Iveco Group through its fully-owned subsidiary Iveco S.p.A. During the nine months ended September 30, 2021, Iveco Group recorded in Other comprehensive income a pre-tax loss of €83 million (€82 million after-tax) from the remeasurement at fair value of the investment in Nikola. During the nine months ended September 30, 2020, Iveco Group recorded in Other comprehensive income a pre-tax gain of €223 million (€219 million after-tax) from the remeasurement at fair value of the investment in Nikola.

Iveco S.p.A. and Nikola Corporation are jointly developing cab over battery-electric vehicle ("BEV") and hydrogen fuel cell electric vehicle ("FCEV") trucks, which will be manufactured in Europe through a legal entity 50/50 owned by Iveco S.p.A. and Nikola Corporation, and in the U.S. by Nikola Corporation. During 2020, Iveco S.p.A. and Nikola entered into a series of agreements to establish the European legal entity. The set-up activities of the legal entity started in the fourth quarter of 2020 and the implementation continues in line with the roadmap.

Changes in Investments were as follows:

	At December 31, 2020	Revaluations/ (Write-downs)	Acquisitions and capitalizations	Fair value remeasurements	Disposals and other changes	At September 30, 2021
	(€ million)					
Equity investments measured at fair value through other comprehensive income	319	-	-	(83)	-	236
Other investments	214	21	-	-	(5)	230
Total Investments	533	21	-	(83)	(5)	466

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Other investments amounted to €230 million at September 30, 2021 (€214 million at December 31, 2020) and primarily included the following: CNH Industrial Capital Europe S.a.S. €89 million (€96 million at December 31, 2020) and Transolver Finance Establecimiento Financiero de Credito S.A. €34 million (€33 million at December 31, 2020). At September 30, 2021, Other investments also included SAIC IVECO Commercial Vehicle Investment Company Limited for €78 million (€8 million at December 31, 2020), whose carrying value at September 30, 2021 included the accrual of dividends received from SAIC Fiat Powertrain Hongyan Co. Ltd.

Revaluations and write-downs primarily consist of adjustments for the result of the period to the carrying amount of investments accounted for using the equity method.

During the first half of 2021, CNH Industrial and SAIC Group completed the regulatory filings required for the finalization of the sale of a 30.1% of Naveco (Nanjing Iveco Motor Co.) to SAIC Group. Closing of the transaction occurred in the third quarter of 2021. The sale resulted in the discontinuation of the equity method of accounting and the recognition of a pre- and after-tax gain of €8 million, which is included in item “Gains/(losses) on disposal of investments” in the income statement. The remaining 19.9% interest in Naveco is now measured at fair value through profit or loss (€9 million at September 30, 2021, determined on the basis of the sale price for the 30.1% interest).

14. Leased assets

Leased assets primarily include vehicles leased to retail customers by Financial Services under operating lease arrangements. Such leases typically have terms of 3 to 5 years with options available for the lessee to purchase the vehicle at the lease term date. Revenues for non-lease components are accounted for separately.

Changes in the carrying amount of Leased assets for the nine months ended September 30, 2021 were as follows:

	At December 31, 2020	Additions	Depreciation	Foreign exchange effects Disposals and other changes	At September 30, 2021
	(€ million)				
Leased assets	73	49	(23)	(34)	65

15. Inventories

At September 30, 2021 and December 31, 2020, Inventories consisted of the following:

	At September 30, 2021	At December 31, 2020
	(€ million)	
Raw materials	696	493
Work-in-progress	618	276
Finished goods	1,652	1,477
Total Inventories	2,966	2,246

At September 30, 2021, Inventories included assets which are no longer subject to operating lease arrangements or buy-back commitments and were held for sale for a total amount of €72 million, which decreased €72 million from the €144 million at December 31, 2020 primarily due to higher used vehicle sales and extensions of the duration of buyback agreements on request of rental companies and final customers.

16. Current receivables and Other current financial assets

A summary of Current receivables and Other current financial assets as of September 30, 2021 and December 31, 2020 is as follows:

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	<u>At September 30, 2021</u>	<u>At December 31, 2020</u>
	(€ million)	
Trade receivables	387	444
Financial receivables from CNH Industrial Group post-Demerger	3,511	3,543
Receivables from financing activities	2,503	2,831
Current tax receivables	62	73
Other current receivables and financial assets:		
Other current receivables	323	217
Other current financial assets	210	136
Total Other current receivables and financial assets	<u>533</u>	<u>353</u>
Total Current receivables and Other current financial assets	<u>6,996</u>	<u>7,244</u>

Financial receivables from CNH Industrial Group post-Demerger

This item mainly refers to cash balances deposited with the CNH Industrial Group post-Demerger central treasury, including cash management and/or cash pooling arrangements.

Receivables from financing activities

A summary of Receivables from financing activities as of September 30, 2021 and December 31, 2020 is as follows:

	<u>At September 30, 2021</u>	<u>At December 31, 2020</u>
	(€ million)	
Retail:		
Retail financing	10	9
Finance leases	<u>69</u>	<u>77</u>
Total Retail	<u>79</u>	<u>86</u>
Wholesale:		
Dealer financing	<u>2,396</u>	<u>2,720</u>
Total Wholesale	<u>2,396</u>	<u>2,720</u>
Other	<u>28</u>	<u>25</u>
Total Receivables from financing activities	<u>2,503</u>	<u>2,831</u>

Iveco Group provides and administers financing for retail purchases of new and used equipment and vehicles sold through its dealer network. The terms of retail and other notes and finance leases generally range from two to six years, and interest rates on retail and other notes and finance leases vary depending on prevailing market interest rates and certain incentive programs offered by Industrial Activities.

Wholesale receivables arise primarily from the sale of goods to dealers and distributors and, to a lesser extent, the financing of dealer operations. Under the standard terms of the wholesale receivable agreements, these receivables typically have “interest-free” periods of up to twelve months and stated original maturities of up to twenty-four months, with repayment accelerated upon the sale of the underlying equipment by the dealer. During the “interest-free” period, Financial Services is compensated by Industrial Activities for the difference between market interest rates and the amount paid by the dealer. After the expiration of any “interest-free” period, interest is charged to dealers on outstanding balances until Iveco Group receives payment in full. The “interest-free” periods are determined based on the type of equipment sold and the time of year of the sale. Iveco Group evaluates and assesses dealers on an ongoing basis as to their credit worthiness. Iveco Group may be obligated to repurchase the dealer’s equipment upon cancellation or termination of the

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

dealer's contract for such causes as change in ownership, closeout of the business, or default. There were no significant losses in the nine months ended September 30, 2021 and 2020 relating to the termination of dealer contracts.

Financing receivables are considered past due if the required principal and interest payments have not yet been received as of the contractual payment due date. Delinquency is reported in financing receivables greater than 30 days past due. Non-performing financing receivables represent loans for which Iveco Group has ceased accruing finance income. These receivables are generally 90 days delinquent. Finance income for non-performing receivables is recognized on a cash basis. Accrued interest is charged-off to Interest income. Interest income charged-off was not material for the nine months ended September 30, 2021 and 2020. Accrual of finance income is resumed when the receivable becomes contractually current and collections are reasonably assured.

The aging of Receivables from financing activities as of September 30, 2021 and December 31, 2020 is as follows (all receivables are related to Europe region):

	At September 30, 2021					
	Total Current	31-60 Days Past Due	61-90 Days Past Due	Total Performing	Non- Performing	Total
	(€ million)					
Total Retail	79	-	-	79	-	79
Total Wholesale	2,396	-	-	2,396	-	2,396

	At December 31, 2020					
	Total Current	31-60 Days Past Due	61-90 Days Past Due	Total Performing	Non- Performing	Total
	(€ million)					
Total Retail	86	-	-	86	-	86
Total Wholesale	2,720	-	-	2,720	-	2,720

The above aging tables are not necessarily reflective of the potential credit risk in the portfolio due to payment schedule changes granted by Iveco Group and government stimulus policies benefiting Iveco Group's dealers and end-use customers.

There is not a disproportionate concentration of credit risk in any geographic region. Receivables from financing activities generally relate to the truck businesses. Iveco Group typically retains a security interest in the equipment or vehicle being financed. In addition, Iveco Group may also obtain other forms of collateral including letter of credit/guarantees, insurance coverage, real estate and personal guarantees.

A financial asset has experienced a significant increase in credit risk when the customer shows signs of operational or financial weakness including past dues, which requires significant collection effort and monitoring and generally occurs when the customer becomes past due greater than 30 days. The assessment considers available information regarding the financial stability of the customer and other market/industry data; an account is typically considered in default when it is 90 days past due.

Iveco Group utilizes three categories for receivables from financing activities that reflect their credit risk and how the loan provision is determined.

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Internal risk grade	IFRS 9 classification	Definition	Basis for recognition of expected credit loss provision
Performing	Stage 1	Low risk of default; payments are generally less than 30 days past due	12 month expected credit losses
Performing	Stage 2	Significant increase in credit risk; payments generally between 31 and 90 days past due	Lifetime expected credit losses
Non-performing	Stage 3	Accounts are credit impaired and/or a legal action has been initiated; payments generally greater than 90 days past due	Lifetime expected credit losses

Charge-offs of principal amounts of receivables outstanding are deducted from the allowance at the point when it is estimated that amounts due are deemed uncollectible. Iveco Group continues to engage in collection efforts to attempt to recover the receivables. When recoveries are collected, these are recognized as income.

Allowance for Credit Losses of Receivables from financing activities

Iveco Group's allowance for credit losses is segregated into two portfolio segments: retail and wholesale. A portfolio segment is the level at which Iveco Group develops a systematic methodology for determining its allowance for credit losses. Typically, Iveco Group's receivables within a portfolio segment have similar risk profiles and methods for assessing and monitoring risk. These classes align with management reporting.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, Iveco Group considers historical loss rates for each category of customer and adjusts for forward looking macroeconomic data.

In calculating the expected credit losses, Iveco Group's calculations depend on whether the receivable has been individually identified as being impaired. The first component of the allowance for credit losses covers the receivables specifically reviewed by management for which Iveco Group has determined it is probable that it will not collect all of the contractual principal and interest. Receivables are individually reviewed for impairment based on, among other items, amounts outstanding, days past due and prior collection history. Expected credit losses are measured by considering: the unbiased and probability-weighted amount; the time value of money; and reasonable and supportable information (available without undue costs or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions. Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset.

The second component of the allowance for credit losses covers all receivables that have not been individually reviewed for impairment. The allowance for these receivables is based on aggregated portfolio evaluations, generally by financial product. The allowance for wholesale and retail credit losses is based on loss forecast models that consider a variety of factors that include, but are not limited to, historical loss experience, collateral value, portfolio balance and delinquency. The loss forecast models are updated on a quarterly basis. The calculation is adjusted for forward looking macroeconomic factors. In addition, qualitative factors that are not fully captured in the loss forecast models are considered in the evaluation of the adequacy of the allowance for credit losses. These qualitative factors are subjective and require a degree of management judgment.

Allowance for credit losses activity for the nine months ended September 30, 2021 is as follows:

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Nine Months Ended September 30, 2021

	Retail			Wholesale				
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(€ million)							
Opening balance	32	—	80	112	8	1	82	91
Provision (benefit)	1	—	(5)	(4)	(1)	—	1	—
Charge-offs, net of recoveries	—	—	(19)	(19)	—	—	(2)	(2)
Transfers	(29)	—	29	—	—	—	—	—
Foreign currency translation and other	—	—	(1)	(1)	—	—	1	1
Ending balance	4	—	84	88	7	1	82	90
Receivables:								
Ending balance	54	—	25	79	2,363	9	24	2,396

Allowance for credit losses activity for the nine months ended September 30, 2020 and for the year ended December 31, 2020 is as follows:

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Nine Months Ended September 30, 2020

	Retail				Wholesale			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(€ million)							
Opening balance	41	—	91	132	10	1	70	81
Provision (benefit)	1	—	(3)	(2)	—	—	15	15
Charge-offs, net of recoveries	—	—	(21)	(21)	—	—	(7)	(7)
Transfers	(30)	—	30	—	(5)	—	5	—
Foreign currency translation and other	—	—	(8)	(8)	4	—	16	20
Ending balance	12	—	89	101	9	1	99	109
Receivables:								
Ending balance	45	—	50	95	3,495	11	46	3,552

Year ended December 31, 2020

	Retail				Wholesale			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(€ million)							
Opening balance	41	—	91	132	10	1	70	81
Provision (benefit)	2	—	8	10	(1)	—	16	15
Charge-offs, net of recoveries	—	—	(22)	(22)	—	—	(8)	(8)
Transfers	(11)	—	11	—	(1)	—	1	—
Foreign currency translation and other	—	—	(8)	(8)	—	—	3	3
Ending balance	32	—	80	112	8	1	82	91
Receivables:								
Ending balance	47	2	37	86	2,659	11	50	2,720

At September 30, 2021, the allowance for credit losses includes a continued reassessment of the outlook regarding the impact of the COVID-19 pandemic on credit conditions. Iveco Group continues to monitor the situation and will update the macroeconomic factors and qualitative factors in future periods, as warranted.

At both September 30, 2021 and December 31, 2020, the allowance for credit losses included a build of reserves primarily due to the expectation of deteriorating credit conditions related to the COVID-19 pandemic.

Transfers of financial receivables

The Group transfers a number of its financial receivables to securitization programs or factoring transactions.

A securitization transaction entails the sale of a portfolio of receivables to a securitization vehicle. This structured entity finances the purchase of the receivables by issuing asset-backed securities (i.e. securities whose repayment and interest flow depend upon the cash flow generated by the portfolio). Asset-backed securities are divided into classes according to their degree of seniority and rating: the most senior classes are placed with investors on the market; the junior class,

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

whose repayment is subordinated to the senior classes, is normally subscribed for by the seller. The residual interest in the receivables retained by the seller is therefore limited to the junior securities it has subscribed for. In accordance with IFRS 10 – *Consolidated Financial Statements*, all securitization vehicles are included in the scope of consolidation because the subscription of the junior asset-backed securities by the seller implies its control in substance over the structured entity.

Furthermore, factoring transactions may be either with recourse or without recourse; certain without recourse transfers include deferred payment clauses (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables), requiring first loss cover, meaning that the transferor takes priority participation in the losses, or requires a significant exposure to the cash flows arising from the transferred receivables to be retained. These types of transactions do not comply with the requirements of IFRS 9 – Financial Instruments for the derecognition of the assets, since the risks and rewards connected with collection are not substantially transferred and, accordingly, the Group continues to recognize the receivables transferred by this means in its combined statement of financial position and recognizes a financial liability of the same amount under Asset-backed financing (see Note 22 “Debt”). The gains and losses arising from the transfer of these assets are only recognized when the assets are derecognized.

At September 30, 2021 and December 31, 2020, the carrying amounts of such restricted assets included in Receivables from financing activities are the following:

	At September 30, 2021	At December 31, 2020
	(€ million)	
Restricted receivables:		
Retail financing and finance lease receivables	34	45
Wholesale receivables	1,942	2,298
Total restricted receivables	1,976	2,343

Iveco Group has discounted receivables and bills without recourse having due dates beyond September 30, 2021 amounting to €116 million (€254 million at December 31, 2020, with due dates beyond that date), which refer to trade receivables.

17. Derivative assets and Derivative liabilities

These items consist of derivative financial instruments measured at fair value at the balance sheet date.

Iveco Group utilizes derivative instruments to mitigate its exposure to interest rate and foreign currency exposures. Derivatives used as hedges are effective at reducing the risk associated with the exposure being hedged and are designated as a hedge at the inception of the derivative contract. Iveco Group does not hold or enter into derivative or other financial instruments for speculative purposes. The credit and market risk related to derivatives is reduced through diversification among various counterparties, utilizing mandatory termination clauses and/or collateral support agreements. Derivative instruments are generally classified as Level 2 in the fair value hierarchy.

In accordance with IFRS 9, derivative financial instruments qualify for hedge accounting only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, there is an economic relationship between the hedging instrument and the hedged item, credit risk does not dominate the value changes that result from the economic relationship, and the hedging relationship’s hedging ratio reflects the actual quantity of the hedging instrument and the hedged item. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

With regard to hedge accounting, Iveco Group continues to monitor significant developments in order to assess the potential future impacts of the COVID-19 pandemic on the hedging relationships in place and to update its estimates concerning whether forecasted transactions can still be considered highly likely to occur.

Foreign Exchange Derivatives

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Iveco Group has entered into foreign exchange forward contracts and swaps in order to manage and preserve the economic value of cash flows in a currency different from the functional currency of the relevant legal entity. Iveco Group conducts its business on a global basis in a wide variety of foreign currencies and hedges foreign currency exposures arising from various receivables, liabilities, and expected inventory purchases and sales. Derivative instruments utilized to hedge the foreign currency risk associated with anticipated inventory purchases and sales in foreign currencies are designated as cash flow hedges. Gains and losses on these instruments are deferred in accumulated other comprehensive income/(loss) and recognized in earnings when the related transaction occurs.

For hedging cash flows in a currency different from the functional currency, the hedge relationship reflects the hedge ratio of 1:1, which means that relationship is characterized by the value of the hedging instrument and the value of the hedged item moving in the opposite direction as a result of the common underlying of hedged risk.

The main sources of hedge ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the foreign exchange derivatives, which is not reflected in the change in the fair value of the hedged cash flow attributable to the change in the exchange rates, and
- changes in timing of the hedged transaction.

Ineffectiveness related to these hedge relationships is recognized in the condensed combined income statement in the line "Financial income/(expenses)" and was not significant for all periods presented. Fair value changes used as a basis to calculate hedge ineffectiveness were nil for foreign exchange contracts in the nine months ended September 30, 2021. The maturity of these instruments does not exceed 24 months and the after-tax gains/(losses) deferred in accumulated other comprehensive income/(loss) that will be recognized in net revenues and cost of sales over the next twelve months, assuming foreign exchange rates remain unchanged, is approximately €-15 million. If a derivative instrument is terminated because the hedge relationship is no longer effective or because the hedged item is a forecasted transaction that is no longer determined to be probable, the cumulative amount recorded in accumulated other comprehensive income/(loss) is recognized immediately in earnings. Such amounts were insignificant in all periods presented.

Iveco Group also uses forwards and swaps to hedge certain assets and liabilities denominated in foreign currencies. Such derivatives are considered economic hedges and not designated as hedging instruments. The changes in the fair values of these instruments are recognized directly in income in "Financial income/(expenses)" and are expected to offset the foreign exchange gains or losses on the exposures being managed.

All of Iveco Group's foreign exchange derivatives are considered Level 2 as the fair value is calculated using market data input and can be compared to actively traded derivatives. The total notional amount of Iveco Group's foreign exchange derivatives was €0.3 billion at September 30, 2021 and €0.2 billion at December 31, 2020.

Interest Rate Derivatives

Iveco Group has entered into interest rate derivatives (swaps and caps) in order to manage interest rate exposures arising in the normal course of business. Interest rate derivatives that have been designated as cash flow hedges are being used by Iveco Group to mitigate the risk of rising interest rates related to existing debt and anticipated issuance of fixed-rate debt in future periods. Gains and losses on these instruments, to the extent that the hedge relationship has been effective, are deferred in other comprehensive income/(loss) and recognized in "Financial income/(expenses)" over the period in which Iveco Group recognizes interest expense on the related debt. The after-tax gains (losses) deferred in other comprehensive income/(loss) that will be recognized in interest expense over the next twelve months are insignificant.

Interest rate derivatives that have been designated as fair value hedge relationships have been used by Iveco Group to mitigate the volatility in the fair value of existing financing instruments due to changes in floating interest rate benchmarks. Gains and losses on these instruments are recorded in "Financial income/(expenses)" in the period in which they occur and an offsetting gain or loss is also reflected in "Financial income/(expenses)" based on changes in the fair value of the debt instrument being hedged due to changes in floating interest rate benchmarks.

For hedging interest rate exposures, the hedge relationship reflects the hedge ratio 1:1, which means that relationship is characterized by the value of the hedging instrument and the value of the hedged item that move in the opposite direction as a result of the common underlying of hedged risk.

The main sources of hedge ineffectiveness are:

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flow attributable to the change in the interest rates, and
- differences in repricing dates between the swaps and the borrowings.

Any ineffectiveness is recorded in "Financial income/(expenses)" in the condensed combined income statement and its amount was insignificant for all periods presented. Fair value changes used as a basis to calculate hedge ineffectiveness were nil for interest rate derivatives in the nine months ended September 30, 2021.

Iveco Group also enters into offsetting interest rate derivatives with substantially similar terms that are not designated as hedging instruments, to mitigate interest rate risk related to Iveco Group's committed asset-backed facilities. Unrealized and realized gains and losses resulting from fair value changes in these instruments are recognized directly in income. Net gains and losses on these instruments were insignificant in all periods presented.

All of Iveco Group's interest rate derivatives outstanding as of September 30, 2021 and December 31, 2020 are considered Level 2. The fair market value of these derivatives is calculated using market data input and can be compared to actively traded derivatives. The total notional amount of Iveco Group's interest rate derivatives was nil at September 30, 2021 and December 31, 2020.

Financial statement impact of Iveco Group derivatives

The following table summarizes the gross impact of changes in the fair value of derivatives recognized in other comprehensive income and profit or loss during the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Cash flow hedges		
Recognized in Other comprehensive income (effective portion):		
Foreign exchange derivatives	(15)	(1)
Interest rate derivatives	6	35
Reclassified from other comprehensive income (effective portion):		
Foreign exchange derivatives – Net revenues	5	3
Foreign exchange derivatives – Cost of sales	(3)	(3)
Foreign exchange derivatives – Financial income/(expenses)	-	-
Not designated as hedges		
Foreign exchange derivatives – Financial income/(expenses)	(29)	25

The fair values of Iveco Group's derivatives as of September 30, 2021 and December 31, 2020 in the condensed combined statement of financial position are recorded as follows:

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	At September 30, 2021		At December 31, 2020	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
	(€ million)			
Derivatives designated as hedging instruments				
Cash flow hedges:				
Foreign exchange derivatives	17	(28)	20	(19)
Interest rate derivatives	1	(4)	-	-
Total Cash flow hedges	18	(32)	20	(19)
Total Derivatives designated as hedging instruments	18	(32)	20	(19)
Derivatives not designated as hedging instruments				
Foreign exchange derivatives	5	(5)	8	(8)
Interest rate derivatives	1	(3)	-	-
Total Derivatives not designated as hedging instruments	6	(8)	8	(8)
Derivative assets/(liabilities)	24	(40)	28	(27)

Derivatives not designated as hedging instruments consist mainly of derivatives (mostly currency-based derivatives) acquired to hedge receivables and payables subject to currency risk and/or interest rate risk which are not formally designated as hedges at Group level.

18. Cash and cash equivalents

Cash and cash equivalents include cash at bank and other easily marketable securities that are readily convertible into cash and are subject to an insignificant risk of changes in value.

At September 30, 2021, this item included €46 million (€45 million at December 31, 2020) of restricted cash which mainly includes bank deposits that may be used exclusively for the repayment of the debt relating to securitizations classified as Asset-backed financing.

At September 30, 2021, this item also included €13 million (€41 million at December 31, 2020) of money market securities and other cash equivalents.

The credit risk associated with Cash and cash equivalents is considered not significant, because it mainly relates to deposits spread across primary national and international financial institutions.

19. Assets held for sale

Assets held for sale at September 30, 2021 and December 31, 2020 primarily included buildings.

20. Invested Equity

Iveco Group business did not comprise a separate parent company or group of entities during the nine months ended September 30, 2021 and 2020, and the year ended December 31, 2020. Therefore, it is not meaningful to present share capital or an analysis of reserves.

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

The net invested equity of Iveco Group is represented by total Invested equity in the Interim Condensed Combined Statement of Changes in Invested Equity, and comprises Invested capital and retained earnings, Cash flow hedge reserve, Cumulative translation adjustment reserve, Defined benefit plans remeasurement reserve, Reserve for equity investments measured at fair value through other comprehensive income and Non-controlling interests.

Other comprehensive income/(loss)

Other comprehensive income/(loss) consisted of the following:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity investments measured at fair value through other comprehensive income ⁽¹⁾	(83)	223
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss (A)	(83)	223

Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:

Gains/(losses) on cash flow hedging instruments arising during the period	(9)	34
(Gains)/losses on cash flow hedging instruments reclassified to profit or loss	(2)	-
Gains/(losses) on cash flow hedging instruments	(11)	34
Exchange gains/(losses) on translating foreign operations arising during the period	(2)	(128)
Exchange gains/(losses) on translating foreign operations	(2)	(128)
Share of Other comprehensive income/(loss) of entities accounted for using the equity method arising during the period	(24)	2
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(24)	2
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss (B)	(37)	(92)
Tax effect (C)	6	(11)
Total Other comprehensive income/(loss), net of tax (A) + (B) + (C)	(114)	120

(1) In the nine months ended September 30, 2021 and 2020, Net change in fair value of equity investments at fair value through other comprehensive income includes the remeasurement at fair value of the investment in Nikola Corporation. Refer to Note 13 for additional information on this investment.

The income tax effect for each component of Other comprehensive income/(loss) consisted of the following:

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	Nine Months Ended September 30,					
	2021			2020		
	Before tax amount	Tax (expense)/ benefit	Net-of-tax amount	Before tax amount	Tax (expense)/ benefit	Net-of-tax amount
	(€ million)					
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:						
Gains/(losses) on the remeasurement of defined benefit plans	-	2	2	-	1	1
Net change in fair value of equity investments measured at fair value through other comprehensive income ⁽¹⁾	(83)	1	(82)	223	(4)	219
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	(83)	3	(80)	223	(3)	220
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:						
Gains/(losses) on cash flow hedging instruments	(11)	3	(8)	34	(8)	26
Exchange gains/(losses) on translating foreign operations	(2)	-	(2)	(128)	-	(128)
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(24)	-	(24)	2	-	2
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	(37)	3	(34)	(92)	(8)	(100)
Total Other comprehensive income/(loss)	(120)	6	(114)	131	(11)	120

(1) In the nine months ended September 30, 2021 and 2020, Net change in fair value of equity investments at fair value through other comprehensive income includes the remeasurement at fair value of the investment in Nikola Corporation. Refer to Note 13 for additional information on this investment.

21. Provisions

A summary of Provisions at September 30, 2021 and December 31, 2020 is as follows:

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	<u>At September 30, 2021</u>	<u>At December 31, 2020</u>
	(€ million)	
Employee benefits	610	610
Other provisions:		
Warranty and technical assistance provision	430	398
Restructuring provision	36	41
Investment provision	5	12
Other risks:		
Commercial risks	328	305
Marketing and sales incentives programs	193	150
Legal proceedings and other disputes	35	33
Other reserves for risks and charges	280	265
Total Other risks	836	753
Total Other provisions	1,307	1,204
Total Provisions	1,917	1,814

Provisions for Employee benefits include provisions for health care plans, pension plans and other post-employment benefits, as well as other provisions for employees and provisions for other long-term employee benefits.

Provisions for Other risks represents the amounts set aside by the individual companies of the Group primarily in connection with contractual and commercial risks and disputes. In particular, item "Other reserves for risks and charges" includes other provisions of smaller amounts for miscellaneous risks and charges in connection with risks which cannot be specifically attributed to the other provision categories of "Other risks".

22. Debt

An analysis of debt by nature is as follows:

	<u>At September 30, 2021</u>	<u>At December 31, 2020</u>
	(€ million)	
Asset-backed financing	1,626	2,031
Debt payable to CNH Industrial Group post-Demerger	3,323	2,563
Other debt:		
Borrowings from banks	452	388
Payables represented by securities	89	92
Lease liabilities	197	206
Other	7	33
Total Other debt	745	719
Total Debt	5,694	5,313

During the nine months ended September 30, 2021, €50 million for the principal portion of Lease liabilities and €3 million for interest expenses related to lease liabilities were paid (€46 million and €3 million, respectively, were paid during the nine months ended September 30, 2020).

The following table sets out a maturity analysis of Lease liabilities at September 30, 2021 and December 31, 2020:

	<u>At September 30, 2021</u>	<u>At December 31, 2020</u>
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IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	(€ million)	
Less than one year	60	61
One to two years	41	44
Two to three years	30	30
Three to four years	23	23
Four to five years	13	17
More than five years	47	50
Total undiscounted lease payments	214	225
Less: Interest	(17)	(19)
Total Lease liabilities	197	206

At September 30, 2021, the weighted average remaining lease term (calculated on the basis of the remaining lease term and the lease liability balance for each lease) and the weighted average discount rate for leases were 6.6 years and 2.5%, respectively (6.8 years and 2.6%, respectively, at December 31, 2020).

23. Trade payables

Trade payables amounted to €2,942 million at September 30, 2021 (€3,082 million at December 31, 2020).

24. Other current liabilities

At September 30, 2021, Other current liabilities mainly included €992 million of amounts payable to customers relating to repurchase price on buy-back agreements (€1,105 million at December 31, 2020), and €1,181 million of contract liabilities (€1,118 million at December 31, 2020), of which €605 million for future rents related to buy-back agreements (€600 million at December 31, 2020). Other current liabilities also included accrued payables to personnel of €177 million (€112 million at December 31, 2020), expenses and deferred income of €116 million (€94 million at December 31, 2020), and social security payables of €83 million (€75 million at December 31, 2020).

25. Commitments and contingencies

As a global company with a diverse business portfolio, the Iveco Group, in the ordinary course of business is exposed to numerous legal risks, including, without limitation, dealer and supplier litigation, intellectual property right disputes, product warranty and defective product claims, product performance, asbestos, personal injury, emissions and/or fuel economy regulatory and contractual issues, competition law and other investigations and environmental claims. All significant matters are described below.

The outcome of any current or future proceedings, claims, or investigations cannot be predicted with certainty. Adverse decisions in one or more of these proceedings, claims, or investigations could require the Iveco Group to pay substantial damages or fines or undertake service actions, recall campaigns or other costly actions. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Iveco Group's financial position and results. When it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, Iveco Group recognizes specific provisions for this purpose.

Although the ultimate outcome of legal matters pending against the Iveco Group and its subsidiaries cannot be predicted, the Iveco Group believes the reasonable possible range of losses for these unresolved legal matters in addition to the amounts accrued would not have a material effect on its Interim Condensed Combined Financial Statements.

Other litigation and investigation

Follow-on Damages Claims: in 2011 Iveco S.p.A., the Company's wholly owned subsidiary, active in the commercial vehicle business, and its competitors in the European Union were subject to an investigation by the European Commission (the "Commission") into certain business practices in the European Union (in the period 1997-2011) in relation to Medium and Heavy trucks. On July 19, 2016, the Commission announced a decision regarding five OEMs (the **Decision**) including a settlement with Iveco. In particular, Iveco received a reduction in its fine for cooperating with

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

the European Commission throughout the investigation, and received the lowest fine of all manufacturers (except for one manufacturer that was granted whistleblower immunity for having informed the European Commission about the conduct in September 2010) of €494.6 million. One manufacturer, Scania, chose not to settle with the European Commission, and on September 27, 2017 the European Commission adopted a decision fining Scania approximately €880.5 million (the "Scania Decision"). Scania has appealed the Scania Decision to the General Court of the European Union and the appeal is ongoing.

As a consequence of these proceedings, Iveco S.p.A. and Iveco Magirus AG (IMAG), as well as some national companies of the Iveco brand (for example Iveco Limited and Iveco España) have been named as defendants in proceedings across Europe. Stellantis N.V., formerly Fiat Chrysler Automobiles N.V. (Stellantis), and CNH Industrial as, respectively, the former and current parent companies of Iveco/IMAG have also been sued as defendants in many proceedings. The consummation of the Demerger will not allow CNH Industrial to be excluded by current and future follow on proceedings originating from the Decision because under EU competition law a company will not be able to use corporate reorganizations to avoid liability for private damages claims. Furthermore, claimants may also decide to extend their judicial claims against the Company as economic successor of CNH Industrial. In the event one or more of these judicial proceedings would result in a decision against Iveco S.p.A., IMAG, other national companies of Iveco, Stellantis N.V., CNH Industrial, and possibly the Company, ordering such companies to compensate one or more claimants for damages caused to such claimants as a result of the conduct that was the subject matter of the Decision, and Iveco or IMAG would not comply with such decisions, as a result of various intercompany arrangements, then CNH Industrial, Stellantis, the other national companies of Iveco, and possibly the Company will ultimately have recourse against Iveco and IMAG for the reimbursement of the damages effectively paid to such claimants.

More specifically, a large number of (direct and indirect) truck purchasers have claimed damages against various OEMs, including Iveco in various national courts for loss allegedly suffered as a result of the infringement. In such cases, alleged losses are generally calculated based on the difference between the price actually paid and the price that would have been paid in the absence of the infringing behaviour (often called the overcharge), with interest. Normally a truck customer claiming damages will need to prove that the infringement caused the overcharge, and the existence and quantum of such overcharge, even though they sometimes may benefit from certain rules of evidence such as (factual) presumptions or prima facie evidence under the applicable procedural rules (which vary depending on the jurisdiction in which the claim is brought). Claims have also been brought by purchasers of services provided using trucks (for example, road haulage services) who also allegedly suffered an overcharge.

The claims against Iveco differ significantly in scope as some truck purchasers only bought or leased a single truck while other cases include claimants who individually or collectively purchased a multitude of trucks. Furthermore, some truck customer claims have been combined in class actions or through claims vehicles to which the truck purchasers have assigned their respective damages claims. Some claims relate to trucks purchased only in the jurisdiction in which the claim is brought but many claims relate to truck purchases in multiple jurisdictions. In total, as of September 30, 2021, on the basis of information available to the Company, the current court proceedings across Europe involve approximately 110,218 Iveco trucks. The actual number of trucks involved in current court proceedings is however unknown: for example, there are class actions which are currently at the certification stage. For other proceedings, it is not yet known how many truck purchasers may assign their claims to the existing claims vehicles. Further, some proceedings are declaratory actions which may not identify the number of trucks included in the claim at this stage. This number, moreover, reflects the information asserted or estimated by the claimants (where provided, which is not always the case since in many actions claimants do not provide sufficient details of the number of trucks involved in their claims, nor the identity of the truck manufacturer, and in some other instances they do not provide any information at all). This number does not include cases where Iveco is not a party of the litigation (but where Iveco trucks may be involved) nor does it take into account any possible defence that has been (or may be in the future be) raised by Iveco (including, trucks not being covered by the Commission's decision *ratione temporis* or otherwise, duplications, etc.).

For many of the same reasons it is not possible at this stage to accurately estimate the overall face value of the claims filed, nor of the claims relating to trucks manufactured and distributed by Iveco and other Iveco national companies. Furthermore, in many cases (including where some of these claims are declaratory actions), such value is not asserted by claimants (as it is the case in many proceedings in the Netherlands or in UK) or, where asserted, such amount reflects exclusively estimates made by claimants that remain unverified and in certain instances, unverifiable. Additionally, this

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

amount mainly reflects claimants' unchallenged view of these cases. Furthermore, such amounts (when asserted) are based on the number of vehicles of the various OEMs identified as defendants and the plaintiffs do not always identify the amount of the damages allegedly caused by each of such OEMs. Finally, this amount (when asserted) reflects the number of vehicles allegedly manufactured by each OEM, however this number needs to be verified in light of the boundaries of these cases (for instance, as to the time period of the alleged infringement or the type of vehicle involved). Against this background, and subject to the various limitations and caveats mentioned in this section, as of September 30, 2021 the face value of the judicial claims where at least one among Iveco, IMAG, other national companies of Iveco or CNH Industrial or Stellantis, as the case may be, are defendants is approximately €4.3 billion. This face value amount relates to all trucks included in these claims and therefore it includes trucks manufactured and distributed by other OEMs. For the reasons indicated above, it is not possible, at this point in time, to estimate the part of this face-value amount which, according to the claimants, allegedly would be directly attributable to Iveco or IMAG; however, considering the overall number of Iveco trucks involved in these proceedings (and subject to the various caveats and limitations mentioned as to how this number has been determined and to how this alleged face value amount has been asserted by claimants), it is expected that this face value amount would be significant.

Subject to the various limitations and caveats on the accurate assessment of such claims set out above, in Germany, as of September 30, 2021, approximately 100 claims are pending before national courts in which Iveco is involved, relating to approximately 40,000 Iveco trucks. Proceedings of claims vehicles are also pending in the Netherlands, where approximately 54 claims were pending as of September 30, 2021 (by claims vehicles and by individual truck purchasers). On the basis of information available, at the date of September 30, 2021, approximately 34,967 Iveco trucks are included in these Dutch proceedings. In England and Wales there are approximately 23 pending claims to which Iveco is a party. These include two applications to commence collective proceedings (class actions), which as of September 30, 2021 have not been certified for inclusion in collective proceedings. Most of these claims in England and Wales are in their early stages. Only two of the claims are currently listed for trial, which will not begin until March 2023 and April 2024 respectively. The claims (excluding the collective proceedings applications) pending in the U.K. at the date of September 30, 2021 include approximately 19,443 Iveco trucks. In Spain, as of September 30, 2021, there are approximately 1,161 pending claims. The claims in Spain are predominantly relatively small claims brought by individual purchasers and include approximately 9,079 Iveco trucks. In Italy, as of September 30, 2021, there are approximately 37 (including at least ten group actions) claims to which Iveco is a party, relating to approximately 2,400 Iveco trucks.

In most jurisdictions claims filed in court are still at an early stage and the courts have not delivered final judgments awarding damages. However, in Spain, as of September 30, 2021, there have been approximately 442 judgments in claims regarding Iveco at first instance (representing claims for approximately 2,500 Iveco trucks). In 368 of these judgments (representing claims for about 1,978 Iveco trucks), the court found that there was an overcharge. In most of those judgments the average overcharge amount was between 5% and 29%. Two of these judgements were overturned on appeal to the Spanish Courts of Appeal and the remainder are currently under appeal either to the Spanish Courts of Appeal or the Spanish Supreme Court. In 75 of the first instance judgments in claims against Iveco (representing claims for approximately 510 Iveco trucks), the claim was rejected. Some of these rejected claims are under appeal. In Italy, as of September 30, 2021, there has been one judgment at first instance in a case concerning one Iveco truck. This judgment (finding an overcharge of 15%) will be subject to appeal.

The extent and outcome of these claims cannot be predicted at this time, and, therefore, the Group did not recognize any specific provision for these claims.

FPT Emissions Investigation: on July 22, 2020, a number of CNH Industrial's offices in Europe were visited by investigators in the context of a request for assistance by the Public Prosecutors of Frankfurt am Main, Germany and Turin, Italy in relation to alleged noncompliance of two engine models produced by FPT Industrial S.p.A., a wholly owned subsidiary of Iveco Group as of the Demerger Effective Date, installed in certain Fiat Ducato (a vehicle manufactured and distributed by the Stellantis group) and Iveco Daily vehicles. FPT is providing its full cooperation to properly address the requests received. FPT, other companies of Iveco Group and third parties have received various requests for compensation by German and Austrian customers on various contractual and tort grounds, including requests for damages resulting out of the termination of the purchase contracts, or in the form of requests for an alleged lower residual value of their vehicles as a consequence of the alleged non-compliance with type approval regulations regarding emissions. In certain instances, other customers have brought judicial claims on the same legal and factual bases. As of

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

September 30, 2021, these judicial claims are approximately 865 (for an approximately equivalent number of vehicles) and relate chiefly to Fiat Ducato vehicles, vehicles manufactured and distributed by the Stellantis group. In such proceedings FPT is usually second defendant. Although, at the date hereof, Iveco Group has no evidence of any wrongdoing, it cannot predict at this time the extent and outcome of these requests and directly or indirectly related legal proceedings, including customer claims or potential class actions alleging emissions non-compliance. Therefore, Iveco Group did not recognize any specific provision in relation to this investigation.

Guarantees

Iveco Group provided guarantees on the debt or commitments of third parties and performance guarantees, mainly in the interest of a joint venture related to commercial commitments of defense vehicles, totaling €427 million and €489 million at September 30, 2021 and December 31, 2020, respectively.

26. Segment reporting

The segment information disclosed in these Interim Condensed Combined Financial Statements reflects the identifiable reporting segments of the Company and the financial information that the Chief Operating Decision Maker (“CODM”) reviewed to assess performance and make decisions about resource allocation. The segments are organized based on products and services provided by Iveco Group.

Iveco Group has three operating segments:

- **Commercial and Specialty Vehicles** designs, manufactures and distributes a full range of light, medium, and heavy vehicles for the transportation and distribution of goods under the IVECO brand, city-buses, commuter buses under the IVECO BUS (previously Iveco Irisbus) and HEULIEZ BUS brands, quarry and mining equipment under the IVECO ASTRA brand, firefighting vehicles under the Magirus brand, and vehicles for civil defense and peace-keeping missions under the Iveco Defence Vehicles brand.
- **Powertrain** designs, manufactures and distributes, under the FPT Industrial brand, a range of engines, transmission systems and axles for on- and off-road applications, as well as for marine and power generation.
- **Financial Services** offers a range of financial products and services to dealers and customers. Financial Services provides and administers retail financing to customers for the purchase or lease of new and used vehicles sold by Iveco Group brand dealers and distributors or directly by Iveco Group subsidiaries. In addition, Financial Services provides wholesale financing to Iveco Group brand dealers and distributors. Wholesale financing consists primarily of floor plan financing and allows the dealers to purchase and maintain a representative inventory of products. Financial Services also provides trade receivables factoring services to Iveco Group Industrial Activities legal entities. Additionally, Financial Services, leveraging on its specific expertise, grants support to CNH Industrial post-Demerger financial services, by providing business process services to their European activities, and receiving a fee for the services rendered.

The activities carried out by the two industrial segments Commercial and Specialty Vehicles and Powertrain, and the Company, are collectively referred to as “Industrial Activities”.

Revenues for each reported segment are those directly generated by or attributable to the segment as a result of its business activities and include revenues from transactions with third parties as well as those deriving from transactions with other segments, recognized at normal market prices. Segment expenses represent expenses deriving from each segment's business activities both with third parties and other operating segments or which may otherwise be directly attributable to it. Expenses deriving from business activities with other segments are recognized at normal market prices.

With reference to Industrial Activities' segments, the CODM assesses the segment performance and makes decisions about resource allocation based upon Adjusted EBIT. Iveco Group believes Adjusted EBIT more fully reflects Industrial Activities segments' profitability. Adjusted EBIT of Industrial Activities is defined as profit/(loss) before taxes, Financial Services' results, Industrial Activities' financial expenses, restructuring costs, and non-recurring items. In particular, non-recurring items are specifically disclosed items that management considers rare or discrete events that are infrequent in

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

nature and not reflective of on-going operational activities. With reference to Financial Services, the CODM assesses the performance of the segment and makes decisions about resource allocation on the basis of net income.

The following table summarizes Adjusted EBIT of Industrial Activities by reportable segment:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Commercial and Specialty Vehicles	194	(237)
Powertrain	181	89
Unallocated items, eliminations and other	(116)	(108)
Adjusted EBIT of Industrial Activities	259	(256)

A reconciliation from Adjusted EBIT of Industrial Activities to Iveco Group's combined Profit/(loss) before taxes for the nine months ended September 30, 2021 and 2020 is provided below:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Adjusted EBIT of Industrial Activities	259	(256)
Adjustments/reclassifications to convert from Adjusted EBIT of Industrial Activities to Profit/(loss) before taxes:		
Financial income/(expenses)	(82)	(89)
Restructuring costs	(8)	(4)
Other discrete items ⁽¹⁾	12	(257)
Other adjustments ⁽²⁾	58	29
Total adjustments/reclassifications	(20)	(321)
Profit/(loss) before taxes	239	(577)

(1) In the nine months ended September 30, 2020, this item primarily includes asset optimization charges of €247 million and other assets impairment charges of €6 million.

(2) Primarily includes Financial Services results before taxes.

Net income of Financial Services for the nine months ended September 30, 2021 and 2020 is summarized as follows, together with a reconciliation to Iveco Group's Profit/(loss) before taxes for the same periods:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Net income of Financial Services (A)	42	22
Eliminations and other (B) ^(*)	125	(448)
Income tax benefit (expense) (C)	(72)	151
Profit/(loss) before taxes (D) = (A) + (B) - (C)	239	(577)

(*) Includes Net income of Industrial Activities

No segment asset is reported to the CODM for assessing performance and allocating resources. Additional reportable segment information is provided as follows.

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Additional reportable segment information

Net Revenues by reportable segment for the nine months ended September 30, 2021 and 2020, are provided in Note 1.

27. Fair value measurement

Fair value measurements are categorized within the fair value hierarchy, described as follows, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the entire measurement:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 — Unobservable inputs for the asset or liability.

This hierarchy requires the use of observable market data when available.

Assets and liabilities measured at fair value on a recurring basis

The following table presents, for each of the fair value hierarchy levels, the assets and liabilities that are measured at fair value on a recurring basis at September 30, 2021 and December 31, 2020:

	Note	At September 30, 2021				At December 31, 2020			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
					(€ million)				
Equity investments measured at fair value through other comprehensive income	(13)	236	-	-	236	319	-	-	319
Other investments	(13)	-	-	13	13	-	-	5	5
Derivative assets	(17)	-	24	-	24	-	28	-	28
Total Assets		236	24	13	273	319	28	5	352
Derivative liabilities	(17)	-	(40)	-	(40)	-	(27)	-	(27)
Total Liabilities		-	(40)	-	(40)	-	(27)	-	(27)

The following table provides a reconciliation from the opening balance to the closing balance for fair value measurements categorized in Level 3 of fair value in the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	2020
		(€ million)
At January 1	5	96
Acquisitions/(disposals)	(1)	130
Gains/(Losses) recognized in Other comprehensive income/(loss)	-	1,321
Transfer from Level 3 to Level 1	-	(1,547)
Other changes	9	-
At September 30	13	-

In the nine months ended September 30, 2020 Level 3 fair value measurement includes the investment in Nikola Corporation made in the context of the strategic partnership with Nikola to industrialize fuel-cell and battery electric

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Heavy-Duty Trucks. Transfer from Level 3 include the reclassification of this investment to Level 1 upon the completion in June 2020 of the business combination between Nikola Corporation and VectoIQ Acquisition Corp. and continued listing of the combined company's shares. Refer to Note 13 for additional information on this investment.

Description of the valuation techniques used to determine the fair value of derivative financial instruments is included in Note 17 "Derivative assets and Derivative liabilities".

Assets and liabilities not measured at fair value

The estimated fair values for financial assets and liabilities that are not measured at fair value in the condensed statement of financial position at September 30, 2021 and December 31, 2020 are as follows:

At September 30, 2021					
Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying amount
(€ million)					
Total Financial receivables from CNH Industrial Group post-Demerger	-	-	3,511	3,511	3,511
Retail financing	-	-	10	10	10
Dealer financing	-	-	2,394	2,394	2,396
Finance leases	-	-	69	69	69
Other receivables from financing activities	-	-	28	28	28
Total Receivables from financing activities	-	-	2,501	2,501	2,503
Asset-backed financing	-	1,625	-	1,625	1,626
Debt payable to CNH Industrial Group post-Demerger	-	-	3,323	3,323	3,323
Borrowings from banks	-	452	-	452	452
Payables represented by securities	-	89	-	89	89
Lease liabilities	-	-	197	197	197
Other debt	-	7	-	7	7
Total Debt	-	2,173	3,520	5,693	5,694

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

At December 31, 2020

	Note	(€ million)			Total Fair Value	Carrying amount
		Level 1	Level 2	Level 3		
Total Financial receivables from CNH Industrial Group post-Demerger	(16)	-	-	3,543	3,543	3,543
Retail financing	(16)	-	-	10	10	9
Dealer financing	(16)	-	-	2,715	2,715	2,720
Finance leases	(16)	-	-	78	78	77
Other receivables from financing activities	(16)	-	-	25	25	25
Total Receivables from financing activities		-	-	2,828	2,828	2,831
Asset-backed financing	(22)	-	2,032	-	2,032	2,031
Debt payable to CNH Industrial Group post-Demerger	(22)	-	-	2,563	2,563	2,563
Borrowings from banks	(22)	-	389	-	389	388
Payables represented by securities	(22)	-	92	-	92	92
Lease liabilities	(22)	-	-	206	206	206
Other debt	(22)	-	33	-	33	33
Total Debt		-	2,546	2,769	5,315	5,313

Financial receivables from CNH Industrial Group post-Demerger

Financial receivables from CNH Industrial post-Demerger are included in Level 3 as their carrying amount is estimated to approximate their fair value.

Receivables from financing activities

The fair value of Receivables from financing activities is based on the discounted values of their related cash flows at market discount rates that reflect conditions applied in various reference markets on receivables with similar characteristic, adjusted to take into account the credit risk of the counterparties.

Debt

The fair value of Asset-backed financing, Borrowings from banks, Payable represented by securities and Other debt are included in the Level 2 and has been estimated based on discounted cash flows analysis using the current market interest rates at period-end adjusted for the Group non-performance risk over the remaining term of the financial liability. Debt payable to CNH Industrial Group post-Demerger is included in Level 3 as its carrying amount is estimated to approximate its fair value.

The fair value of Lease liabilities classified within Level 3 of the fair value hierarchy has been estimated using discounted cash flow models that require significant adjustments using unobservable inputs.

Other financial assets and liabilities

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

The carrying amount of Cash at banks, Restricted cash, Other cash equivalents, Trade receivables, Other current receivables and financial assets, Trade payables and Other current liabilities included in the Interim Condensed Combined Statement of Financial Position approximates their fair value, due to the short maturity of these items.

28. Related party transactions

In accordance with IAS 24 – *Related Party Disclosures*, Iveco Group’s related parties are companies and persons capable of exercising control, joint control or significant influence over the Group. As of September 30, 2021 and December 31, 2020, related parties included EXOR N.V and its subsidiaries and affiliates, including CNH Industrial Group post-Demerger, Stellantis N.V. (formerly Fiat Chrysler Automobiles N.V. which, effective January 16, 2021, merged with Peugeot S.A. by means of a cross-border legal merger) and its subsidiaries and affiliates ("Stellantis"), and Iveco Group’s unconsolidated subsidiaries, associates or joint ventures. In addition, the members of the Board of Directors and managers of Iveco Group with strategic responsibility and members of their families were also considered related parties.

Transactions with EXOR N.V. and its subsidiaries and affiliates

EXOR N.V. is an investment holding company. As of September 30, 2021 and December 31, 2020, among other things, EXOR N.V. managed a portfolio that includes investments in Stellantis. Iveco Group did not enter into any significant transactions with EXOR N.V. during the nine months ended September 30, 2021 and 2020.

In connection with the establishment of Fiat Industrial (now CNH Industrial) through the demerger from Fiat (which was subsequently merged into Fiat Chrysler Automobiles N.V. which is now Stellantis), the two companies entered into a Master Services Agreement (“Stellantis MSA”) which sets forth the primary terms and conditions pursuant to which the service provider subsidiaries of CNH Industrial and Stellantis provide services to the service receiving subsidiaries. As structured, the applicable service provider and service receiver subsidiaries become parties to the Stellantis MSA through the execution of an Opt-in letter that may contain additional terms and conditions. Pursuant to the Stellantis MSA, service receivers are required to pay to service providers the actual cost of the services plus a negotiated margin. During the nine months ended September 30, 2021 and 2020, Stellantis subsidiaries provided Iveco Group with administrative services such as accounting, cash management, maintenance of plant and equipment, security, information systems and training under the terms and conditions of the Stellantis MSA and the applicable Opt-in letters. After the Demerger, the Stellantis MSA is expected to be duplicated at the same terms and conditions between Iveco Group and Stellantis.

Furthermore, Iveco Group and Stellantis might engage in other minor transactions in the ordinary course of business.

These transactions with Stellantis are reflected in these Interim Condensed Combined Financial Statements as follows:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Net revenues	344	354
Cost of sales	169	120
Selling, general and administrative costs	47	44
	At September 30, 2021	At December 31, 2020
	(€ million)	
Trade receivables	4	6
Trade payables	41	51

Transactions with CNH Industrial Group post-Demerger

Historically, Iveco Group and CNH Industrial Group post-Demerger entered into transactions primarily of commercial nature and consisting in the sale of engines from Iveco Group to CNH Industrial Group post-Demerger, but also covering

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

services in relation to general administrative and specific technical matters, provided by either Iveco Group to CNH Industrial post-Demerger and vice versa.

The transactions with CNH Industrial Group post-Demerger are reflected in these Interim Condensed Combined Financial Statements as follows:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Net revenues	600	357
Cost of sales	16	22

	At September 30, 2021	At December 31, 2020
	(€ million)	
Trade receivables	156	159
Financing receivables	3,511	3,543
Debt	3,323	2,563
Trade payables	46	61

For completeness of information, before the Demerger, Iveco Group and the CNH Industrial Group entered into agreements, primarily of commercial nature, but also covering general administrative and specific technical matters as well as services provided by CNH Industrial N.V., as follows.

Master Service Agreements: in relation to certain services provided by either Iveco Group to CNH Industrial post-Demerger and vice versa, in connection with the execution of the Demerger Deed, Iveco Group and CNH Industrial entered into a two-year Master Services Agreement (“MSA”) whereby each Party (and its subsidiaries) may provide services to the other (and its subsidiaries). Services provided under the MSA relate mainly to lease of premises and depots and IT services.

Engine Supply Agreement: in relation to the design and supply of off-road engines from Iveco Group to CNH Industrial post-Demerger, in connection with the execution of the Demerger Deed, Iveco Group and CNH Industrial entered into a ten-year Engine Supply Agreement (“ESA”) whereby Iveco Group will sell to CNH Industrial post-Demerger diesel, CNG and LNG engines and provide post-sale services.

Financial Service Agreement: in relation to certain financial services activities carried out by either Iveco Group to CNH Industrial Group post-Demerger or vice versa, in connection with the execution of the Demerger Deed, Iveco Group and CNH Industrial entered into a three-year Master Services Agreement (“FS MSA”), whereby each Party (and its subsidiaries) may provide services and/or financial services activities to the other (and its subsidiaries). Services provided under the FS MSA relate mainly to wholesale and retail financing activities to suppliers, distribution network and customers.

Transactions with joint ventures

Iveco Group sells commercial vehicles and provides technical services to joint ventures such as IVECO - OTO MELARA Società Consortile a responsabilità limitata. These transactions are reflected in the Interim Condensed Combined Financial Statements as follows:

	Nine Months Ended September 30,	
	2021	2020
	(€ million)	
Net revenues	358	397

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	At September 30, 2021	At December 31, 2020
	(€ million)	
Trade receivables	2	125

At September 30, 2021 and December 31, 2020, Iveco Group had provided guarantees on commitments of its joint ventures for an amount of €165 million and €211 million, respectively, mainly related to IVECO - OTO MELARA Società Consortile a responsabilità limitata.

Transactions with associates

Iveco Group sells trucks and commercial vehicles and provides services to associates. In the nine months ended September 30, 2021, revenues from associates totaled €148 million (€110 million in the comparable period of 2020) and cost of sales from associates totaled €12 million (€7 million in the comparable period of 2020). At September 30, 2021, receivables from associates amounted to €10 million (€11 million at December 31, 2020). Trade payables to associates amounted to €12 million at September 30, 2021 (€23 million at December 31, 2020). At September 30, 2021, Iveco Group had provided guarantees on commitments of its associates for an amount of €252 million related to CNH Capital Europe S.a.S. (€263 million at December 31, 2020).

Transactions with unconsolidated subsidiaries

In the nine months ended September 30, 2021 and 2020, there were no material transactions with unconsolidated subsidiaries.

Compensation to Directors and Key Management

As the Iveco Group has not had its separate Board of Directors, no compensation of the Board of Directors has been presented. Since the Iveco Group has not had a separate management team during the periods presented, a share of the compensation of CNH Industrial Group's key management was allocated to Iveco Group and recognized in the Interim Condensed Combined Financial Statements for a total amount of €6 million and €5 million in the nine months ended September 30, 2021 and 2020, respectively.

As the Iveco Group did not operate as a stand-alone public company during the historical periods, the amounts presented above are not indicative of the Iveco Group's key management compensation in the future.

29. Translation of financial statements denominated in a currency other than the euro

The principal exchange rates used to translate into euros the financial statements prepared in currencies other than the euro were as follows:

	Nine Months Ended September 30, 2021		At December 31, 2020	Nine Months Ended September 30, 2020	
	Average	At September 30		Average	At September 30
U.S. dollar	1.196	1.158	1.227	1.125	1.171
Pound sterling	0.864	0.861	0.899	0.885	0.912
Swiss franc	1.090	1.083	1.080	1.068	1.080
Brazilian real	6.376	6.263	6.373	5.710	6.631
Polish Zloty	4.547	4.620	4.560	4.422	4.546
Czech Koruna	25.732	25.495	26.242	26.384	27.233
Argentine peso ⁽¹⁾	114.343	114.343	103.043	89.180	89.180

(1) From July 1, 2018, Argentina's economy was considered to be hyperinflationary. After the same date, transactions for entities with the Argentine peso as the functional currency were translated using the closing spot rate.

IVECO GROUP N.V.
NOTES TO THE INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

30. Subsequent events

Iveco Group has evaluated subsequent events through November 29, 2021, which is the date the Interim Condensed Combined Financial Statements were authorized for issuance. No significant events have occurred.

31. Companies included in the scope of the Combined Financial Statements

The main legal entities comprising the Iveco Group, including major subsidiaries and associates, are provided below:

Name of Subsidiary	Country of Incorporation	Percentage Interest Held
Iveco S.p.A.	Italy	100.00%
FPT Industrial S.p.A.	Italy	100.00%
Iveco Capital Solutions S.p.A. (previously named CNH Industrial Capital Solutions S.p.A.)	Italy	100.00%
Iveco Magirus AG	Germany	94.00%
Iveco Espana S.L.	Spain	100.00%
IVECO FRANCE SAS	France	100.00%
FPT – Powertrain Technologies France S.A.S.	France	100.00%
CNH Industrial Financial Services S.A.	France	100.00%
Iveco Czech Republic A.S.	Czech Republic	98.84%
SAIC Fiat Powertrain Hongyan Co. Ltd.	People's Rep.of China	60.00%
Iveco Defence Vehicles SpA	Italy	100.00%
Iveco Limited	United Kingdom	100.00%
CAMIONES IVECO ARGENTINA S.A.	Argentina	100.00%
FPT INDUSTRIAL BRASIL LTDA.	Brazil	100.00%
Iveco Poland Sp. z o.o.	Poland	100.00%
Iveco Belgium N.V.	Belgium	100.00%
Magirus GmbH	Germany	84.43%
Heuliez Bus S.A.S.	France	100.00%
Iveco Trucks Australia Limited	Australia	100.00%
Name of Associate		
CNH Industrial Capital Europe S.a.S.	France	24.95% ⁽¹⁾

(1) This percentage represents the interest held by Iveco Group N.V. through its 50% interest in FS-Sub-Holding.

With reference to Naveco (Nanjing IVECO Motor Co.) Ltd., during the first half of 2021, Iveco Group and the partner (SAIC Group) completed the regulatory filings required for the finalization of the sale of a 30.1% interest in Naveco held by Iveco Group to SAIC Group. Closing of the transaction occurred in the third quarter of 2021. The remaining 19.9% interest in Naveco is now measured at fair value through profit or loss.