IVECO • GROUP

Report on Combined Financial Statements at 31 December 2021

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Iveco Group N.V.
Corporate Seat: Amsterdam, the Netherlands
Principal Office and Business Address: Via Puglia n. 35, Turin, Italy
Share Capital: €250,000 (as of 31 December 2021)
Chamber of Commerce of the Netherlands: reg. no. 83102701

BOARD OF DIRECTORS AND AUDITOR

BOARD OF DIRECTORS[a]

Chair

Suzanne Heywood

Chief Executive Officer

Gerrit Andreas Marx

Directors

Lorenzo Simonelli[1][*]
Tufan Erginbilgic[2][3][**]
Essimari Kairisto[1][**]
Linda Knoll[2][3]
Alessandro Nasi[2][3]
Olof Persson[1][**]
Benoît Ribadeau-Dumas[b]

INDEPENDENT AUDITOR

Ernst & Young Accountants LLP
EY S.p.A.

(a) From 16 June 2021 (the Company's incorporation date) until 31 December 2021 the Board of Directors was comprised of four managing Directors, all appointed at the incorporation of the Company and whose term of appointment was indefinite: Mr. Oddone Incisa della Rocchetta (Managing Director, Chairperson), Ms. Monica Ciceri, Mr. Roberto Russo and Mr. Andreas Georg Weishaar (Managing Directors). As of 1 January 2022, upon completion of the Demerger, all the managing Directors resigned and were replaced by two Executive Directors and six Non-Executive Directors, appointed for an initial term ending at the Annual General Meeting of the Company to be held in 2023.

(b) On 13 April 2022, the Annual General Meeting of Shareholders appointed Mr. Benoît Ribadeau-Dumas as the seventh Non-Executive Director.

(1) Member of the Audit Committee
(2) Member of the Human Capital and Compensation Committee
(3) Member of the Environmental, Social and Governance ("ESG") Committee

(*) Independent Director and Senior Non-Executive Director
(**) Independent Director

Disclaimer

All statements other than statements of historical fact contained in this earning release, including competitive strengths; business strategy; future financial position or operating results; budgets; projections with respect to revenue, income, earnings (or loss) per share, capital expenditures, dividends, liquidity, capital structure or other financial items; costs; and plans and objectives of management regarding operations and products, are forward-looking statements. Forward looking statements also include statements regarding the future performance of Iveco Group and its subsidiaries on a standalone basis. These statements may include terminology such as "may", "will", "expect", "could", "should", "intend", "estimate", "anticipate", "believe", "outlook", "continue", "remain", "on track", "design", "target", "objective", "goal", "forecast", "projection", "prospects", "plan", or similar terminology. Forward-looking statements, including those related to the COVID-19 pandemic and Russia-Ukraine war, are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside our control and are difficult to predict. If any of these risks and uncertainties materialize (or they occur with a degree of severity that the Company is unable to predict) or other assumptions underlying any of the forward-looking statements prove to be incorrect, including any assumptions regarding strategic plans, the actual results or developments may differ materially from any future results or developments expressed or implied by the forward-looking statements. Factors, risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others: the continued uncertainties related to the unknown duration and economic, operational and financial impacts of the global COVID-19 pandemic and the actions taken or contemplated by governmental authorities or others in connection with the pandemic on our business, our employees, customers and suppliers; supply chain disruptions, including delays caused by mandated shutdowns, industry capacity constraints, material availability, and global logistics delays and constraints; disruption caused by business responses to COVID-19, including remote working arrangements, which may create increased vulnerability to cybersecurity or data privacy incidents; our ability to execute business continuity plans as a result of COVID-19; the many interrelated factors that affect consumer confidence and worldwide demand for capital goods and capital goods-related products, including demand uncertainty caused by COVID-19; general economic conditions in each of our markets, including the significant economic uncertainty and volatility caused by COVID-19; travel bans, border closures, other free movement restrictions, and the introduction of social distancing measures in our facilities may affect in the future our ability to operate as well as the ability of our suppliers and distributors to operate; changes in government policies regarding banking, monetary and fiscal policy; legislation, particularly pertaining to capital goods-related issues such as agriculture, the environment, debt relief and subsidy program policies, trade and commerce and infrastructure development; government policies on international trade and investment, including sanctions, import quotas, capital controls and tariffs; volatility in international trade caused by the imposition of tariffs, sanctions, embargoes, and trade wars; actions of competitors in the various industries in which we compete; development and use of new technologies and technological difficulties; the interpretation of, or adoption of new, compliance requirements with respect to engine emissions, safety or other aspects of our products; production difficulties, including capacity and supply constraints and excess inventory levels; labor relations; interest rates and currency exchange rates; inflation and deflation; energy prices; prices for agricultural commodities; housing starts and other construction activity; our ability to obtain financing or to refinance existing debt; price pressure on new and used vehicles; the resolution of pending litigation and investigations on a wide range of topics, including dealer and supplier litigation, follow-on private litigation in various jurisdictions after the settlement of the EU antitrust investigation of the Iveco Group announced on 19 July 2016, intellectual property rights disputes, product warranty and defective product claims, and emissions and/or fuel economy regulatory and contractual issues; security breaches, cybersecurity attacks, technology failures, and other disruptions to the information technology infrastructure of Iveco Group and its suppliers and dealers; security breaches with respect to our products; our pension plans and other post-employment obligations; further developments of the COVID-19 pandemic on our operations, supply chains, distribution network, as well as negative evolutions of the economic and financial conditions at global and regional levels; political and civil unrest; volatility and deterioration of capital and financial markets, including other pandemics, terrorist attacks in Europe and elsewhere; our ability to realize the anticipated benefits from our business initiatives as part of our strategic plan; our failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures, strategic alliances or divestitures and other similar risks and uncertainties, and our success in managing the risks involved in the foregoing.

Forward-looking statements are based upon assumptions relating to the factors described in this earnings release, which are sometimes based upon estimates and data received from third parties. Such estimates and data are often revised. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Iveco Group's control. Iveco Group expressly disclaims any intention or obligation to provide, update or revise any forward-looking statements in this announcement to reflect any change in expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Further information concerning Iveco Group, including factors that potentially could materially affect Iveco Group's financial results, is included in Iveco Group's reports and filings with the Autoriteit Financiële Markten ("AFM") and Commissione Nazionale per le Società e la Borsa ("CONSOB").

Additional factors which could cause actual results and developments to differ from those expressed or implied by the forward-looking statements are included in the section "Risk Factors" of this Report.

All future written and oral forward-looking statements by Iveco Group or persons acting on the behalf of Iveco Group are expressly qualified in their entirety by the cautionary statements contained herein or referred to above.

BOARD REPORT

INTRODUCTION

The present report (the “Report”), which includes the Combined Financial Statements of Iveco Group at 31 December 2021, has been prepared on a voluntary basis, in order to present the combined historical results of operations, financial position and cash flows of the Iveco Group Business structure that is now controlled by Iveco Group N.V. following the demerger (the “Demerger”) of CNH Industrial N.V. occurred on 1 January 2022. This financial information has been derived from the consolidated financial statements and accounting records of CNH Industrial. The IFRS financial measures for the year ended 31 December 2020 have been derived from the audited Combined Financial Statements included in the Iveco Group N.V. Prospectus (the “Prospectus”), published on 11 November 2021. The financial information included in the present Report (1) is presented based on information currently available, (2) is intended for informational purposes, only, (3) is not necessarily indicative of and does not purport to represent what the Iveco Group operating results would have been had the Demerger occurred as described or what the future operating results will be after having given effect to the Demerger and (4) does not reflect any actions that might be taken by management after the Demerger.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Iveco Group N.V. (“Iveco Group”) is incorporated under the laws of the Netherlands. Iveco Group has its corporate seat in Amsterdam, the Netherlands, and its principal office in Turin, Italy. Unless otherwise indicated or the context otherwise requires, as used in this Report, the terms “Iveco Group”, “we”, “us”, and “our”, refer to Iveco Group N.V. together with its consolidated subsidiaries.

Iveco Group presents its Report, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union (“EU-IFRS”).

Iveco Group reports its operations under three segments: Commercial and Specialty Vehicles, Powertrain, and Financial Services. The activities carried out by Commercial and Specialty Vehicles, and Powertrain, as well as corporate functions, are collectively referred to as “Industrial Activities”.

We have prepared our annual consolidated financial statements presented in this Report in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Our consolidated financial statements are prepared with the euro as the presentation currency and, unless otherwise indicated, all financial data set forth in this Report are expressed in euro.

Certain financial information in this report has been presented by geographic region. Our geographic regions are: (1) Europe; (2) South America; (3) North America and (4) Rest of World. The geographic designations have the following meanings:

- *Europe*: member countries of the European Union, European Free Trade Association, the United Kingdom, Ukraine and Balkans;
- *South America*: Central and South America, and the Caribbean Islands; and
- *North America*: United States, Canada and Mexico;
- *Rest of World*: Continental Asia (including Turkey and Russia), Oceania and member countries of the Commonwealth of Independent States, and the African continent and Middle East.

Certain industry and market share information in this Report has been presented on a worldwide basis which includes all countries. In this Report, management estimates of market share information are generally based on retail unit sales data in North America, on registrations of equipment in most of Europe, Brazil, and various Rest of World markets, and on retail and shipment unit data collected by a central information bureau appointed by equipment manufacturers associations, including the Associação Nacional dos Fabricantes de Veículos Automotores (“ANFAVEA”) in Brazil, as well as on other shipment data collected by independent service bureaus. For Commercial Vehicles, regions are defined as: Europe (the 27 countries where our Commercial Vehicles business competes, excluding the United Kingdom and Ireland, for market share and total industry volume (“TIV”) reporting purposes), South America (Brazil, Argentina and Venezuela) and Rest of World (Russia, Turkey, South East Asia, Australia and New Zealand). Iveco European Light Commercial Vehicles ("LCV") Cab chassis only considers the major EU 15 markets. In addition, there may be a period of time between the shipment, delivery, sale and/or registration of a unit, which must be estimated, in making any adjustments to the shipment, delivery, sale, or registration data to determine our estimates of retail unit data in any period.

COMMITMENT TO SUSTAINABILITY

Iveco Group demonstrates a deep understanding of the importance of operating sustainably in relation to all stakeholders. Indeed, the senior management set 4 sustainability priorities, as well as a number of sustainability targets (incorporated into the Strategic Business Plan) to drive efforts towards achieving them.

Iveco Group's 4 sustainability priorities are:

a. carbon footprint: to reduce CO_2 emissions from its manufacturing processes along the entire value chain (supply and logistics) and from its product range, aiming for net-zero carbon emissions by 2040
b. workplace and product safety: to minimize the risk of workplace injuries through effective preventive and protective measures, and to ensure Company products have the highest safety standards
c. life-cycle thinking: to implement solutions that efficiently minimize the impact of products and processes through a circular product life-cycle approach
d. inclusion and engagement: to build ever stronger relationships with stakeholders, continuing to work proactively and effectively to create an inclusive work environment.

Each of these priorities is assigned a number of targets, linked to management incentives and the UN SDGs[1] and grouped into 3 categories: Our People & Operations; Our Products & Services; Our Valued Partners.

The following table contains a few examples of the 20 sustainability targets set.

	Net-zero carbon by 2040	Safety first	Circularity	Inclusivity and engagement
Our People & Operations	-50% vs. 2019 in plants' CO_2 emissions by 2030 (Scope 1+2)	-40% vs. 2019 in employee injury frequency rate by year-end 2026	60% of water recycled by year-end 2026	20% of management positions held by women by year-end 2026
Our Products & Services	-35% vs. 2019 in CO_2 emissions/km from sold vehicle use by 2030 (Scope 3)	100% of new EU vehicles fitted with Advanced Driver Assistance Systems (Level 2) and additional advanced functions by year-end 2026	100% of new products designed using sustainability/recyclability criteria by year-end 2026	+20% vs. 2021 in Net Promoter Score by year-end 2026
Our Valued Partners	-20% vs. 2021 in CO_2 emissions from key suppliers of goods and services by year-end 2026	Staff at 100% of dealerships to complete product portfolio safety training by year-end 2026	Retrieval of 100% of recoverable cores of spare parts sold by 2030	Collaboration with 100% of key customers to improve drivers' working conditions and work-life balance by year-end 2026

(1) Sustainable Development Goals are set out in resolution A/RES/70/1, 'Transforming our World: the 2030 Agenda for Sustainable Development', adopted by the United Nations General Assembly on September 25, 2015.

REPORT ON OPERATIONS
SELECTED COMBINED FINANCIAL DATA

(€ million)	2021	2020(*)	2019(*)	2018(*)
Net revenues	12,651	10,411	11,948	12,005
Profit/(loss) before taxes	180	(488)	175	310
Profit/(loss)	76	(372)	101	183
Attributable to:				
Owners of the parent	52	(408)	84	166
Non-controlling interests	24	36	17	17
Basic earnings/(loss) per common share (€)(1)	0.19	(1.50)	0.31	0.61
Diluted earnings/(loss) per common share (€)(1)	0.19	(1.50)	0.31	0.61
Investments in tangible and intangible assets	563	401	492	437
of which: capitalized R&D costs	271	178	177	187
R&D expenditure(2)	509	393	441	432
Total Assets	16,560	15,631	15,904	15,760
Total Equity	2,311	2,336	2,718	2,725
Equity attributable to owners of the parent	2,289	2,268	2,680	2,701

(*) Data included in the Prospectus issued on 11 November 2021.
(1) For all years shown, basic and diluted earnings per share calculation is based on the number of common shares at the Effective date, which is considered more representative of the expected average number of outstanding common shares after the Demerger
(2) Includes capitalized development costs and research and development (“R&D”) costs charged directly to the income statement.

RISK FACTORS

The following risks could cause the Company and the Group actual results to differ materially from future results as disclosed in the Prospectus prepared in connection with the Demerger and the first admission to listing and trading of all the common shares in the share capital of the Company. Some of these risks and uncertainties could affect particular lines of business, while others could affect all of the Group businesses. Risk appetite, impact of the risks, controls and any improvements to the risk management system will be disclosed in the Annual Report at 31 December 2022, which will cover the activity of Iveco Group N.V. as holding of the Group following the Demerger occurred on 1 January 2022. In making the selection, the Company has considered circumstances such as the probability of the risk materialising on the basis of the current state of affairs, the potential impact which the materialisation of the risk could have on the Group's business, financial condition, results of operations and prospects, and the attention that management would, on the basis of current expectations, have to devote to these risks if they were to materialize. Although the Company believes that the risks and uncertainties described below are the material risks and uncertainties concerning the Group's business and industry, they are not the only risks and uncertainties relating to the Group. Other risks, events, facts or circumstances not presently known to the Group, or that the Group currently deems to be immaterial could, individually or cumulatively, alone or in combination with other events or circumstances, prove to be important and may have a significant negative impact on the Group's business, financial condition, results of operations and prospects.

STRATEGIC RISKS

The Group may have difficulties implementing its growth strategy and may not realize all of the anticipated benefits from being separated from the CNH Industrial business and cost management initiatives.

The Group's ability to increase its revenues and pursue growth and development objectives depends on the Group's success in carrying out its growth strategy, which includes simplifying its business and increasing its productivity, efficiency, and cash flow, all of which it expects will have a positive long-term effect on its business, results of operations, and financial condition. The Group's strategy originates from CNH Industrial's announced decision to separate its Iveco Group business and also includes the Group's simplification process related to its product portfolio. There can be no assurance that these initiatives or others will be beneficial to the extent anticipated, or that the estimated efficiency or cash flow improvements will be realized as anticipated or at all. If these initiatives are not implemented successfully or on the expected timeframe, they could have an adverse effect on the Group's operations. The Group also expects to take targeted restructuring actions as it continues to optimize its cost structure and improve the efficiency of its operations. In order to complete these actions, the Group will incur charges. The Group's ability to implement these initiatives may be affected by factors including markets' dynamics (both due to changes in the customers' demand and macro-economic trends able to affect the industry in which the Group operates), unanticipated regulatory changes affecting the Group's products and operations, and managerial effectiveness (or the lack thereof) to cope with these factors in a timely and orderly fashion. Failure to realize anticipated savings or benefits from the Group's cost reduction actions could have a material adverse effect on its business, prospects, financial condition, liquidity, results of operations, and cash flows. See also "*Reduced demand for the Group's products would reduce the Group's sales and profitability*", "*Global economic conditions impact the Group's businesses*" and "*The Group is subject to increasingly stringent environmental, health and safety laws that impose significant compliance costs*".

In addition, the Iveco Group business (as part of CNH Industrial) has engaged in the past, and may engage in the future, in investments or mergers and acquisitions or enter into, expand or exit from strategic alliances and joint ventures that could involve risks that could prevent the Group from realizing the expected benefits of the transactions or the achievement of strategic objectives or could divert management's time and attention. Such risks, many of which are outside the Group's control, include the inability to find suitable acquisition candidates, the financing of any such acquisition may be unavailable on satisfactory terms, technological and product synergies, economies of scale and cost reductions may not occur as expected, increased investments may be needed in order to address new markets and new regulatory schemes and follow trends in these markets in order to effectively compete and the Group may experience problems in retaining customers and integrating operations, services, personnel, and customer bases.

If problems or issues were to arise among the parties to one or more strategic alliances or other relationships for managerial, financial, or other reasons, or if such strategic alliances or other relationships were terminated, the Group's product lines, businesses, results of operations, and financial condition could be adversely affected.

Competitive activity, or failure by the Group to respond to actions by its competitors, could adversely affect its results of operations.

The Group operates in highly competitive global and regional markets. Depending on the particular country and product, the Group competes with other international, regional and local manufacturers and distributors of commercial and specialty vehicles and powertrains. The Group's global competitors have substantial resources and may be able to provide products and services at little or no profit, or even at a loss, to compete with the Group's product and service offerings. The Group competes primarily on the basis of product performance, innovation, quality, distribution, customer service, and price. Aggressive pricing or other strategies pursued by competitors, unanticipated product or manufacturing delays, quality issues, or the Group's failure to price the Group's products competitively, could adversely affect the Group's business, results of operations, and financial position. Additionally, there has been a trend toward consolidation in the truck industry that has resulted in larger and potentially stronger competitors in this industry. The markets in which the Group competes are highly competitive in terms of product quality, innovation, pricing, fuel economy, reliability, safety, customer service, and financial services offered. Competition, particularly on pricing, has increased significantly in the markets in which the Group competes.

The Group's ability to compete successfully in this market in the longer-term will depend on, in part, the Group's ability to keep pace with changes in vehicle technology, including in regard to emissions. As part of its decarbonization strategy, by 2022 the Group is planning to develop alternative fuel engines that run on CNG and LNG and are compatible with biomethane, with a medium term focus on electric drive technologies.

However, the Group may be unable to develop this technology successfully or within the anticipated timeframe or cost. There is a risk that some competitors will use their substantial resources to develop such technology and related products more rapidly, in larger quantities, with a higher quality, or at a lower cost. Failure to develop and offer innovative products that compare favorably to those of the Group's principal competitors in terms of price, quality, functionality, features, mobility and connected services, vehicle electrification, fuel cell technology and autonomy, or delays in bringing strategic new products to market, or the inability to adequately protect the Group's intellectual property rights or supply products that meet regulatory requirements, including engine emissions requirements, could result in reduced revenue and market share.

Should the Group be unable to adapt effectively to market conditions, this could have an adverse effect on its business, results of operations, and financial condition.

Global economic conditions impact the Group's businesses.

The Group's results of operations and financial position are and will continue to be influenced by macroeconomic factors – including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates, the availability of credit, inflation and deflation, energy prices, and the cost of commodities or other raw materials – which exist in the countries and regions in which the Group operates. Such macroeconomic factors vary from time to time and their effect on the Group's results of operations and financial position may vary as well.

Further, escalating tensions between Russia and Ukraine and massive military actions between Russia and Ukraine could adversely impact macroeconomic conditions, give rise to regional instability and result in heightened economic sanctions from the U.S., EU, and UK which may adversely affect us and our business in Russia, Ukraine and potentially elsewhere in Eastern Europe, including possible restrictions on our ability to do business with certain vendors or suppliers as well as the ability to repatriate funds from the region. We have conducted business in jurisdictions that may be subject to trade or economic sanction regimes and such sanctions could be expanded. If we fail to comply with sanction regimes or other similar laws or regulations, we could be subject to damages and potentially other financial penalties, suspension of licenses, or a cessation of operations at our businesses, as well as damage to our brands' images and reputations.

Economic conditions vary across regions and countries, and demand for the Group's products and services generally increases in those regions and countries experiencing economic growth and investment. Slower economic growth or a change in global mix of regions and countries experiencing economic growth and investment could have an adverse impact on the Group's business, results of operations, and financial condition. In addition, the Group's competitive position is stronger in Italy, Spain and Greece than in the North of Europe and so the Group is particularly susceptible to the economic environment of those countries, which is weaker than in other European countries. In a weaker economic environment, end customers may delay or cancel plans to purchase the Group's products and services and dealers may cancel, reduce or delay orders and reduce inventories of the Group's products and may not be able to fulfill their obligations to the Group in a timely fashion. The Group's suppliers may also be impacted by economic pressures, which may adversely affect their ability to fulfill their obligations to the Group. These factors could result in product delays, increased accounts receivable, defaults and inventory challenges. In addition, demand for the Group's products and services can be significantly impacted by concerns regarding the diverse economic and political circumstances in the European Union, the debt burden of several countries in the European Union, uncertainties following the withdrawal of the United Kingdom from the European Union, the risk that one or more European Union countries could come under increasing pressure to leave the European Union and the long-term stability of the euro as a single common currency. These concerns, along with persistent disparity with respect to the widely varying economic conditions amongst the individual countries of the European Union, and their implications for the euro as well as market perceptions concerning these and related issues, may led to further pressure on economic growth and to new periods of economic volatility and recession in the European Union. Similarly, in Brazil and Argentina, macroeconomic conditions remain volatile. It is still unclear what the macroeconomic effects will be of the economic stimulus actions taken by various countries in order to mitigate the adverse economic impact of the COVID-19 pandemic and the resulting increase in government debt. If there is continued deterioration in the global economy or the economies of key countries or regions, the demand for the Group's products and services would likely decrease and the Group's results of operations, financial position and cash flows could be materially and adversely affected. As discussed in risk factor "*The COVID-19 pandemic could materially adversely affect the Group's business, financial condition, results of operations and/or liquidity*", depending on the efficiency of the government measures rolled-out in order to mitigate the COVID-19 pandemic recession, economic and demand uncertainty could be decreased.

OPERATIONAL RISKS

The COVID-19 pandemic could materially adversely affect the Group's business, financial condition, results of operations and/or liquidity

COVID-19 was first identified in late 2019, spread globally and was declared a global pandemic by the World Health Organization in March 2020 (the COVID-19 pandemic). The rapid spread of the virus has had a material, dramatic and almost immediate impact on public health and has led governments around the world to implement numerous measures to contain the virus, including, travel bans, mandated shutdowns, border closures, restrictions or disruption of transportation, quarantines and other restrictions on the free movement of people and goods and the introduction of social distancing measures. Although certain governments around the world are easing the COVID-19 measures amidst an ongoing roll-out of COVID-19 national vaccination strategies and deployment plans, it cannot be excluded that governments will not resort again to more restrictive measures, if the vaccination campaigns would prove insufficient in order to mitigate any risks posed by the virus. Such measures may further impact the Group's operations and those of its suppliers and distributors and harm the Group's ability to perform critical functions. For example, any future closing of manufacturing facilities due to government mandates, absenteeism, insufficient staffing, weaker demand, or supply constraints, or similar limitations or restrictions for the Group's suppliers, or the impact of the COVID-19 pandemic on the Group's ability to implement business continuity plans, could have a material adverse effect on its business, financial position, results of operations, and/or liquidity. The Group has also implemented changes to its operations including social distancing measures, operational constraints and increased working from home, activity which may impact the efficiency or the Group's operations.

Disruption caused by business responses to the COVID-19 pandemic, including remote working arrangements and enhanced reliance on IT systems, may create increased vulnerability to cybersecurity or data privacy incidents, including breaches of information technology and systems. Risks related to information technology and systems are described in risk factor "*The Group's information technology systems and networks may be subject to intentional and unintentional disruption, which could interfere with its operations, compromise confidential information, negatively impact the Group's corporate reputation and expose the Group to liability*".

From an economic perspective, the COVID-19 pandemic has led to a global recession. The roll-out of national vaccination campaigns has mitigated in certain countries the risks the virus posed up to a certain extent, but there is no certainty regarding when a full economic recovery may be completed. The COVID-19 pandemic has also significantly increased economic and demand uncertainty and during 2021 has led to disruption in the Group's supply chain and volatility in raw material and components availability as well as in demand for the Group's products and in global capital markets. Similarly, during 2021, the Group's industrial operations were impacted by material or component shortages, such as semiconductor chips, and price volatility as a result of the COVID-19 pandemic and ensuing supply chain disruptions. Depending on the efficiency of the measures that governments around the world are adopting in order to address the COVID-19 pandemic effects, the COVID-19 pandemic could materially adversely impact the Group's customers, borrowers and other third parties and potentially affect their ability to fulfill their obligations to the Group in a timely manner. The extent to which the COVID-19 pandemic will impact the Group's business, financial condition, results of operations and/or liquidity will also depend on the scale, duration, severity and geographic reach of future developments, which are highly uncertain and cannot be predicted, including notably the efficiency of the national vaccine campaigns and the possibility of a recurrence or the emergence of new variants or "multiple community outbrakes". There have been instances of re-imposed local lockdowns where infection rates have started to increase again and there is a risk that widespread measures such as strict social distancing and curtailing or ceasing normal business activities may be reintroduced in the future until effective treatments or widespread vaccine campaigns have been efficaciously rolled-out. Uncertainties also include: disruptions in the supply chain in one or more key components that are impossible to be replaced in the short and medium term, and a prolonged delay in resumption of operations by one or more key suppliers, or the failure of key suppliers; the Group's ability to meet commitments to its customers on a timely basis as a result of increased costs and supply challenges; the ability to receive goods on a timely basis and at anticipated costs; increased logistics costs; delays in the Group's strategic initiatives as a result of the uncertain environment; possible legal claims related to personal protective equipment provided by the Group or alleged exposure to COVID-19 on the Group's premises; absence of employees due to illness; the impact of the pandemic on the Group's customers and dealers, and delays in their plans to purchase new vehicles; requests by the Group's customers or dealers for, or government mandated, payment deferrals and contract modifications; the impact of disruptions in the global capital markets and/or declines in the Group's financial performance, outlook or credit ratings, which could impact the Group's ability to obtain funding in the future; and the impact of the pandemic on demand for the Group's products and services as discussed above. In addition, the ultimate impact of the COVID-19 pandemic will also depend on any new information which may emerge concerning the severity of the COVID-19 pandemic, how quickly normal economic conditions and operations can resume, the severity and duration of the current recession, and any additional actions to contain the spread or mitigate the impact of the virus, whether government-mandated or elected by the Group.

In addition, the COVID-19 pandemic may exacerbate many of the other risks described in this report.

Reduced demand for the Group's products would reduce the Group's sales and profitability.

Demand for Group's products is mainly influenced by the following factors:

(a) changes in global market conditions, including interest rates and availability of credit;

(b) changes in business capital expenditure propension, including timing of fleet renewals;

(c) overall business activity levels and their impact on industrial supply chains;

(d) changes in emission, environmental and traffic regulation, as well as the effective date of such

requirements; and

(e) public infrastructure spending.

In addition, environmental sustainability, including the reduction of CO_2 and other air emissions, is becoming increasingly important to customers and may impact their purchasing decisions. If the Group fails to operate in a sufficiently sustainable manner or to develop new, more sustainable technologies, this could have an adverse impact on customers' willingness to purchase the Group's products.

In addition, government initiatives that are intended to stimulate demand for product categories sold by the Group, such as changes to the purchaser's tax treatment of the products or tax related purchase incentives for the Group's customers, can significantly influence the timing and level of the Group's revenues. The terms, size and duration of such government actions are unpredictable and outside of the Group's control. Any adverse change in government policy relating to those initiatives could have a material adverse effect on the Group's business, results of operations, and financial condition.

If demand for the Group's products is less than it expects, the Group may experience excess inventories, which will generally cause downward pressure on product sales prices and margins, including lower fixed costs absorption associated with lower production levels at the Group's plants. The Group's business may be negatively impacted if it experiences excess inventories or if the Group is unable to adjust on a timely basis its production schedules or its purchases from suppliers to reflect changes in customer demand and market fluctuations or scarcity of components. See also "*Global economic conditions impact the Group's businesses*" and "*The Group is subject to increasingly stringent environmental, health and safety laws that impose significant compliance costs*".

The Group depends on suppliers for raw materials, parts, and components.

The Group relies upon approximately 2,000 suppliers for raw materials, parts, and components that the Group requires to manufacture its products. Although the Group does not always purchase raw materials directly, their overall consumption and general price trends are constantly monitored. The Group cannot guarantee that it will be able to maintain access to raw materials, parts, and components, and in some cases, this access may be affected by factors outside of the Group's control and the control of its suppliers. Certain components and parts (like engine control units, after treatment systems) used in the Group's products may be acquired from single suppliers and cannot be quickly sourced from other suppliers. Significant disruptions to the supply chain resulting from shortages of raw materials, components, and whole-goods can adversely affect the Group's ability to meet customer demand. For example, during 2021, some of the Group's operations were temporarily impacted by material or component shortages due to the impact of the COVID-19 pandemic on the Group's suppliers.

In particular, there is an ongoing shortage of semiconductor chips that are used in the Group's product components. While the Group has implemented measures to manage this shortage, including recourse to brokers and alternative suppliers, expedited shipping of materials, finishing of whole-goods outside the assembly line when parts become available, there is no guarantee these measures will be successful or that this supply will be sufficient to enable the Group to continue to produce products in sufficient quantities to meet customer demand. Supply chain disruptions, including those due to supplier financial distress, capacity constraints, labor shortages, business continuity, delivery or disruptions due to weather-related, natural disaster, pandemics, cyber-attacks or other unforeseen events, could negatively impact the Group's business, results of operations, and financial condition.

Changes in the source of raw materials can impact product quality and/or performance of the Group's products. Suppliers may therefore exert pricing pressure on the Group, cease selling products or components to the Group on terms acceptable to it, fail to deliver sufficient quantities of products in a timely manner for any reason, encounter financial difficulties, terminate their relationship with the Group or experience shortages or price volatility in relation to labor or raw materials. In addition, despite the Group's efforts to select suppliers and manage supplier relationships with scrutiny, a supplier may fail to meet the Group's requirements, including in relation to product quality, safety and other corresponding standards, which could have a material adverse impact on the Group's reputation and brand value.

The Group uses a variety of raw materials in the Group's businesses, including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium, and rhodium. The availability and price of these raw materials fluctuate, particularly during times of economic volatility or regulatory instability or in response to changes in tariffs, and while the Group seeks to manage this exposure, the Group may not be successful in mitigating these risks. Further, increases in the prices for raw materials can significantly increase the Group's costs of production, which could have a material adverse effect on the Group's business, results of operations, and financial condition, particularly if the Group is unable to offset the increased costs through an increase in product pricing.

A failure in the Group's supply chain could harm the Group's ability to meet contractual obligations to its customers. Any disruption to the availability, supply or price of components and materials, any deterioration to the terms on which products are supplied to the Group or any delays or disruptions in the transportation of the Group's raw materials, components or finished products could therefore have a material adverse effect on the Group's business, results of operations, and financial condition.

The Group's existing operations and expansion plans in emerging markets could entail significant risks.

The Group's ability to grow its businesses depends to an increasing degree on its ability to increase market share and operate profitably worldwide and, in particular, in emerging market countries, such as Brazil, Russia, China, Argentina, Turkey, and South Africa. In addition, the Group may pursue this strategy by increasing its operations and use of suppliers in such countries. These strategies will require a significant investment of capital and other resources and may expose the Group to multiple risks. In particular, Brazil and Argentina are exposed to currency fluctuation and hyper-inflation risks and China, Russia, Turkey and South Africa are exposed to risks relating to conflicting cultural practices and changes to legal requirements, including those related to tariffs, trade barriers, investments, property ownership rights, taxation, and sanction and export control requirements. For example, the Group may encounter difficulties in obtaining necessary governmental approvals in a timely manner. In addition, the Group may experience delays and incur significant costs in constructing facilities, establishing supply channels, and commencing manufacturing operations. Further, customers in these markets may not readily accept the Group's products as compared with products manufactured and commercialized by the Group's competitors. The emerging market countries may also be subject to a greater degree of economic and geopolitical volatility that could adversely affect the Group's financial position, results of operations and cash flows. Many emerging market economies have experienced slower growth, volatility, and other economic challenges in recent periods and may be subject to a further slowdown in gross domestic product expansion and/or be impacted by domestic political or currency volatility, potential hyper-inflationary conditions, and/or increase of public debt. Exposure to conflicts in markets where the Groups has ongoing operations or commercial activities may at any time affect continuity of business operations and require the adoption of decisions that may negatively affect the Groups' financial position and profitability despite the efforts to minimize such exposure.

Dealer equipment sourcing and inventory management decisions could adversely affect the Group's sales.

The Group sells the majority of its commercial vehicles through independent dealers and is subject to risks relating to their inventory management decisions and operating and sourcing practices. The Group's dealers carry inventories of finished products and parts as part of ongoing operations and adjust those inventories based on their assessment of future sales opportunities and market conditions, including the level of used vehicles inventory. If the Group's dealers' inventory levels are higher than they desire, they may postpone product purchases from the Group, which could cause the Group's sales to be lower than the end-user demand for the Group's products and negatively impact its results. Similarly, the Group's sales could be negatively impacted through the loss of time-sensitive sales if the Group's dealers do not maintain inventory sufficient to meet customer demand. Further, dealers who carry other products that compete with the Group's products may focus their inventory purchases and sales efforts on goods provided by other suppliers due to industry demand or profitability. Such inventory adjustments and sourcing decisions can adversely impact the Group's sales, results of operations, and financial condition. These dealers may exert pressure on the level of dealer margins and incentives, thus eroding the Group's profitability. They may also encounter financial difficulties that could restrict them from selling the Group's products or services, and/or require the Group to provide support or investment leading to increased costs. In addition, if financial difficulties affect a significant number of dealers in a region, the Group's sales in that region as a whole could be adversely affected or require it to incur significant investment to seek out new dealers in that region. This risk is more acute in regions with only a single company dealer.

Further, the Group is exposed to the risk that its compliance controls and procedures may not be sufficient to prevent dealers from violating the Group's dealership agreements or the laws or regulations of the jurisdictions in which the Group operates (including foreign corrupt practices, trade sanctions, and other laws and regulations), which may expose the Group to sanctions for non-compliance.

Any of the foregoing may have a material adverse effect on the Group's sales, results of operations, and financial condition.

The Group's results of operations may be adversely impacted by various types of claims, lawsuits, and other contingent obligations.

In the ordinary course of business, the Group is involved in litigation and investigations on a wide range of topics, including dealer and supplier litigation, intellectual property rights disputes, product warranty and defective product claims, product performance, asbestos, personal injury, engine emissions and/or fuel economy regulatory and contract issues, and environmental claims. The Group is defendant in various follow-on damages claims in various jurisdictions in EU, U.K., and Israel, for face value amounts that at this time are difficult to be assessed for various reasons (including, but not limited to, the fact that in many instances judicial claims are filed also in respect of other defendants or that claimants have not included an assessment of the damages allegedly suffered), but that may be collectively or individually (as the case may be) significant. The ultimate outcome of such claims, including the amount of any damages, is impossible to predict. An adverse outcome on any of these claims could materially and adversely affect the Group's results of operations and financial condition. The industries in which the Group operates are also periodically reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims. The ultimate outcome of these legal matters pending against the Group is uncertain, and although such legal matters are not expected individually to have a material adverse effect on the Group's financial position or profitability, such legal matters could, in the aggregate, in the event of unfavorable resolutions thereof, have a material adverse effect on the Group's results of operations and financial condition. Furthermore, the Group could in the future be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on the Group's results of operations in any particular period. In addition, while the Group maintains insurance coverage with respect to certain risks, it may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against claims under such policies. The Group establishes reserves based on its assessment of contingencies, including contingencies related to legal claims asserted against it. Subsequent developments in legal proceedings may affect the Group's assessment and estimates of the loss contingency recorded as a reserve and require the Group to make payments that exceed its reserves, which could have a material adverse effect on its results of operations and/or financial position.

The Group's information technology systems and networks may be subject to intentional and unintentional disruption, which could interfere with its operations, compromise confidential information, negatively impact the Group's corporate reputation, and expose the Group to liability.

The Group's business activities rely upon information technology (IT) systems and networks, some of which are managed by third parties. These systems include supply chain, manufacturing, distribution, invoicing and collection of payments from dealers or other purchasers of the Group's products and from customers of its Financial Services business, and connectivity services with and among vehicles. The Group uses information technology systems to record, process and summarize management and financial information and results of operations for internal reporting purposes and to comply with regulatory, financial reporting, legal and tax requirements. Additionally, the Group collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary information of the Group's customers, suppliers and dealers, as well as personally identifiable information of its dealers, customers and employees, in data centers and on information technology networks. Operating these information technology systems and networks, and processing and maintaining these data, in a secure manner, are critical to the Group's business operations and strategy.

The Group's IT systems may be subject to damage and/or interruption from, among other things, power outages; computer, network, and telecommunications failures; computer viruses; security breaches and usage errors by its employees. If the Group's IT systems are damaged or cease to function properly, the Group may have to make a significant investment to fix or replace them and may suffer loss of critical data and disruptions or delays in its operations. Increased IT security threats (e.g. worms, viruses, malware, phishing attacks, ransomware, and other malicious threats) and more sophisticated computer crime pose a risk to the security of the Group's systems and networks and the confidentiality, availability, and integrity of the Group's data. Cybersecurity attacks could also include attacks targeting customer data or the security, integrity, and/or reliability of the hardware and software installed in the Group's products. The foregoing risks are heightened in the current environment where a material percentage of the Group's employees have been and continue to work from home due to the COVID-19 pandemic.

While the Group actively manages IT security risks within the Group's control through security measures, business continuity plans, and employee training around phishing and other cyber risks, there can be no assurance that such actions will be sufficient to mitigate all potential risks to the Group's systems, networks, data, and products. Furthermore, third parties on which the Group relies, including internet, mobile communications technology, and cloud service providers, could be sources of IT security risk to the Group. The Group and third parties may not be able to anticipate evolving techniques used to penetrate or evade security protocols (which techniques change frequently and may not be known until a cyber-attack is launched), or prevent attacks by hackers, including phishing or other cyber-attacks, or prevent breaches due to employee error or malfeasance, in a timely manner, or at all. Cyber-attacks have become far more prevalent in the past few years, leading potentially to the theft or manipulation of confidential and proprietary information or loss of access to, or destruction of, data on the Group's or third-party systems, as well as interruptions or malfunctions in the Group's or third parties' operations.

A failure or breach in security, whether of the Group's systems and networks or those of third parties on which the Group relies, could expose the Group and its customers, dealers and suppliers to risks of misuse of information or systems, the compromising of confidential information, loss of financial resources, manipulation and destruction of data, defective products, production or distribution downtimes or disruption or other operational disruptions, which in turn could adversely affect the Group's reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action, unauthorized release of confidential or otherwise protected information and corruption of data, as well as remediation costs and higher operational and other costs of implementing further data protection measures. In addition, as security threats continue to evolve, the Group is likely to invest additional resources to protect the security of its systems and data. The amount or scope of insurance coverage the Group maintains may be inadequate to cover claims or liabilities relating to a cybersecurity attack.

The Group may not succeed in adequately protecting its intellectual property and know-how.

The Group possesses a significant number of patents, know-how, trade secrets, and trademarks related to its products and services, and that number is expected to grow as its research and development activities continue. In this regard, the Group believes that it is of fundamental importance to safeguard the innovations reached through its efforts and investments in its products and processes through patent protection and other enforceable intellectual property rights to prevent any unauthorized use of its intellectual capital. With respect to patents, the Group files patent applications in Europe, the United States and in other jurisdictions around the world to protect technology and improvements deemed relevant for its current and future product portfolio of products and processes. Certain trademarks contribute to its identity and the recognition of its products and services are an integral part of its business, and their loss could have a material adverse effect on the Group.

At 31 December 2021, the Group owned 1,042 patent families, with a total of 5,275 active patents, including 61 new patents registered during the year (in addition to 574 patents applications pending at such date). 74% of the patents portfolio owned by the Group relates to its fire fighting vehicles, heavy, medium and light commercial vehicles, special vehicles, buses and spare parts, whereas the remaining 26% relates to engines and driveline systems. The grant of patents and the Group's ownership of other intellectual property does not necessarily mean that it is possible to enforce any claims against third parties to the required or desired extent. Furthermore, while historically very few of the Group's patents have been contested, it cannot be ruled out that the Group's intellectual property could be infringed or challenged by third parties or that its confidential know-how or trade secrets could be misappropriated or disclosed to the public without the Group's consent. In such cases, the Group may not be able to, or may be limited in its ability to, prevent such infringements, misappropriations or disclosures, despite its ownership of intellectual property. In addition, there is no guarantee that all applications for patents or registrations filed for or intended to be filed for by the Group for its new technologies will be issued or granted in all countries where it believes this to be prudent. Additionally, it cannot be ruled out that, independently of the Group, third parties might develop the same or similar know-how or trade secrets or obtain access to them.

Inadequate intellectual property protection or loss of intellectual property protection may restrict the Group's ability to exploit its products, designs or technological advances profitably or may lead to a reduction in future income as other manufacturers may be able to manufacture and market products similar to those developed by the Group with fewer development expenses of their own, and hence more cost-effectively. This could harm the Group's competitive position. Moreover, high costs may be incurred in responding to infringements of intellectual property or disclosure of misappropriations of the Group's know-how and trade secrets. The occurrence of any of these events could have a material adverse effect on its results of operations and/or financial position.

The Group's results and success are dependent in part upon its ability to attract, motivate and retain qualified personnel.

The Group's ability to compete successfully, to manage its business effectively, to expand its business and to execute its growth strategy, depends, in part, on the Group's ability to attract, motivate and retain qualified personnel in key functions and markets with the requisite education, skills, background, talents, and industry experience. Failure to attract and retain qualified personnel, whether as a result of an insufficient number of qualified applicants, difficulty in recruiting new personnel, or the inability to integrate and retain qualified personnel, could impair the Group's ability to execute its business strategy and could adversely affect its business.

The Group's ability to reshape and/or strategically reposition its business activities could be impacted by employees being protected under employee laws and/or collective labor agreements.

Laws and/or collective labor agreements applicable to the Group could impair its flexibility in reshaping and/or strategically repositioning its business activities. For example, in many countries in which the Group operates, its employees are protected by laws and/or collective labor agreements that guarantee them, through local and national representatives, the right of consultation on specific matters, including repurposing, downsizing or closure of production facilities and reductions in personnel. As at 31 December 2021, approximately 90% of the Group's employees benefitted from such protections. Therefore, the Group's ability to efficiently deploy personnel or implement permanent or temporary redundancy measures is subject to government approvals and/or the agreement of labor unions where such laws and agreements are applicable. Furthermore, the Group is at greater risk of work interruptions or stoppages than companies with a non-unionized work force and any work interruption or stoppage could significantly impact the volume of products the Group manufactures and sells, which could have a material adverse effect on the Group's business, results of operations, and financial condition. In addition, the COVID-19 pandemic has resulted in material changes in how and where employees work. It is unclear whether and to what extent such changes in working will continue after the pandemic has subsided and the ability of the Group's and its employees to adjust to a "new normal".

COMPLIANCE RISKS

The Group is subject to increasingly stringent environmental, health and safety laws that impose significant compliance costs.

The Group is subject to comprehensive and constantly evolving laws, regulations, and policies in numerous jurisdictions around the world. The Company expects the extent of legal requirements affecting its businesses and its costs of compliance to continue to increase in the future. Such laws govern, among other things, products – with requirements on emissions of polluting gases and particulate matter, increased fuel efficiency and safety becoming increasingly strict – and industrial plants – with requirements for reduced air emissions, treatment of waste and water, and prohibitions on soil contamination also becoming increasingly strict. To comply with such laws, the Group makes significant investments in research and development and capital expenditures and expects to continue to incur substantial costs in the future. In particular, the Company is investing in new technologies (e.g., biofuels, electric drives, hydrogen fuel cells), often in collaboration with business partners, startups, and third-party experts, with the goal of further reducing emissions. In this regard, the Company believes natural gas will play an important role with other fuels showing potential, such as dimethyl ether and hydrogenated vegetable oil. However, there is no guarantee the Company's investment in new technologies will be successful or be sufficient to comply with such laws. Failure to comply with such laws could limit or prohibit the Group's ability to sell its products in a particular jurisdiction, expose it to penalties or clean-up costs, civil or criminal liability and sanctions, as well as damage to property or natural resources. Liabilities, sanctions, damages and remediation efforts related to any non-compliance with such laws, including those that may be adopted or imposed in the future, could negatively impact the Group's ability to conduct its operations, its reputation, and its results of operations and financial condition. In addition, there can be no assurance that the Group will not be adversely affected by costs, liabilities or claims with respect to any subsequently acquired operations.

Further, environmental, health and safety regulations change from time to time, as may related interpretations and other guidance. For example, EU Regulation (EU) 2019/631 (Regulation 2019/631) of the European Parliament and of the Council requires OEMs to achieve a CO_2 reduction in vans of 15% from 2025 onwards (as compared to 2021) and of 37.5% from 2030. Manufacturers exceeding their specific emissions target will have to pay an excess-emission premium of €95 per g/km exceedance for each new vehicle registered.

Such changes in environmental and climate change laws, including laws relating to engine and vehicle emissions, safety regulations, fuel requirements, restricted substances, or greenhouse gas emissions, could require new or additional investments in product designs and could increase environmental compliance expenditures, limiting the Group's ability to invest in other aspects of its business. If these laws are either changed or adopted and impose significant operational restrictions and compliance requirements on the Group's products or operations, they could result in higher capital expenditures and negatively impact the Group's business, results of operations, financial position and competitive position. In addition, there is a risk that some of the Group's competitors will have greater resources than the Group and will be able to respond to such laws more rapidly or at a lower cost. See also "*Competitive activity, or failure by the Group to respond to actions by its competitors, could adversely affect its results of operations*".

The Group is subject to extensive anti-corruption and antitrust laws and regulations.

Due to the global scope of its operations, the Group is subject to many laws and regulations that apply to its operations around the world, including the U.K. Bribery Act (which has an extraterritorial effect), the Spanish Criminal Code, Legislative Decree 231/2001, as amended, in Italy and Loi Sapin II in France. as well as a range of national anti-corruption and antitrust or competition laws that apply to conduct in a particular jurisdiction. These anti-corruption laws prohibit improper payments in cash or anything of value to improperly influence third parties to obtain or retain business or gain a business advantage. These laws tend to apply regardless of whether those practices are legal or culturally acceptable in a particular jurisdiction. Over the past several years there has been an increase in the enforcement of anti-corruption and antitrust or competition laws both globally and in particular jurisdictions and the Group has from time to time been subject to investigations and charges claiming violations of anti-corruption or antitrust or competition laws, including its settlement of the EU antitrust investigation announced on 19 July 2016. Following this settlement, the Group has been named as defendant in current private litigation commenced in various EU jurisdictions, U.K., and Israel that remains at an early stage. The Company expects to face further claims in various jurisdictions, the extent and outcome of which cannot be predicted at this time. The Group is committed to operating in compliance with all applicable laws, in particular, anti-corruption and antitrust or competition laws. The Group has implemented a program to promote compliance with these laws and to reduce the likelihood of potential violations. The Group's compliance program, however, may not in every instance protect it from acts committed by its employees, agents, contractors, suppliers or collaborators that may violate the applicable laws or regulations of the jurisdictions in which the Group operates. Such improper actions could subject the Group to civil or criminal investigations and monetary, injunctive and other penalties as well as damage claims. Investigations of alleged violations of these laws tend to be expensive and require significant management time and attention, and these investigations of purported violations, as well as any publicity regarding potential violations, could harm the Group's reputation and have a material adverse effect on the Group's business, results of operations and financial position.

FINANCIAL RISKS

Difficulty in obtaining financing or refinancing existing debt could impact the Group's financial performance.

The Group's performance will depend on, among other things, its ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and access to capital markets or other sources of financing like asset backed commercial paper (ABCP) transactions. A decline in revenues could have a negative impact on the cash-generating capacity of the Group's operations. In addition, the Group's investment strategies may at times require funds in excess of those generated by the Group's operations. Consequently, the Group could find itself in the position of having to seek additional financing and/or having to refinance existing debt, including in unfavorable market conditions with limited availability of funding and a general increase in funding costs. Instability in global capital markets, including market disruptions, limited liquidity and interest rate and exchange rate volatility, could reduce the Group's access to capital markets or increase the cost of the Group's short and long-term financing. Any difficulty in obtaining financing on acceptable terms or at all could have a material adverse effect on the Group's business, results of operations and financial position. The Group's ability to access the capital markets or other forms of financing and related costs are highly dependent on, among other things, the credit rating of the Company and its subsidiaries' asset-backed commercial paper and other debt instruments. Rating agencies may review and revise their ratings from time to time, and any downgrade or other negative action with respect to the Group's credit ratings by one or more rating agencies may increase the Group's cost of capital, potentially limit its access to sources of financing, and have a material adverse effect on its business, results of operations, and financial condition.

The Group's leverage and debt service obligations could adversely affect its business and may limit its ability to obtain additional funding and may limit its financial and operating flexibility.

As of 31 December 2021, the Group had an aggregate of €5,785 million (including €3,236 million relating to Financial Services' activities) of consolidated gross indebtedness, and the Group's invested equity was €2,311 million, including non-controlling interests. The extent of the Group's indebtedness could have important consequences on its operations and financial results, including that:

a. it may not be able to secure additional funds for capital expenditures, debt service requirements or general corporate purposes;
b. it may need to use a portion of its projected future cash flow from operations to pay principal and interest on its indebtedness, which may reduce the amount of funds available to the Group for other purposes;
c. it may be more financially leveraged than some of the Group's competitors, which could put the Group at a competitive disadvantage;
d. it may not be able to invest in the development or introduction of new products or new business opportunities;
e. its future cash flow may be exposed to the risk of interest rate volatility (see above);
f. it may not be able to adjust rapidly to changing market conditions, which may make the Group more vulnerable to a downturn in general economic conditions; and
g. it may not be able to access the capital markets on favorable terms, which may adversely affect the Group's ability to provide competitive retail and wholesale financing programs.

These risks may be exacerbated by volatility in the financial markets, which may be caused by strains on the finances and creditworthiness of several governments and financial institutions, particularly in the European Union and Latin America, and from continued concerns about global economic growth, particularly in emerging markets, as a result of, among others, the COVID-19 pandemic. See also "*Global economic conditions impact the Group's businesses*" and "*The COVID-19 pandemic could materially adversely affect the Group's business, financial condition, results of operations and/or liquidity*".

Further, the Group's indebtedness under some of its instruments including its credit facilities and derivative transactions may bear interest at variable interest rates.

Restrictive covenants in the Group's debt agreements could limit its financial and operating flexibility.

The Group has established its own centralized treasury. In order to fund its own treasury facilities, from time to time it enters into agreements governing the Group's financing instruments, including bank debt. According to standard market practice, the agreements governing debt instruments, depending on the rating status of the debtor and market conditions at the time of the execution of such financing instruments, could contain covenants restricting the Group's ability to, among other things: (a) incur additional indebtedness by certain subsidiaries; (b) make certain investments; (c) enter into certain types of transactions with affiliates; (d) sell or acquire certain assets or merge with or into other companies; and/ or (e) pledge assets as security for other obligations. A breach of one or more of the covenants could result in adverse consequences that could negatively impact the Group's businesses, results of operations, and financial position. These adverse consequences may include the triggering of cross-default clauses whereby other outstanding debt under other credit facilities of the Group existing at the time of such cross-acceleration, ultimately resulting in an obligation to redeem such indebtedness, termination of existing unused commitments by the Group's lenders, refusal by the Group's lenders to extend further credit under one or more of the facilities or to enter into new facilities or the lowering or modification of the Group's credit ratings or those of one or more of its subsidiaries.

The Group is subject to exchange rate fluctuations, interest rate changes and other market risks.

The Group operates in numerous markets worldwide and is exposed to market risks stemming from fluctuations in currency and interest rates, including as a result of changes in monetary or fiscal policies of governmental authorities from time to time and in particular in emerging markets. The Group is subject to currency exchange risk to the extent that its costs are denominated in currencies other than those in which the Group earns revenues. In addition, the reporting currency for the Group's consolidated financial statements is the euro, while the assets, liabilities, expenses, and revenues of those Group's subsidiaries whose functional currency is different than euro, are denominated in other currencies. Those assets, liabilities, expenses, and revenues are translated into euro at the applicable exchange rates to prepare the Group's consolidated financial statements. Therefore, increases or decreases in exchange rates between the euro and those other currencies affect the value of those items reflected in the Group's consolidated financial statements, even if their value remains unchanged in their original currency. For year ended 31 December 2021, less than 30% of the Group's revenues were reported by entities whose functional currencies were different than euros. Sales denominated in the Brazilian real and Argentine pesos accounted for approximately 6% and 4%, respectively, for the year ended 31 December 2021. Changes in currency exchange rates between the euro and other currencies have had, and will continue to have, an impact on the Group's results of operations and financial condition.

The Group also faces risks from currency devaluations (which is a downward adjustment of a country's official exchange rate) in emerging markets such as Brazil and Argentina (as previously described in "*The Group's existing operations and expansion plans in emerging markets could entail significant risks*"). Such currency devaluations could result in a diminished value of liquidity funds denominated in the currency of the country suffering the devaluation.

The Group uses various forms of financing to cover the funding requirements of the Group's Industrial Activities and for financing offered to customers and dealers by Financial Services. Financial Services normally implements a matching policy to offset the impact of differences in interest rates on the financed portfolio and related liabilities. Nevertheless, any future changes in interest rates can result in increases or decreases in revenues, finance costs, and margins.

Although the Group seeks to manage its currency risk and interest rate risk, including through hedging activities, there can be no assurance that it will be able to do so successfully, and the Group's business, results of operations and financial position could be adversely affected. In addition, by utilizing these instruments, the Group potentially foregoes the benefits that may result from favorable fluctuations in currency exchange and interest rates.

As Financial Services provides financing for a significant portion of the Group's sales worldwide, the Group's operations and financial results could be impacted materially should negative economic conditions affect the financial services industry.

Negative economic conditions can have an adverse effect on the financial services industry in which Financial Services operates. Financial Services, through wholly-owned financial services companies, joint ventures and third party commercial agreements, provides financing for almost 25% of the Group's sales worldwide. Financial Services may experience credit losses that exceed its expectations and adversely affect its financial condition and results of operations. Financial Services' inability to access funds at cost-effective rates to support its financing activities could have a material adverse effect on the Group's business. Financial Services' liquidity and ongoing profitability depend largely on timely access to capital in order to meet future cash flow requirements and to fund operations and costs associated with engaging in diversified funding activities. Additionally, negative market conditions could reduce customer confidence levels, resulting in declines in credit applications and increases in delinquencies and default rates, which could materially impact Financial Services' write-offs and provision for credit losses. Furthermore, Financial Services is exposed to a significant concentration of credit risk on receivables generated by Commercial and Specialty Vehicles segment sales. Financial Services may also experience losses that exceed its expectations caused by lower pricing for repossessed vehicles. Any of the foregoing could have a material adverse effect on the Group's financial position, results of operations and cash flows.

The Group's operations and financial results could be impacted materially should new regulations or changes in financial services regulations affect the financial services industry.

Financial Services' operations are highly regulated by governmental and banking authorities in the locations where it operates, which can impose significant additional costs and/or restrictions on its business. Future regulations may affect Financial Services' ability to engage in these capital market activities or increase the effective cost of such transactions. New laws or regulations could impose additional restrictions or requirements on Financial Services, limit the amount of interest or fees Financial Services is permitted to charge on consumer finance accounts, or restrict its ability to collect on account balances. If Financial Services fails to comply with consumer finance regulations in the future, it may incur material expenditures to remedy such failure, it may be required to repay the amounts paid by the relevant customer, and it could be fined or lose its authorization to provide financing services, any of which could have a material adverse effect on the Group's financial position, results of operations and cash flows.

An increase in delinquencies or repossessions could adversely affect the results of Financial Services.

Fundamental in the operation of Financial Services is the credit risk associated with its portfolio of receivables from financing activities (which totaled €2.9 billion at 31 December 2021). The creditworthiness of each customer/borrower, rates of delinquency and default, repossessions and net losses on loans to customers are impacted by many factors, including: relevant industry and general economic conditions; the availability of capital; the terms and conditions applicable to extensions of credit; the experience and skills of the customer's management team; commodity prices; political events, including government mandated moratoria on payments; weather; and the value of the collateral securing the extension of credit. An increase in delinquencies or defaults, or a reduction in repossessions could have an adverse impact on the performance of Financial Services and the Group's earnings and cash flows. In addition, although Financial Services evaluates and adjusts its allowance for credit losses related to past due or non-performing receivables on a regular basis, adverse economic conditions or other factors that might cause deterioration of the customers' financial health could change the timing and level of payments received and thus necessitate an increase in Financial Services' reserves for estimated losses, which could have a material adverse effect on Financial Services' and the Group's results of operations and cash flows.

The Group may be exposed to shortfalls in its pension plans.

The Group has significant net obligations relating to its defined benefit pension plans and other postemployment benefit plans obligations, primarily in the U.K., Germany and Switzerland. At 31 December 2021, the Group's net obligation was a deficit of €411 million for its defined benefit pension and other postemployment benefit plans as calculated under EU-IFRS. The deficit/(surplus) is the balance between the present value of the defined benefit obligation, which mainly vary (upon each annual valuation) depending on the adopted discount rates, salary increase rates, demographic parameters (including mortality rates and dismissal or retirement rates tables), and the fair value of related plan assets (in case of plans managed by a separate Fund, "Trust", if any), which mainly vary depending on the expected return on plan assets, primarily invested in debt instruments and equity securities whose value is subject to changes due to market fluctuations. Consequently, the deficit/(surplus) is subject to the variation of the above mentioned factors. To the extent that the Group's net obligations under a plan are in a deficit position, the Group will have to use cash flows from operations and other sources to cover, with specific contributions to the separate Fund, the Group's net obligations, any of which could have a material adverse effect on the Group's financial position and cash flows.

RISKS RELATED TO THE COMPANY'S COMMON SHARES

The Company may have potential conflicts of interest with the major shareholder.

Questions relating to conflicts of interest may arise between the Company and CNH Industrial in a number of areas relating to management, as well as their past and ongoing relationships. As anticipated, after the completion of the Demerger certain overlaps have remained among the directors and officers of the Company and CNH Industrial. Suzanne Heywood, its Chairperson, is also Chairperson of CNH Industrial and a managing director of EXOR, the major shareholder of the Company, who holds approximately 27% of the Common Shares and approximately 42% of the voting power in the Company due to its participation in the Loyalty Voting Program. In addition, Alessandro Nasi, who has been appointed non-executive director of the Board of Directors, is also a non-executive director of the board of directors of EXOR and CNH Industrial. Those individuals will owe duties both to the Company and to the other companies that they serve as officers and/or directors. This may raise conflicts as, for example, these individuals review opportunities that may be appropriate or suitable for both the Company and such other companies, or the Company pursues business transactions in which both the Company and such other companies have an interest, such as the arrangement in relation to the design and supply of off-road engines from the Company to CNH Industrial.

The Loyalty Voting Program may affect the liquidity of Common Shares and reduce the Company's share price.

The Company's loyalty voting program is intended to reward Shareholders for maintaining long-term Common Share ownership by granting initial shareholders and persons holding Common Shares continuously for at least three years, the option to elect to receive Special Voting Shares (the Loyalty Voting Program). Special Voting Shares cannot be traded and, immediately prior to the transfer of Common Shares from such Loyalty Register, any corresponding Special Voting Shares shall be transferred to the Company for no consideration *(om niet)*. This loyalty voting program is designed to encourage a stable Shareholder base and, conversely, it may deter trading by those Shareholders who are interested in gaining or retaining Special Voting Shares. Therefore, the loyalty voting structure may reduce liquidity of the Common Shares and adversely affect their trading price.

The Loyalty Voting Program may prevent or frustrate attempts by the Company's shareholders to change the Company's management and hinder efforts to acquire a controlling interest in the Company, and the market price of the Company's Common Shares may be lower as a result.

The provisions of the Company's articles of association establishing the Loyalty Voting Program may make it more difficult for a third party to acquire, or attempt to acquire, control of the Company, even if a change of control is considered favorably by Shareholders holding a majority of the Common Shares. As a result of the Loyalty Voting Program, a relatively large proportion of the voting power of the Common Shares could be concentrated in a relatively small number of shareholders who would have significant influence over the Company. In addition, following the Demerger, EXOR holds approximately 27% of the Company's common shares and approximately 42% of the voting power in the Company. Such shareholders participating in the Loyalty Voting Program could effectively prevent change of control transactions that may otherwise benefit Company's shareholders.

The market price and trading volume of the Common Shares may be volatile, which could result in rapid and substantial losses for shareholders.

Even if an active trading market develops or is sustained, the market price of the Common Shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of the Common Shares may fluctuate and cause significant price variations to occur. If the market price of the Common Shares declines significantly, Shareholders may be unable to sell their Common Shares at an acceptable price, if at all. The market price of the Common Shares may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of the Common Shares, or result in fluctuations in the price or trading volume of the Common Shares, include:

a. variations in the Group's operating results, or failure to meet the market's earnings expectations;
b. publication of research reports about the Group or the automotive industry, or the failure of securities analysts to cover the Common Shares;
c. departures of any members of the Group's Senior Leadership Team or additions or departures of other key personnel;
d. adverse market reaction to any indebtedness the Group may incur or securities the Group may issue in the future;
e. actions by Shareholders;
f. changes in market valuations of similar companies;
g. changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting the Group's business, or enforcement of these laws and regulations, or announcements relating to these matters;
h. adverse publicity about the automotive industry generally, or particularly scandals relating to the industry, specifically;
i. litigation and governmental investigations; and
j. general market and economic conditions.

Any or all of these factors could result in material fluctuations in the price of the Common Shares, which could lead to investors getting back less than they invested or a total loss of their investment. See also "*The Group's ability to reshape and/or strategically reposition its business activities could be impacted by employees being protected under employee laws and/or collective labor agreements*" and "*The Group's results of operations may be adversely impacted by various types of claims, lawsuits, and other contingent obligations*".

The interests of the major shareholder may differ from the interests of other Shareholders.

EXOR holds approximately 27% of the Common Shares and approximately 42% of the voting power in the Company due to its participation in the Loyalty Voting Program. By virtue of its ownership and voting interest in the Company, EXOR will have an interest in the Company and will have a significant influence over matters submitted to a vote of the Shareholders, including matters such as adoption of the annual financial statements, capital increases and acquisitions (which may dilute EXOR's shareholding) and amendments to the Articles of Association. The interests of this major shareholder may in certain cases differ from those of other Shareholders.

The issuance of additional Common Shares in the Company in connection with future acquisitions, any share incentive or share based plan or otherwise may dilute all other Shareholdings.

The Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, issue additional equity or convertible equity securities either to the sellers in such acquisition or to finance a cash acquisition. As a result, existing holders of Common Shares may suffer dilution in their percentage ownership and/or the market price of the Common Shares may be adversely affected.

Tax consequences of the Loyalty Voting Program are uncertain.

No statutory, judicial, or administrative authority directly discusses how the receipt, ownership, or disposition of Special Voting Shares should be treated for Italian tax purposes and as a result, the tax consequences in this jurisdiction are uncertain. The fair market value of the Special Voting Shares, which may be relevant to the tax consequences, is a factual determination and is not governed by any guidance that directly addresses such a situation. Because, among other things, the Special Voting Shares are not transferable (other than, in very limited circumstances, together with the associated Common Shares) and a shareholder will receive amounts in respect of the Special Voting Shares only if the Company is liquidated, the Group believes and intends to take the position that the fair market value of each Special Voting Share is minimal. However, the relevant tax authorities could assert that the value of the Special Voting Shares as determined by the Group is incorrect.

TAXATION RISKS

The Group may incur additional tax expense or become subject to additional tax exposure.

The Group is subject to income taxes in many jurisdictions around the world. The Group's tax liabilities are dependent upon the location of earnings among these different jurisdictions. The Group's future results of operations could be adversely affected by changes in the consolidated effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the Group's overall profitability, changes in tax legislation and rates, changes in generally accepted accounting principles and changes in the valuation of deferred tax assets and liabilities. If the Group's effective tax rate were to increase, or if the ultimate determination of the Group's taxes owed is for an amount in excess of amounts previously accrued or paid, the Group's operating results, cash flows, and financial position could be adversely affected. For further information, see Note 9 "Income tax (expense) benefit" to the Combined Financial Statements.

In addition, tax laws are complex and subject to varied and subjective interpretive decisions. As the Group will periodically be subject to tax audits aimed at assessing the Group's compliance with direct and indirect taxes, the tax authorities may not agree with the Group's interpretations of, or the positions that the Group has taken or intends to take on, tax laws applicable to the Group's ordinary activities and extraordinary transactions. In case of challenges by the tax authorities to the Group's interpretations, the Group could face long tax proceedings that could result in the payment of additional tax, interest and penalties, which could have a material adverse effect on the Group's operating results, business and financial condition.

BUSINESS OVERVIEW

GENERAL

Iveco Group is the holding company of a leading global capital goods group engaged in the design, production, marketing, sale, servicing, and financing of trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and other uses, as well as combustion engines, alternative propulsion systems, transmissions and axles for those vehicles and engines and alternative propulsion systems for agricultural and construction equipment and power generation applications. The Group has manufacturing, commercial and financial services companies located in 34 countries.

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 combustion engines, alternative propulsion systems, 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 brand dealers and distributors of the Group or directly by subsidiaries of the Group. In addition, Financial Services provides wholesale financing to brand dealers and distributors of the Group. 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 grants support to CNH Industrial, by providing financial services for their European brands, Dealers and customers under a vendor and service agreement, receiving a fee for the services rendered.

Net revenues by segment in the years ended 31 December 2021 and 2020 were as follows:

(€ million)	2021	2020
Commercial and Specialty Vehicles	10,318	8,247
Powertrain	3,750	3,180
Eliminations and Other	(1,548)	(1,113)
Total of Industrial Activities	**12,520**	**10,314**
Financial Services	195	165
Eliminations and Other	(64)	(68)
Total for the Group	**12,651**	**10,411**

Net revenues by region in the years ended 31 December 2021 and 2020 were as follows:

(€ million)	2021	2020
Europe	9,403	7,844
South America	1,174	621
North America	238	167
Rest of World	1,836	1,779
Total	**12,651**	**10,411**

INDUSTRY OVERVIEW

Commercial and Specialty Vehicles

Trucks and Commercial Vehicles

The world truck market is generally divided into two segments: Light Commercial Vehicles ("LCV") market (gross vehicle weight ("GVW") 3.5-7.49 metric tons), and Medium and Heavy ("M&H") truck market (GVW above 7.5 metric tons). The M&H segment is characterized by a higher level of engineering specialization due to the technologies and production systems utilized, while the LCV segment has many engineering and design characteristics in common with the automobile industry. In addition, operators of M&H trucks often require vehicles with a higher degree of customization than the more standardized products that serve the LCV market. Customers generally purchase heavy trucks for one of three primary uses: long distance haulage, construction haulage, and/or distribution.

The regional variation in demand for trucks and commercial vehicles is influenced by differing economic conditions, levels of infrastructure development, and geographic region, all of which lead to differing transport requirements.

M&H truck demand tends to be closely aligned with the general economic cycle and the capital investment cycle including the general level of interest rates and, in certain countries, governmental subsidy programs, particularly in more developed markets such as Europe, North America and Japan, as economic growth provides increased demand for haulage services and an incentive for transporters to invest in more efficient, less polluting, higher capacity vehicles and renew vehicle fleets. The product life cycle for M&H trucks typically covers a seven to ten-year period.

Although economic cycles have a significant influence on demand for M&H trucks in emerging economies, the processes of industrialization and infrastructure development have generally driven long-term growth trends in these countries. As a country's economy becomes more industrialized and its infrastructure develops, transport needs tend to grow in response to increases in production and consumption. Developing economies, however, tend to display volatility in short-term demand resulting from government intervention, changes in the availability of financial resources and protectionist trade policies. In developing markets, demand for M&H trucks increases when it becomes more cost-effective to transport heavier loads, especially as the infrastructure, primarily roads and bridges, becomes capable of supporting heavier trucks. At the same time, the need to transport goods tends to increase in these markets, resulting in increased demand for LCV.

Industry forecasts indicate that transportation of goods by road, currently the predominant mode of transport, will remain so for the foreseeable future. Furthermore, the Group also offers personalized aftersales customer assistance programs that provide a wide range of modular and flexible maintenance and repair contracts, as well as warranty extension services, to meet a variety of customers' needs and to support the vehicle's value over time: demand for those services, as well as for parts, is a function of the number of vehicles in use. Although demand for new commercial vehicles tends to decrease during periods of economic stagnation or recession, the demand for those services is historically less volatile than the new vehicle market and, therefore, helps limit the impact of declines in new vehicle sales on the operating results of full-line manufacturers, such as Commercial and Specialty Vehicles.

Commercial vehicles markets are subject to intense competition based on initial sales price, cost and performance of vehicles over their life cycle (i.e., purchase price, operating and maintenance costs and residual value of the vehicle at the end of its useful life), services and service-related products and the availability of financing options. High reliability and low variable costs contribute to customer profitability over the life of the vehicle and are usually important factors in an operator's purchase decision. Additional competitive factors include the manufacturer's ability to address customer transport requirements, driver safety, comfort, and brand loyalty through vehicle design.

Demand for trucks varies seasonally by region and by product class. In Europe, the peak retail demand occurs in the second and fourth quarters due to key fleet customer demands and customer budgetary cycles. In South America, demand is relatively stable throughout the year except for increased demand for heavy trucks in the first and fourth quarters from customers who transport foodstuffs. In Rest of World, sales tend to be higher in the second and fourth quarters due to local holiday periods.

Although the Group believes that diesel remains, for the foreseeable future, the key fuel source for commercial vehicles and industrial equipment in general, the adoption of new engine technological solutions and growing public opinion in favor of more environmentally friendly solutions are pushing for increased penetration of both alternative and renewable fuels (such as compressed natural gas ("CNG"), liquefied natural gas ("LNG"), methane and hydrogen) and full electric vehicles.

The car industry is leading autonomous vehicle development, but commercial vehicles are also making advances in platooning and autonomous technologies. The Group expects this development to intensify. The Group believes that the growing automation in transportation and infrastructure solutions through the use of self-driving vehicles will also allow the industry to provide greater safety, fuel savings, and transport efficiency.

Buses

The global bus business is organized by mission, from city and intercity transport to tourism purposes, with a capacity ranging from 7 to 150 seated/standing passengers. IVECO BUS (previously Iveco Irisbus) and HEULIEZ BUS target markets include urban and intercity buses. Operators in this industry include three types of manufacturers: those specialized in providing chassis to bodybuilders, those that build bodies on chassis produced by third parties, and those, like IVECO BUS, that produce the entire vehicle.

The primary customers of the bus segment are tour and intercity bus service operators, while the principal customers of the city bus segment are the transport authorities in urban areas.

Deregulation and privatization of transport services in many markets have favored concentration towards large private companies operating in one country, in more than one neighboring country, or at an international level. Demand has increased for highly standardized, high-use products for large fleets, with financing and maintenance agreements or kilometric pricing. Deregulation and privatization have also increased competition between large transport service companies, raising the level of vehicle use and increasing the choice of brands for operators in the market.

Sales for urban and intercity buses are generally higher in the second half of the year, due to public entities budgeting processes, tender rules, and bus production lead-time.

Powertrain

The dynamics of the industrial powertrain business vary across the different market segments in which the various propulsion systems are used. For vehicle and equipment applications, product development is driven by regulatory requirements (i.e., legislation on pollutant emissions and, increasingly, CO_2 emissions), as well as the need to reduce total operating costs: customers are seeking more efficient propulsion systems that enable lower total cost of ownership and higher productivity.

For on-road applications in developed markets, where economy and infrastructure drive demand for local and haulage transportation, demand for engines is driven by general economic conditions, capital investment, industrialization, and infrastructure developments.

In the bus market, engine demand is increasingly influenced by the environmental policies of governments and local authorities (i.e., requirements for natural gas, hybrid and electric solutions).

Demand for off-road applications in the agricultural industry is influenced by many factors, including the price of agricultural commodities and the relative level of new and used inventories, the profitability of agricultural enterprises, net farm income, the demand for food products, agricultural policies, as well as climatic conditions. At the same time, the construction equipment business is driven by general economic factors and the level of public investment in infrastructure, which affects the need for replacement of old equipment and investment in more innovative solutions to boost productivity.

Increasingly stringent emission regulations in Europe, the U.S. and Asia represent an opportunity for Powertrain to gain a competitive advantage through technological solutions developed for engines and after-treatment systems (such as High Efficiency SCR technology). Alternative fuel represent a viable alternative to diesel for transport vehicles, as they are more environment friendly and offer better fuel economy than diesel while performing comparably to diesel engines (e.g. LNG for Buses and Commercial Vehicles). Increasing demand for alternative propulsion systems (such as electrified powertrain or fuel cell) is expected to continue, as related technologies are growing quickly and will offer business opportunities in the industrial sector. The increasing trend among mid-sized original equipment manufacturers ("OEMs") to outsource engine development, due to the significant research and development expenditures required to meet the new emission requirements, presents an opportunity for Powertrain to increase sales to third party customers.

The Company believes that FPT Industrial provides the Group, as a whole, with strategic independence in a key area where competition is particularly intense and further challenges, driven by increasingly stringent regulations, are expected.

COMPETITION

The industries in which the Group operates are highly competitive. the Group believes that it has many competitive strengths that will enable it to improve its position in markets where it is already well established while it directs additional resources to markets and products with high growth potential.

For Commercial and Specialty Vehicles, the Group competes with: (i) large global full-line equipment manufacturers with a presence in every market and a broad range of products that cover most customer needs, (ii) manufacturers who are product specialists focused on particular industry segments on either a global or regional basis, (iii) regional full-line manufacturers, some of which are expanding worldwide to build a global presence, (iv) local, low-cost manufacturers in individual markets, particularly in emerging markets such as Eastern Europe and China. For Powertrain, the Group competes with (i) pure non-captive players (i.e. powertrain manufacturers selling their products to third parties) and (ii) OEMs producing powertrains by themselves.

The Group's competitive strengths include well-recognized brands, a full range of competitive products and features, a strong global presence, and distribution and customer service network. There are multiple factors that influence a buyer's choice of industrial equipment. These factors include the strength and quality of the distribution network, brand loyalty, product features, quality and performance, availability of a full product range, pricing, technological innovations, product availability, financing terms, parts and warranty programs, resale value and customer service and satisfaction. The ability to meet or exceed applicable engine emissions standards as they take effect is also a key competitive factor, particularly in those markets where such standards are the subject of frequent legislative or regulatory scrutiny and change, such as Europe and North America. The Group continually seek to improve in each of these areas but focus primarily on providing high-quality and high-value products and supporting those products through the Group's dealer networks. Customers' perceptions of product value in terms of productivity, reliability, resale value and dealer support are formed over many years. Buyers tend to favor brands based on experience with the product and the dealer.

The efficiency of the Group's manufacturing, logistic and scheduling systems are dependent on forecasts of industry volumes and the Group's anticipated share of industry sales, which is predicated on the Group's ability to compete successfully with others in the marketplace. The Group competes based on product performance, customer service, quality, innovation and price. The environment remains competitive from a pricing standpoint, and actions taken to maintain the Group's competitive position in the current challenging economic environment could result in lower than anticipated price realization. The ability of the Group supply chain and manufacturing system to timely deliver finished goods is also critical to meeting customer expectations. Failure to do so might imply losses of market share and competitiveness.

The Group's principal competitors in the commercial and specialty vehicles market are Daimler Truck, the Traton Group, the Stellantis Group, Paccar Inc., the Volvo Group, Rosenbauer International AG, Rheinmetall AG, Oshkosh Corporation.

The principal competitors of Powertrain include Cummins Inc., Daimler Group, Deere & Company, Deutz AG, Traton Group, Volvo Group, Yanmar Co., Ltd, Caterpillar/Perkins and Weichai Power Co. Ltd.

PRODUCTS

Commercial and Specialty Vehicles

Trucks and Commercial Vehicles (IVECO and IVECO ASTRA)

Under the IVECO brand, the Group produces a range of light, medium, and heavy trucks and commercial vehicles for both on-road and off-road use, with approximately 3,700 different models available. The Group's key products include the Daily, a vehicle that covers the 3.5 – 7.5 ton vehicle weight range, the Eurocargo, a vehicle that covers the 7.5 – 16 ton range, the Trakker, a vehicle capable of off-road transport, and the S-Way, dedicated to on-road transport. Starting from 2019, IVECO started a process of complete renewal of the heavy product offering with the launch of the S-Way (the new range for long haulage and distribution) and X-Way (dedicated to construction logistics and municipalities); the new

T-Way for off-road is expected to be introduced in 2021. The product offering is complemented by a series of aftersales and used vehicle assistance services.

Light vehicles include on-road vans and chassis cabs used for short and medium distance transportation and distribution of goods, and off-road trucks for use in quarries and other work sites. The Group has an estimated 25% market share in Europe in professional heavy cab-chassis (above 5 ton GVW). The Group also offers shuttle vehicles used by public transportation authorities, tourist operators, hotels and sports clubs and campers for recreational travel.

The M&H vehicle product lines include on-road chassis cabs designed for medium and long-distance hauling and distribution. Medium Gross Vehicle Weight ("GVW") off-road models are typically used for building roads, winter road maintenance, construction, transportation, maintenance of power lines and other installations in off-road areas, civil protection and roadside emergency service. Heavy GVW off-road models are designed to operate in virtually any climate and on any terrain and are typically used to transport construction plant materials, transport and mix concrete, maintain roads in winter and transport exceptionally heavy loads.

The Group offers ecological diesel and natural gas engines on its entire range of vehicles. The Group continues to develop engines with specific components and configurations optimized for use with CNG and LNG and The Group has have developed a comprehensive roadmap for the introduction in the market of a complete range of zero emission vehicles (from Light to Heavy).

Under the IVECO ASTRA brand, the Group builds vehicles that can enter otherwise inaccessible quarries and mines and move large quantities of material, such as rock or mud, and perform heavy-duty tasks in extreme climatic conditions. The Group's product range for IVECO ASTRA includes mining and construction vehicles, rigid and articulated dump trucks and other special vehicles.

On 3 September 2019, CNH Industrial announced a strategic and exclusive Heavy-Duty Truck partnership with Nikola Corporation, a U.S. based leader in fuel cell truck technology development. In this context, CNH Industrial, through its wholly owned subsidiary Iveco S.p.A. (included in the Iveco Group), made an initial subscription to Nikola's share capital (approximately 2.5% shareholding) through a cash contribution of $50 million and an in-kind contribution of $50 million, granting Nikola access to certain IVECO S-Way technology.

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 continue to be listed on NASDAQ under the new ticker symbol “NKLA”. Before the completion of the business combination, CNH Industrial increased its investment in Nikola, to $250 million. At 31 December 2020 Iveco S.p.A. beneficially owned approximately 6.208% of Nikola Corporation's common stock.

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, including two licenses granted by the two shareholders to allow this legal entity to manufacture BEVs and at a later stage FCEVs. Furthermore, under these agreements, Iveco S.p.A. will be the manufacturer for any EU emission-related purposes of the vehicles produced and distributed in EU by this European legal entity and will be responsible for their distribution in the EU different jurisdictions. The set-up activities of the legal entity started in the fourth quarter of 2020 and are progressing according to internal schedules and production started in the fourth quarter of 2021.

Buses (IVECO BUS and HEULIEZ BUS)

Under the IVECO BUS and HEULIEZ BUS brands, the Group offers local and inter-city commuter buses, minibuses, school buses and tourism coaches, and is a leader in inter-city buses as well as in low and zero emissions solutions. IVECO BUS is one of the major European manufacturers in the passenger transport sector and is expanding its activities globally. HEULIEZ BUS produces city buses for public transportation and is a leader in France for the urban bus market. The Group has a competitive footprint in Europe, the Middle East and Africa and is looking to grow in Latin America through portfolio expansion. The Group’s bus segment also benefits from sharing technology with IVECO trucks and commercial vehicles.

Specialty Vehicles (Magirus and Iveco Defence Vehicles)

Under the Magirus brand, the Group manufactures vehicles designed to respond to natural disasters and civil emergencies, such as fires, floods, earthquakes and explosions, using new digital and innovative technologies. Iveco Defence Vehicles develops and manufactures specialized vehicles for defense missions and civil protection.

Powertrain

Powertrain is dedicated to the design, development, manufacture and sale of combustion engines, alternative propulsion systems, transmissions, and axles under the FPT Industrial brand.

FPT Industrial has a wide product offering, including six engines ranges (F1, F5, S8000, NEF, Cursor, V20) from 2 to 20 liters and from 42 to 1,006 hp. Furthermore, FPT Industrial offers the most complete Natural Gas engines line-up on the market for industrial applications, including engine ranges from 136 hp up to 460 hp. FPT Industrial's product portfolio includes engines for buses and for light, medium and heavy commercial vehicles, engines for industrial machinery including construction, agricultural and industrial equipment, engines for special-purpose vehicles and engines for power generation units and marine applications.

FPT Industrial’s product line-up is completed by versions that use alternative fuels, including engines that run on natural gas and engines compatible with renewable diesel (such as hydro-treated vegetable oil, xTL). With more than 20 years of experience in the research, development and production of natural gas engine technologies for industrial applications, FPT Industrial is an industry leader in this field. In 2018 a dedicated E-Powertrain team was established to develop dedicated projects in the e-powertrain field in industrial applications.

Launches During 2021, FPT Industrial collected a series of product launches and news. In February, the Brand presented a three-year partnership with Fontanafredda, which includes the supply of a concept of New Holland Agriculture TK Methane Power crawler vineyard tractor with biomethane to enable the world's first zero-emissions harvest of a Barolo cru. The tractor is fueled by FPT Industrial F28 Natural Gas engines and worked in the Vigna La Rosa cru that produces the grapes for the legendary Barolo of the same name, a wine which has been included in the Wine Spectator Top 100 of the world's best wines. In April, during the 19th Shanghai International Automobile Industry Exhibition, FPT Industrial presented the innovative Cursor 9, Cursor 11, and Cursor 13 engines meeting in advance the GBVI emission standards that were fully implemented in China, starting from 1 July 2021. The three new engines unveiled together with SFH fully expressed brand product strength, based on continuous technological development. The key advancements equipping the Cursor GBVI engines are the Ti-V (Titanium – Vanadium), guaranteeing the engine to be unstoppable, and the eVGT (Electronically-controlled Variable Geometry Turbocharger) for Cursor 13, making the GBVI the best choice for heavy duty trucks. In the same month, with a global digital launch called "Marine Virtual Experience", FPT Industrial presented its further extension of the marine engine line-up for pleasure and commercial applications, specifically tuned for meeting the requirements of a wider audience. The core of the launch was the unveiling of the new C90 170 Stage V dedicated to heavy-duty missions and featuring an optimized fuel map that avoids the need for a urea-based after treatment system. The other highlight was the presentation of the keel cooling system, a solution for effectively cooling engines operating in sandy, muddy and shallow water, without the risk of obstructing the seawater filters and damaging the seawater pumps. During the digital presentation FPT Industrial also showed the N40 170 Stage V and the N67 450 N. Furthermore, the Brand expanded its products and services portfolio offering for USA and Canada customers with the launch of a new and comprehensive line of high-quality, high-performance lubricants. From October 18 to 23, FPT Industrial took part in EIMA International 2021, the International Agricultural and Gardening Machinery Exhibition held in Bologna (Italy). This was the occasion of displaying the F28 engine in its NG and hybrid versions, together with the N67 NG, the F34 Stage V PowerPack and the N45.

Deliveries In March 2021, FPT Industrial was chosen as preferred engine supplier by TATA DAEWOO Commercial Vehicles for the launch of the new "the CEN", an innovative formula of semi-medium truck designed to make a strong impact on the domestic South Korean market. In April, in Korea, LS Mtron has become the first Korean tractor manufacturer to adopt the class-leading F34 Stage V engine from FPT Industrial. Offering 55kW of maximum power at 2200 rpm and 375Nm of torque at 1400 rpm, the F34 Stage V is the driving force behind the new LS Mtron XP7074 Utility class 2 AG tractor. In the last quarter, Amazon signed an agreement for the supply of 1,064 IVECO S-Way CNG trucks which are equipped with the Cursor 13 Natural Gas engines. Amazon has already taken delivery of the first batch of 216 units to be operated by its partners in Europe, and another 848 units are on order with deliveries to start in mid-2022. Built in the WCM Gold-Level Plant in Bourbon-Lancy (France), FPT Industrial's Cursor 13 NG engine represents the best low environmental impact alternative for long-range operations. To be even closer to its customers, FPT Industrial launched MyFPT, an App for smartphone for all engine users. Clients all around the world can have at their fingertips data, user's manuals and service schedules for FPT Industrial engines and machinery equipped with the brand's engines. The app also ensures the status of the power unit in real time (such as the RPM, temperature, consumption, etc.) and grants assistance with a simple "tap". In May, the Brand signed two Memoranda of Understanding with Landi Renzo Group, a leading company in the design, production and distribution of Compressed Natural Gas, Liquefied Natural Gas and Hydrogen components and systems, with the aim of exploring the possibility of collaborating on Clean Fuel projects. The Memoranda are focused on the possible development of Natural Gas and Hydrogen technology respectively.

Prizes and achievements 2021 was a year of prizes for the Brand. At the beginning of 2021, FPT Industrial received the Good Design Award for its Cursor X, the innovative Multi-power, Modular, Multi-application and Mindful 4.0 power source concept. Founded in Chicago in 1950 by Eero Saarinen and Charles and Ray Eames, and currently managed by The Chicago Athenaeum: Museum of Architecture and Design and The European Centre for Architecture Art Design and Urban Studies, Good Design remains the oldest and the world's most recognized program for design excellence worldwide. After that, FPT Industrial celebrated the "Sustainable Tractor of the Year 2021" received by the Claas AXION 960 CEMOS. The winning tractor is fitted with the latest generation of FPT Industrial's Cursor 9 Stage V engine. This 6-cylinder engine delivers maximum power of 327 kW /460 hp at 1,800 rpm and maximum torque of 1,860 Nm at 1,400 rpm. In July 2021, FPT Industrial and its Bourbon-Lancy plant, France, were awarded in the Gold Medal for the World Class Manufacturing. The road to the highest honor was built on solid pillars and knowledge, and key gold points mentioned were: quality, machining maintenance and karakuri system. The Bourbon-Lancy plant also celebrated the production of the 10,000th Cursor 13 NG engine, rolling off the line of its line on March 9. Moreover, in October, the 2022 "Tractor of the Year" was given to New Holland T6.180 Methane Power, powered by the FPT Industrial N67 NG engine; the jury underlined the step forward towards more sustainable farming of the powering system. In the end of the year, the innovation, sustainability and design of the Red Horizon was awarded Gold Winner of the 2021 edition of the New York Product Design Awards. The jury selected the Red Horizon for the Watercraft Category for successfully consolidating technology, performance, power and design in a beautiful zero emission powerboat concept.

SALES AND DISTRIBUTION

Commercial and Specialty Vehicles

Commercial and Specialty Vehicles' worldwide distribution strategy is based on a network of independent dealers, in addition to its own dealerships and branches. As of 31 December 2021, Commercial and Specialty Vehicles had approximately 670 dealers globally (of which 16 were directly owned by the Group and 11 were branches). All dealers sell spare parts for the relevant vehicles. Commercial and Specialty Vehicles bolsters its distribution strategy by offering incentives to its dealers based on target achievements for sales of new vehicles and parts and providing high quality aftersales services.

As of 31 December 2021, Commercial and Specialty Vehicles had approximately 5,000 sales and/or service network points. In addition to

Commercial and Specialty Vehicles' standard one-year full vehicle warranty and two-year powertrain warranty, Commercial and Specialty Vehicles offers personalized aftersales customer assistance programs.

A key element of Commercial and Specialty Vehicles' growth strategy is its distribution network. In Western Europe, Eastern Europe, Turkey, Russia, Australia and Latin America, continued consolidation of the distribution network is aimed at improving service to customers (such as the implementation of the Truck Stations network of specialized workshops), increasing profitability and reducing overall distribution costs. In Africa and the Middle East, the distribution network is being expanded to fully exploit growth in these markets.

In the U.K., Commercial and Specialty Vehicles is one of the OEMs that sells trucks and other commercial vehicles to companies which offer commercial vehicle rental solutions, such as Ryder, Fraikin and Burntree, among others.

Powertrain

Powertrain provides propulsion solution products for Commercial and Specialty Vehicles, as well as to Agriculture and Construction segments of CNH Industrial. Additionally, Powertrain's commercial strategy and business model are focused on the development of a portfolio of medium-to-large OEM customers. Powertrain has entered into long-term supply agreements with a growing number of third-party customers.

At 31 December 2021, Powertrain has a network of approximately 66 dealers and 703 service points in 100 countries that cover its entire product range and related market sectors. Large OEMs use their own internal networks to obtain parts and services for purchased equipment, while small OEMs frequently rely on us for delivery of parts and services through Powertrain's worldwide network.

PRICING AND PROMOTION

The retail price of any particular piece of equipment or vehicle is determined by the individual dealer or distributor and generally depends on market conditions, features, options and, potentially, regulatory requirements. Retail sale prices may differ from the manufacturer-suggested list prices, as a result of different factors (markets' demand; customers' specific requirements; local market conditions; general economic conditions; access to financing; etc.). The Group sells most of the Group's portfolio to its dealers and distributors at wholesale prices that reflect a discount from the manufacturer-suggested list price. In the ordinary course of business, the Group engages in promotional campaigns that may include price incentives or preferential financing terms with respect to the purchase of certain products.

The Group regularly advertises its products to transporters, distributors and dealers in each of its major markets. To reach the Group's target audience, the Group uses a combination of general media, specialized design and trade magazines, the Internet and direct mail. The Group also regularly participates in major international and national trade shows and engage in co-operative advertising programs with distributors and dealers. The promotion strategy for each brand varies according to the target customers for that brand.

PARTS AND SERVICES

The quality and timely availability of parts and services are important competitive factors for each of the Group's businesses, as they are significant elements in overall dealer and customer satisfaction and important considerations in a customer's original equipment purchase decision. The Group supplies parts, many of which are proprietary, to support items in the current product line as well as for products the Group has sold in the past. The Group also offers personalized aftersales customer assistance programs that provide a wide range of modular and flexible maintenance and repair contracts, as well as warranty extension services, to meet a variety of customers' needs and to support the vehicle's value over time. Many of the Group's products can have economically productive lives of up to 10 years when properly maintained, and each unit has the potential to produce a long-term parts and services revenue stream for the Group and its dealers.

As of 31 December 2021, the Group operated and administered 22 parts depots worldwide either directly, through a joint venture, or through arrangements with warehouse service providers. This network includes 10 in Europe, 2 in South America, and 10 in Rest of World. The network includes 19 that support Commercial and Specialty Vehicles and 6 that support Powertrain. These depots supply parts to dealers and distributors, which are responsible for sales to retail customers. The Group's parts depots and parts delivery systems provide customers with access to substantially all the parts required to support Group's products.

COMMERCIAL AND/OR MANUFACTURING COLLABORATIONS

As part of a strategy to enter and expand in new markets, the Group is involved in several commercial and/or manufacturing collaborations relating to Industrial Activities business, including the following:

- in China, the Group controls 60.0% of SAIC Fiat Powertrain Hongyan Ltd ("SFH"), a manufacturing company located in Chongqing, which produces diesel engines under license from us to be sold in the Chinese market and to be exported to Europe, the U.S. and Latin America;
- in Germany, the Group owns 50.0% of Nikola Iveco Europe GmbH, which will manufacture cab over battery-electric vehicle and hydrogen fuel cell electric vehicle trucks, jointly developed by Iveco S.p.A. and Nikola Corporation.

FINANCIAL SERVICES

Financial Services offers a range of financial products and services to dealers, importers, customers and suppliers in the various regions in which the Group's Industrial Activities segments operate. The principal products offered directly or through joint ventures with banks are retail loan, lease financing and operating lease for the purchase or lease of new and used vehicles, wholesale financing to dealers and factoring of trade receivables from legal entities of the Group. Wholesale financing consists primarily of dealer floor plan financing and gives the dealers the ability to maintain a representative inventory of new products. In addition, Financial Services directly or through joint ventures with banks provides financing to dealers for used vehicles taken in trade, vehicles utilized in dealer-owned rental yards, parts inventory, working capital and other financing needs. As a captive finance business, Financial Services is reliant on and supports the operations of Commercial and Specialty Vehicles, and Powertrain, their dealers, and customers.

Financial Services supports the growth of Industrial Activities by developing and structuring financial products with the objective of increasing vehicle sales as well as profitability and customer loyalty. Financial Services' strategy is to grow a core financing business to support the sale of the Group's vehicles while at the same time maintaining its portfolio credit quality, service levels, operational effectiveness and customer satisfaction. Financial Services also offers products to finance third party vehicles sold through the Group's dealer network or within the Group's core businesses. Financed third party vehicles include used vehicles taken in trade on the Group's products used in conjunction with or attached to the Group's products.

In Europe, there are two joint ventures that provide retail financing to customers for the purchase or lease of new and used sold directly by the Group or through brand dealers, depending on the country of origin. CNH Industrial Capital Europe S.a.S., a joint venture with BNP Paribas Group, was 49.9% owned by CNH Industrial N.V. and accounted for under the equity method, until the Demerger. Post-Demerger, CNH Industrial N.V. owns the 24.95% and Iveco Group owns the 24.95%. Transolver Finance Establecimiento Financiero de Credito S.A. ("Transolver Finance"), a joint venture with the Santander Group, was 49% owned by CNH Industrial N.V. and accounted for under the equity method until the Demerger, Post-Demerger, Transolver Finance is part of the Iveco Group. Transolver Finance also provides dealer financing. Additionally, there are vendor programs with banking partners that provide customer financing of new and used vehicles sold by brand dealers of the Group, in different countries.

In Europe, the Middle East and Africa (EMEA), the Iveco Group Financial Services organization provides services to the CNH Industrial Financial Services segment on customer financing and factoring deeply described and regulated in a specific Master Service Agreement (*Financial Services Master Service Agreement*). In Europe, IC Financial Services S.A. (previously known as CNH Industrial Financial Services S.A.), a French specialized credit institution with passporting to operate in main European countries, wholly-owned by the Group, manages CNH Industrial dealer financing through a dedicated securitization.

For South America, customer and dealer financing activities in Brazil are managed through CNH Industrial wholly-owned financial services company, Banco CNH Industrial Capital S.A. ("Banco CNH Industrial Capital"), which supports the sales of Commercial and Specialty Vehicles with a "Vendor Program". For customer financing of the Group, Banco CNH Industrial Capital mainly continues to serve as a lender for funding provided by BNDES, a federally-owned financial institution linked to the Brazilian Ministry of Development, Industry and Foreign Trade. In Argentina, customer and dealer financing activities, which support the sales of Commercial and Specialty Vehicles, are supported and served through a wholly-owned CNH Industrial financial services company, with a "Vendor Program". In addition, other vendor programs with banking partners are also in place in Argentina.

For Rest of World, customer and dealer financing activities for the Commercial and Specialty Vehicles in Australia, and Russia are managed through a "Vendor Program" with CNH Industrial wholly-owned financial services companies.

Customer Financing

Financial Services - also through the joint ventures - has retail underwriting and portfolio management policies and procedures that are specific to Commercial and Specialty Vehicles. This distinction allows Financial Services to reduce risk by deploying industry-specific expertise in each of these businesses. The Group provides retail financial products primarily through the Group's dealers, who are trained in the use of the various financial products. Dedicated credit analysis teams perform retail credit underwriting. The terms for financing vehicle retail sales typically provide for retention of a security interest in the vehicles financed.

Financial Services' guidelines for minimum down payments for vehicles generally range from 5% to 30% of the actual sales price, depending on equipment types, repayment terms, and customer credit quality. Finance charges are sometimes waived for specified periods or reduced on vehicles sold or leased in advance of the season of use or in connection with other sales promotions. For periods during which finance charges are waived or reduced on the retail notes or leases, Financial Services generally receives compensation from the applicable Industrial Activities segment based on Financial Services' estimated costs and a targeted return on equity. The cost is recognized as a reduction in net sales for the applicable Industrial Activities segment.

Dealer Financing

Financial Services provides wholesale floor plan financing for nearly all the Group's dealers. This allows them to acquire and maintain a representative inventory of products. Financial Services also provides financing to dealers for used vehicle taken in trade, vehicle utilized in dealer-owned rental yards, parts inventory, working capital, and other financing needs. For floor plan financing, Financial Services generally provides a fixed period of "interest free" financing to the dealers. This practice helps to level fluctuations in factory demand and provides a buffer from the impact of sales seasonality. For the "interest-free" period, the applicable Industrial Activities segment compensates Financial Services based on Financial Services' estimated costs and a targeted return on equity. The cost is recognized as a reduction in net sales for the applicable Industrial Activities segment. After the expiration of any "interest-free" period, interest is charged to dealers on outstanding balances until Financial Services receives payment in full.

A wholesale underwriting group reviews dealer financial information and payment performance to establish credit lines for each dealer. In setting these credit lines, Financial Services seeks to meet the reasonable requirements of each dealer while managing its exposure to any one dealer. The credit lines are secured by the vehicles financed. Dealer credit agreements generally include a requirement to repay the particular financing at the time of the retail sale of the unit. Financial Services leverages employees, third party contractors, and new digital technologies like "geofencing" to conduct periodic stock audits at each dealership to confirm that the financed vehicle is maintained in inventory. These audits are unannounced, and their frequency varies by dealer and depends on the dealer's financial strength, payment history, and prior performance.

Factoring

Financial Services also provides intragroup factoring of trade and other receivables. This activity involves the purchase (without recourse) of receivables of Iveco Group Industrial Activities legal entities, originating from the different Industrial Activities segments, and due from third or related parties.

Sources of Funding

The long-term profitability of Financial Services' activities largely depends on the cyclical nature of the industries in which the Group operates, interest rate volatility, and the ability to access funding on competitive terms. Financial Services funds its on book operations and lending activity through a combination of term receivable securitizations, committed secured and unsecured facilities, uncommitted lines of credit, unsecured bonds, unsecured commercial paper, affiliated financing, equity and retained earnings. Financial Services' current funding strategy is to maintain sufficient liquidity and flexible access to a wide variety of financial instruments and funding options.

LEGAL PROCEEDINGS

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. The most significant of these matters are described in Note 27 "Commitments and contingencies" to the Combined Financial Statements for the year ended 31 December 2021.

The outcome of any current or future proceedings, claims, or investigations cannot be predicted with certainty. Adverse decisions in some 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 Combined Financial Statements, except for the following cases.

Follow-on Damages Claims: in 2011 Iveco S.p.A. ("Iveco"), which, following the Demerger, is now part of Iveco Group N.V., 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 & Heavy trucks. On 19 July 2016, the Commission announced a settlement with CNH Industrial ("the Decision") including a settlement with Iveco. In particular, Iveco received a reduction in its fine for cooperating with the European Commission throughout the investigation, and received a fine of €494.6 million. Similar decisions were taken, by the Commission, with reference to the other competitors. Following the Decision, CNH Industrial N.V., Iveco and Iveco Magirus AG ("IMAG") have been named as defendants in proceedings across Europe and Israel. In particular, following the settlement decision by the European Commission, legal actions, class actions and other forms of legal redress for damages by direct and indirect truck customers have been filed or initiated in several jurisdictions. Damage claims could result in substantial liabilities for the Group as well as significant costs incurred for defense measures, which may have a material adverse effect on its operations and financial condition. The consummation of the Demerger will not allow CNH Industrial to be excluded from current and future follow-on proceedings originating from the Decision because under EU competition law a company cannot use corporate reorganizations to avoid liability for private damage claims. However, in the event one or more of these judicial proceedings would result in a decision against CNH Industrial ordering it to compensate such claimants as a result of the conduct that was the subject matter of the Decision, and Iveco and IMAG does not comply with such decisions, as a result of various intercompany arrangements, then CNH Industrial will ultimately have recourse against Iveco and IMAG for the reimbursement of the damages effectively paid to such claimants. 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, however, it may reassess the need to do in the future if the risk analysis in the most relevant proceedings suggested that chances to successfully defend the claims are reduced. In accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* (paragraph 92), no further information is disclosed so as not to prejudice the Group's position.

FPT Emissions Investigation: on 22 July 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. ("FPT"), which is now part of the Iveco Group N.V., installed in certain Ducato (a vehicle manufactured and distributed by Stellantis) and Iveco Daily vehicles. FPT is providing its full cooperation to properly address the requests received. FPT, other companies of Iveco Group, and in certain instances CNH Industrial and other 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. 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.

INSURANCE

We maintain insurance with third party insurers to cover various risks arising from our business activities including, but not limited to, risk of loss or damage to our assets or facilities, business interruption losses, general liability, automobile liability, product liability and directors' and officers' liability insurance. We believe that we maintain insurance coverage that is customary in our industry. We use a broker that is a subsidiary of Stellantis N.V. ("Stellantis", formerly Fiat Chrysler Automobiles N.V. which, effective 16 January 2021, merged with Peugeot S.A. by means of a cross-border legal merger) to place a portion of our insurance coverage.

PLANTS AND MANUFACTURING PROCESSES

As of 31 December 2021, the Group owned 28 manufacturing facilities. The Group also owns other significant properties including spare parts depots, research laboratories, test tracks, warehouses, and office buildings.

The Group makes capital expenditures in the regions in which it operates principally related to initiatives to introduce new products, enhance manufacturing efficiency and improve capacity, and for maintenance and engineering. In 2021, the Group's total capital expenditures in long-lived assets, excluding assets sold with buy-back commitments and equipment on operating leases, were €563 million of which 92% was spent in Europe, 5% in South America and 2% in Rest of World, respectively. These capital expenditures were funded through a combination of cash generated from operating activities and borrowings under short-term facilities. In 2020, the Group's total capital expenditures were €401 million. In 2021, capital expenditures were higher than in 2020 as expenditures returned to more normal levels from the pandemic-affected low levels experienced in the previous year.

The following table provides information about our manufacturing and engineering facilities as of 31 December 2021:

Location	Primary Functions	Approximate Covered Area (Sqm/000)
Italy		
Brescia	Medium vehicles, cabs, chassis; R&D center	276
Brescia	Firefighting vehicles; R&D center	28
Bolzano	Defense vehicles; R&D center	83
Foggia	Engines; drive shafts; R&D center	151
Piacenza	Quarry and construction vehicles; R&D center	64
Suzzara	Light vehicles; R&D center	170
Torino	Transmissions and axles	239
Torino	Engines	142
Torino	R&D center (Commercial and Specialty Vehicles)	41
Torino	R&D center (Powertrain)	28
France		
Annonay	Buses (Coaches & City); R&D center	114
Bourbon Lancy	Engines; R&D center	107
Fecamp	Engines (power generation units)	16
Fourchambault	Engines (remanufacturing)	24
Rorthais	Buses (City); R&D center	29
Venissieux	R&D center (Commercial and Specialty Vehicles)	17
Brazil		
Sete Lagoas	Heavy, medium and light vehicles; R&D center	160
Sete Lagoas	Defense vehicles	19
Sete Lagoas	Engines; R&D center	1
Germany		
Ulm	Firefighting vehicles; R&D center	92
Ulm	R&D center (Commercial and Specialty Vehicles)	45
China		
Chongqing	Engine; R&D centers	76
Chongqing	ATS plant	4
Shanghai	R&D center (Powertrain)	—
Argentina		
Cordoba	(Medium/Heavy) Trucks and buses; R&D center	94
Cordoba	Engines	20

Location	Primary Functions	Approximate Covered Area (Sqm/000)
Spain		
Madrid	Heavy vehicles; R&D center	134
Valladolid	Light vehicles, heavy cab components	81
United Kingdom		
Coventry	R&D center (Powertrain)	1
Shoream-by-Sea	R&D center (Powertrain)	—
Others		
Dandenong (Australia)	Trucks (heavy); R&D center	42
Vysoke Myto (Czech Republic)	Buses (City & Intercity); R&D center	125
Gwangju (South Korea)	R&D center (Powertrain)	—
Arbon (Switzerland)	R&D center (Powertrain)	6
Burr Ridge (United States)	R&D center (Diesel engines)	1

SUPPLIERS

The Group purchases materials, parts, and components from numerous third-party suppliers. The Group had approximately 2,000 global direct material suppliers for Industrial Activities at 31 December 2021. The Group's focus on quality improvement, cost reduction, product innovation and production flexibility requires the Group to rely upon suppliers with a focus on quality, reliability and the ability to provide cost reductions. The Group views its relationships with suppliers as critical to its operational effectiveness, and in recent years, the Group has established closer ties with a significantly reduced number of suppliers, selecting those that enjoy a leading position in the relevant markets.

RESEARCH AND DEVELOPMENT

In a continuously and rapidly changing competitive environment, Iveco Group's research activities are a vital component of its long-term growth strategy. Each year the Group makes substantial investments in research and development. Such continuous investment and development activities are critically important to the continuing success of the Group.

Research and development times are reduced, where possible, to accelerate time-to-market, while taking advantage of specialization and experience in different markets. Technical and operational synergies and rapid technical communication form the basis of Group's research and development process. The Group's innovation process consists of a series of clear-cut steps, from the evaluation of innovative concepts up to the final step before product development. The Group believes innovation is essential to offering customers highly technological, eco-friendly, safe, and ergonomic products with a low Total Cost of Ownership ("TCO").

In this spirit, research activities focus primarily on the development of products that can: reduce polluting and CO_2 emissions; optimize energy consumption and efficiency; use alternative fuels; adopt alternative traction systems; incorporate advanced telematics systems and ensure safe use. The Group's research and development activities focus mainly on: decarbonization, electrification, automated driving and connectivity and data management.

In 2021, our expenditure on research and development (including capitalized development costs and costs charged directly to operations during the year) totaled €509 million, or 4.1% of net revenues from Industrial Activities.

Research and development activities involved approximately 3,150 employees at 29 sites around the world of which approximately 270 employees were located at 5 sites in emerging countries[1].

The following table shows our total research and development expenditures, including capitalized development costs and costs charged directly to operations during the year, by segment for the years ended 31 December 2021 and 2020:

(€ million)	**2021**	**2020**
Commercial and Specialty Vehicles	352	260
Powertrain	157	133
Eliminations and Other	—	—
Total of Industrial Activities	**509**	**393**
Financial Services	—	—
Eliminations	—	—
Total for the Group	**509**	**393**

[1] Emerging Markets are defined as low, lower-middle or upper-middle income countries as per the World Bank list of economies as at June 2020.

HUMAN RESOURCES

EMPLOYEES

The ability to attract, retain, and further develop qualified employees is crucial to the success of Iveco Group's businesses and its ability to create value over the long-term. The Group's business is, by its nature, labor intensive and this is reflected in the high number of the Group hourly employees.

The following tables show the breakdown of the number of employees by segment and by region at 31 December 2021 and 2020:

(number)	2021	2020
Commercial and Specialty Vehicles	25,332	24,230
Powertrain	8,213	8,197
Other Activities	66	68
Total of Industrial Activities	**33,611**	**32,495**
Financial Services	521	469
Total	**34,132**	**32,964**

(number)	2021	2020
Europe	29,151	28,615
North America	63	63
South America	3,606	2,842
Rest of World	1,312	1,444
Total	**34,132**	**32,964**

As of 31 December 2021, Iveco Group had 34,132 employees, an increase of 1,168 from the 32,964 employees at year-end 2020. The change was mainly attributable to the new hires.

OPERATING AND FINANCIAL REVIEW

OVERVIEW

The Group is a leading global capital goods company engaged in the design, production, marketing, sale, servicing, and financing of trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and civil protection, as well as combustion engines, alternative propulsion systems, transmissions and axles for those vehicles and engines and alternative propulsion systems for agricultural and construction equipment and for marine and power generation applications. The Group has manufacturing, commercial and financial services companies located in 34 countries.

The Group's segments consist of: (i) Commercial and Specialty Vehicles, (ii) Powertrain, and (iii) Financial Services. The Group's Industrial Activities include the Group's entire enterprise without Financial Services (Commercial and Specialty Vehicles, Powertrain, and Iveco Group N.V., including the treasury operations). The Group generates revenues and cash flows principally from the sale of vehicles to dealers and distributors and engines to third parties. Financial Services provides a range of financial products focused on financing the sale and lease of vehicles to the Group's dealers and their customers.

Revenues of Industrial Activities are presented net of discounts, allowances, settlement discounts and rebates, as well as costs for sales incentive programs, determined on the basis of historical costs, country by country, and charged against profit for the period in which the corresponding sales are recognized. The Group's sales incentive programs may include the granting of retail financing at discounts to market interest rates. The corresponding cost to Industrial Activities is recognized at the time of the initial sale and the revenues of Financial Services are recognized on a pro rata basis in order to match the cost of funding.

ALTERNATIVE PERFORMANCE MEASURES (OR "NON-IFRS FINANCIAL MEASURES")

Iveco Group monitors its operations through the use of several non-IFRS financial measures. Iveco Group's management believes that these non-IFRS financial measures provide useful and relevant information regarding its operating results and enhance the readers' ability to assess Iveco Group's financial performance and financial position. Management uses these non-IFRS measures to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions as they provide additional transparency with respect to our core operations. These non-IFRS financial measures have no standardized meaning under EU-IFRS and are unlikely to be comparable to other similarly titled measures used by other companies and are not intended to be substitutes for measures of financial performance and financial position as prepared in accordance with EU-IFRS.

As of 31 December 2021, Iveco Group's non-IFRS financial measures are defined as follows:

- *Adjusted EBIT:* is defined as EBIT before 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 nature and not reflective of on-going operational activities.
- *Adjusted Net Profit/(loss):* is defined as net profit/(loss), less restructuring costs and non-recurring items, after tax.
- *Adjusted Diluted EPS:* is computed by dividing Adjusted Net Income (loss) attributable to Iveco Group N.V. by a weighted-average number of common shares outstanding during the period that takes into consideration potential common shares outstanding deriving from the Iveco Group share-based payment awards, when inclusion is not anti-dilutive. When Iveco Group provides guidance for adjusted diluted EPS, the Group does not provide guidance on an earnings per share basis because the IFRS measure will include potentially significant items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end.
- *Adjusted Income Taxes:* is defined as income taxes less the tax effect of restructuring expenses and non-recurring items, and non-recurring tax charges or benefits.
- *Adjusted Effective Tax Rate (Adjusted ETR):* is computed by dividing a) adjusted income taxes by b) income (loss) before income taxes, less restructuring expenses and non-recurring items.
- *Net Cash (Debt) and Net Cash (Debt) of Industrial Activities:* Net Cash (Debt) is defined as total Debt plus Derivative liabilities, net of Cash and cash equivalents, Derivative assets and other current financial assets (primarily current securities, short-term deposits and investments towards high-credit rating counterparties) and net financial amounts receivables from CNH Industrial. Iveco Group provides the reconciliation of Net Cash (Debt) to Total (Debt), which is the most directly comparable EU-IFRS financial measure included in the Group's consolidated statement of financial position. Due to different sources of cash flows used for the repayment of the debt between Industrial Activities and Financial Services (by cash from operations for Industrial Activities and by collection of financing receivables for Financial Services), management separately evaluates the cash flow performance of Industrial Activities using Net Cash (Debt) of Industrial Activities.
- *Free Cash Flow of Industrial Activities (or Industrial Free Cash Flow):* refers to Industrial Activities, only, and is computed as consolidated cash flow from operating activities less: cash flow from operating activities of Financial Services; investments of Industrial Activities in property, plant and equipment and intangible assets; as well as other changes and intersegment eliminations.
- *Available Liquidity*: is defined as cash and cash equivalents, including restricted cash, undrawn medium-term unsecured committed facilities, other current financial assets (primarily current securities, short-term deposits and investments towards high-credit rating counterparties), and net financial amounts receivables from CNH Industrial.

COVID-19 Effects and Actions

The COVID-19 pandemic and the related actions of governments and other authorities to contain COVID-19 spread continue to affect Iveco Group's business, results and cash flow.

Governments in many countries where the Group operates, designated part of its businesses as essential critical infrastructure businesses. This designation allows Iveco Group to operate in support of its dealers and customers to the extent possible. The Group also continues to prioritize the health, safety and well-being of its employees.

The Group remains cautious about future impacts on its end-markets and business operations of restrictions on social interactions and business operations to limit the resurgence of the pandemic. Iveco Group Industrial is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business, its employees and the Group's results of operations, financial condition and cash flows.

Global Supply Chain Disruptions

In October 2021, it was announced the temporary closure of several of Iveco Group 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. Global supply chain represented the main challenge for the operations in the year, with multiple bottlenecks resulting in increased raw material prices, intermittent subcomponent availability, notably for semiconductors, and increased transportation costs.

RESULTS OF OPERATIONS

The operations, and key financial measures and financial analysis, differ significantly for manufacturing and distribution businesses and Financial Services businesses; therefore, for a better understanding of its operations and financial results, the Company presents the following tables providing the combined income statements of Iveco Group, split between Industrial Activities and Financial Services. Industrial Activities represents the activities carried out by Commercial and Specialty Vehicles and Powertrain segments, as well as the Company.

Combined income statement by activity for 2021 compared to the 2020

	2021				2020			
(€ million)	Industrial Activities[1]	Financial Services	Eliminations	Consolidated	Industrial Activities[1]	Financial Services	Eliminations	Consolidated
Net Revenues from third parties	11,763	151	(64) (2)	11,850	9,833	120	(68) (2)	9,885
Net Revenues from CNH Industrial	757	44	—	801	481	45	—	526
Total Net Revenues	**12,520**	**195**	**(64)** (2)	**12,651**	**10,314**	**165**	**(68)** (2)	**10,411**
Cost of sales	10,866	79	(64) (3)	10,881	9,425	105	(68) (3)	9,462
Selling, general and administrative costs	769	56	—	825	645	60	—	705
Research and development costs	481	—	—	481	436	—	—	436
Result from investments	13	14	—	27	(57)	14	—	(43)
Gains/(losses) on the disposal of investments	8	—	—	8	—	—	—	—
Restructuring costs	36	—	—	36	32	—	—	32
Other income/(expenses)	(168)	—	—	(168)	(110)	1	—	(109)
EBIT	221	74	—	295	(391)	15	—	(376)
Financial income/(expenses)	(115)	—	—	(115)	(112)	—	—	(112)
PROFIT/(LOSS) FOR BEFORE TAXES	**106**	**74**	**—**	**180**	**(503)**	**15**	**—**	**(488)**
Income tax (expense) benefit	(89)	(15)	—	(104)	118	(2)	—	116
PROFIT/(LOSS) FOR THE PERIOD	**17**	**59**	**—**	**76**	**(385)**	**13**	**—**	**(372)**

(1) Industrial Activities represents the enterprise without Financial Services. Industrial Activities includes Commercial and Specialty Vehicles and Powertrain segments and Iveco Group N.V.

(2) Elimination of Financial Services' interest income earned from Industrial Activities.

(3) Elimination of Industrial Activities' interest expense to Financial Services.

Net Revenues from third parties

The Group recorded net revenues from third parties of €11,850 million in 2021, an increase of 19.9% compared to 2020. The improvement is primarily due to an increase of 19.6% compared to the prior year in net sales of Industrial Activities mainly due to higher volumes and positive price realization.

Net Revenues from CNH Industrial

This item primarily includes the net revenues from the sale of engines to Agriculture and Construction segments of CNH Industrial, where, in 2021, the Group's engine unit sales increased almost 61% compared to the previous year.

Cost of sales

Cost of sales were €10,881 million in 2021 compared to €9,462 million in 2020. As a percentage of net revenues, cost of sales of Industrial Activities was 86.8% in 2021 (91.4% in 2020), as a result of favorable fixed cost absorption partially offset by higher input costs.

Selling, general and administrative costs

SG&A costs amounted to €825 million in 2021 compared to €705 million in 2020, representing 6.5% of net revenues in 2021 compared to 6.8% of net revenues in 2020, as costs returned to more normal levels from the low levels experienced in the previous year.

Research and development costs

In 2021, R&D costs were €481 million (compared to €436 million in 2020) and included all R&D costs not recognized as assets in the year amounting to €238 million (€215 million in 2020), €16 million of impairment losses (€2 million in 2020) and the amortization of capitalized development cost of €227 million (€219 million in 2020). During 2021, the Group capitalized new expenditures for development costs for €271 million (€178 million in 2020). The costs in both periods were primarily attributable to spending on engine development costs associated with emission requirements and continued investment in new products.

Result from investments

Result from investments was a net gain of €27 million in 2021 (net loss of €43 million in 2020). In 2021, this item includes the positive impact of €11 million from the sale of investments by a joint venture accounted for under the equity method. Furthermore, in 2020, this item included the €17 million negative impact from the costs recognized by a Chinese joint venture, accounted for under the equity method, for valuation allowances against deferred tax assets and restructuring actions.

Gains/(losses) on the disposal of investments

Gains/(losses) on the disposal of investments a gain of €8 million in 2021 and nil in 2020. In 2021, this item includes the pre- and after-tax gain from the sale of a 30.1% interest in Naveco.

Restructuring costs

Restructuring costs were €36 million and €32 million in 2021 and 2020, respectively.

Other income/(expenses)

Other expenses were €168 million in 2021 compared to €109 million in 2020. In both periods, this item primarily included legal costs, indirect taxes, and the benefit cost for former employees. In 2021, this item also includes €46 million separation costs in connection with the demerger of Iveco Group Business, and a pre- and tax-tax loss of €21 million valuation at their recoverable amount of certain assets classified as held for sale.

Financial income/(expenses)

Net financial expenses were €115 million in 2021 in line with 2020 expenses (€112 million).

Income tax (expense) benefit

(€ million, except percentages)	**2021**	**2020**
Profit (loss)/before taxes	180	(488)
Income tax (expense) benefit	(104)	116
Effective tax rate	**57.8 %**	**23.8 %**

In 2021, income tax expenses were €104 million, based on a profit before taxes of €180 million, compared to an income tax benefit of €116 million in 2020, based on a loss before taxes of €488 million. The effective tax rates for 2021 and 2020 were 57.8% and 23.8%, respectively. The 2021 effective tax rate reflects the impact of unbenefited losses in certain jurisdictions and certain other discrete items. Excluding the pre-tax and corresponding tax impacts related to restructuring costs, charges associated with the Demerger, the loss due to valuation at their recoverable amount of certain assets classified as held for sale, the gain from the sale of a 30.1% interest in Naveco, the gain from selling investments by a joint venture, as well as minor net discrete tax benefits, the effective tax rate was 47% in 2021. The 2020 effective tax rate reflects the Group's geographic mix of pre-tax earnings, which included pre-tax losses in jurisdictions for which no tax benefits were recognized, the negative impact of incremental tax reserve accruals, and the net benefits associated with recognizing certain deferred tax assets. Excluding the pre-tax and tax impacts of asset optimization and impairment charges, restructuring costs, the negative impact from the costs recognized by a Chinese joint venture for valuation allowances against deferred tax assets and restructuring actions, and net discrete tax items related to deferred tax asset recognition and tax rate changes, income taxes were a benefit of €19 million in 2020, with an effective tax rate of 10%, which reflects the Group generating pre-tax losses in jurisdictions for which no tax benefits were recognized.

Profit/(loss)

Net profit was €76 million in 2021 (net loss of €372 million in 2020) and included €46 million separation costs (€36 million after-tax) in connection with the demerger of Iveco Group Business, and a pre- and tax-loss of €21 million due to valuation at their recoverable amount of certain assets classified as held for sale, the pre- and after-tax gain of €8 million from the sale of a 30.1% interest in Naveco, €11 million gain from the sale of investments by a joint venture, and €36 million of restructuring cost (€29 million after-tax). In 2020, net loss also included asset optimization charges of €247 million (€199 million after-tax), other assets impairment charges, pre- and after-tax, of €6 million, €32 million of restructuring costs (€23 million after-tax), net discrete tax benefits of €40 million, and the €17 million negative impact from the costs recognized by a Chinese joint venture for valuation allowances against deferred tax assets and restructuring actions.

Reconciliation of Combined Profit/(Loss) to Adjusted net profit (loss)

The following tables summarize the reconciliation of Adjusted net profit (loss), a non-IFRS financial measure, to combined profit/(loss), the most comparable EU-IFRS financial measure, for 2021 and 2020.

(€ million)	**2021**	**2020**
Profit/(loss)	**76**	**(372)**
Adjustment impacting Profit/(loss) before tax (expense) benefit (a)	84	302
Adjustment impacting Income tax (expense) benefit (b)	(20)	(97)
Adjusted net profit/(loss)	**140**	**(167)**
Adjusted net profit/ (loss) attributable to Iveco Group N.V.	**116**	**(206)**
Weighted average shares outstanding – diluted (million)	271	271
Adjusted diluted EPS (€)	**0.43**	**(0.76)**

Profit/(loss) before taxes	**180**	**(488)**
Adjustment impacting Profit/(loss) before taxes (a)	84	302
Adjustment Profit/(loss) before income taxes (expenses) benefit (A)	**264**	**(186)**
Income tax (expense) benefit	**(104)**	**116**
Adjustment impacting Income tax (expense) benefit (b)	(20)	(97)
Adjustment Income tax (expense) benefit (B)	**(124)**	**19**
Adjusted Effective Tax Rate (Adjusted ETR) (C=A/B)	**47 %**	**10 %**

a) Adjustments impacting Profit/(loss) before income tax (expense) benefit		
Restructuring cost	36	32
Spin-off costs	46	—
Impairment of certain assets held for sale	21	—
Other assets impairment charges	—	6
Asset optimization charges	—	247
Gain from the sale of 30.1% interest in Naveco	(8)	—
Non-recurring expense (income) recognized by Chinese joint ventures[(1)]	(11)	17
Total	**84**	**302**

b) Adjustments impacting income tax (expense) benefit		
Tax effect of Adjustments impacting income tax (expense) benefit	(17)	(57)
Net discrete tax benefit	(3)	(40)
Total	**(20)**	**(97)**

(1) This item included the positive impact from the sale of investments of a Chinese joint venture accounted for under the equity method. In 2020, this item included the negative impact from the costs recognized by a Chinese joint venture, accounted for under the equity method, for valuation allowances against deferred tax assets and restructuring actions.

Industrial Activities and Business Segments

The following tables show total Net Revenues and Adjusted EBIT of Industrial Activities by segment. The Group has also included a discussion of the results of Industrial Activities and each of its business segments.

Net revenues by segment

(€ million, except percentages)	**2021**	**2020**	**% Change**
Net Revenues:			
Commercial and Specialty Vehicles	10,318	8,247	25.1
Powertrain	3,750	3,180	17.9
Eliminations and other	(1,548)	(1,113)	—
Total Net revenues of Industrial Activities	**12,520**	**10,314**	**21.4**
Financial Services	195	165	18.2
Eliminations and other	(64)	(68)	-5.9
Total Net revenues	**12,651**	**10,411**	**21.5**

Adjusted EBIT of Industrial Activities by segment

(€ million, except percentages)	**2021**	**2020**	**Change**	**2021 Adj. EBIT Margin**	**2020 Adj. EBIT Margin**
Adjusted EBIT of Industrial Activities by Segment:					
Commercial and Specialty Vehicles	254	(149)	403	2.5 %	(1.8)%
Powertrain	208	195	13	5.5 %	6.1 %
Eliminations and other	(160)	(135)	(25)	0	0
Adjusted EBIT of Industrial Activities	**302**	**(89)**	**391**	**2.4 %**	**(0.9)%**

Net revenues of Industrial Activities were €12,520 million in 2021, a 21.4% increase compared to the prior year, due to higher volumes and positive price realization.

Adjusted EBIT of Industrial Activities was €302 million, compared to €89 million loss in 2020, representing an Adjusted EBIT margin of 2.4%, up 330 basis points (bps) compared to 2020. The improvement was driven by higher volume, and positive price realization, partially offset by higher raw material costs, freight costs, and rework costs due to components shortages. Selling, general and administrative ("SG&A") costs and research and development ("R&D") spend returned to a pre-pandemic level.

Reconciliation of EBIT to Adjusted EBIT

The following tables summarize the reconciliation of Adjusted EBIT, a non-IFRS financial measure, to EBIT, the most comparable EU-IFRS financial measure, for 2021 and 2020.

							2021
(€ million)	**Commercial and Specialty Vehicles**	**Powertrain**	**Unallocated items, eliminations and other**	**Total Industrial Activities**	**Financial Services**	**Eliminations**	**Total**
EBIT	**239**	**206**	**(224)**	**221**	**74**	**—**	**295**
Adjustments							
Restructuring costs	34	2	—	36	—	—	36
Other discrete items(1)	(19)	—	64	45	—	—	45
Adjusted EBIT	**254**	**208**	**(160)**	**302**	**74**	**—**	**376**

(1) This item includes the pre- and after-tax gain of €8 million from the sale of the 30.1% interest in Naveco, as well as the positive impact of €11 million from the sale of investments by a joint venture accounted for under the equity method, presented in column "Commercial and Specialty Vehicles". This item also includes €43 million separation costs in connection with the spin-off of the Iveco Group business, and a loss of €21 million due to the valuation, at their recoverable amount, of certain assets classified as held for sale presented in column "Unallocated items, eliminations and other".

							2020
(€ million)	**Commercial and Specialty Vehicles**	**Powertrain**	**Unallocated items, eliminations and other**	**Total Industrial Activities**	**Financial Services**	**Eliminations**	**Total**
EBIT	**(437)**	**181**	**(135)**	**(391)**	**15**	**—**	**(376)**
Adjustments							
Restructuring costs	18	14	—	32	—	—	32
Other discrete items(1)	270	—	—	270	—	—	270
Adjusted EBIT	**(149)**	**195**	**(135)**	**(89)**	**15**	**—**	**(74)**

(1) *This item primarily included asset optimization charges of €247 million, other asset impairment charges of €6 million, and €17 million negative impact from the costs recognized by a Chinese joint venture, accounted for under the equity method, for valuation allowances against deferred tax assets and restructuring actions.*

Industrial Activities Performance

Commercial and Specialty Vehicles

Net revenues

The following table shows Commercial and Specialty Vehicles net revenues by geographic region in 2021 compared to 2020:

(€ million, except percentages)	2021	2020	% Change
Europe	8,143	6,678	21.9
South America	963	500	92.6
North America	88	70	25.7
Rest of World	1,124	999	12.5
Total	**10,318**	**8,247**	**25.1**

Commercial and Specialty Vehicles net revenues were €10,318 million in 2021, up 25.1% compared to 2020, primarily driven by higher truck volumes and positive price realization.

In 2021, the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, increased 11% compared to 2020. The LCV market increased 8%, and the M&H truck market increased by 19%. In South America, new truck registrations (GVW ≥3.5 tons) decreased 39% compared to 2020, with an increase of 39% and 42% in Brazil and in Argentina, respectively. In Rest of World, new truck registrations increased 18% compared with 2020.

Iveco Group's estimated market share in the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, was 11.8%, up 1.2 percentage points ("p.p.") compared with 2020. The European market share increased 1.9 p.p. to 13.2% in LCV and increased 0.1 p.p. to 8.9% in M&H segment. In South America, in 2021, Iveco Group's market share increased 0.8 p.p. to10.5%.

During 2021, Commercial and Specialty Vehicles delivered approximately 161,178 vehicles (including buses and specialty vehicles), representing a 36% increase from 2020. Volumes were 40% higher in LCV and 43% higher in M&H truck segments. Commercial and Specialty Vehicles deliveries increased 33%, 73% and 26% in Europe, South America and Rest of World, respectively.

In 2021, Commercial and Specialty Vehicles' ratio of truck orders received to units shipped and billed, or book-to-bill ratio, for the European truck market was 1.57, an increase of 32% compared to 2020. In 2021, truck order intake in Europe increased 81% compared to previous year.

Commercial and Specialty Vehicles deliveries

(units in thousands)	2021	2020	% Change
France	24.6	20.2	21.8
Germany & Switzerland	18.1	16.1	12.4
U.K.	7.6	5.3	43.4
Italy	27.9	18.1	54.1
Iberia (Spain & Portugal)	10.2	7.5	36.0
Rest of Europe	31.6	23.0	37.4
Europe	**120.0**	**90.2**	**33.0**
South America	22.4	13.0	72.3
Rest of World	18.8	15.0	25.3
Total Sales	**161.2**	**118.2**	**36.4**

Commercial and Specialty Vehicles Deliveries– by product:

(units in thousands)	2021	2020	% Change
Medium & Heavy	47.8	33.5	42.7
Light	101.6	72.3	40.5
Buses	9.1	9.5	-4.2
Specialty vehicles(*)	2.7	2.9	-6.9
Total	**161.2**	**118.2**	**36.4**

(*) Defense and firefighting vehicles

Adjusted EBIT

Adjusted EBIT was €254 million in 2021, with Adjusted EBIT margin of 2.5%. The €403 million increase was driven by higher volumes and positive price realization, partially offset by increased raw material costs, freight costs and rework costs due to components shortages. SG&A costs increase was driven by higher variable compensation. R&D spend returned to more normal levels from the lows of the prior year.

Powertrain

Net revenues

Powertrain net revenues were €3,750 million in 2021, up 17.9% compared to 2020, due to higher volumes. Sales to external customers accounted for 61% of total net revenues (67% in 2020).

During 2021, Powertrain sold approximately 538,300 engines, an increase of 12% compared to 2020. In terms of customers, 32% of engines were supplied to Commercial and Specialty Vehicles, 23% to CNH Industrial and the remaining 45% to other external customers (units sold to third parties were down 16% compared to 2020). Additionally, Powertrain delivered approximately 67,900 transmissions and 192,500 axles, an increase of 36% and 38%, respectively, compared to 2020.

Adjusted EBIT

Adjusted EBIT was €208 million in 2021 (up €13 million compared to 2020). The increase was mainly due to favorable volume and mix in the first half of the year, almost offset by unfavorable raw material costs, higher freight costs due to logistic constraints, higher SG&A costs, and lower absorption of fixed cost in the second half of the year due to certain third-party sales discontinuation. Adjusted EBIT margin was 5.5%% in 2021.

Financial Services Performance

(€ million, except percentages)	**2021**	**2020**	**Change**
Net revenues	195	165	18%
Net Income	59	13	46

Net revenues

Financial Services reported net revenues of €195 million in 2021, an increase of €30 million compared to 2020, primarily due to higher volumes from financing activities.

Net income

Net income increased €46 million to €59 million, primarily due to higher volumes from financing activities in 2021 and lower risk costs reflecting better conditions after 2020 COVID-19 pandemic peak.

In 2021, retail loan originations (including unconsolidated joint ventures) were €1.4 billion, relatively flat compared to 2020.

The managed portfolio (including unconsolidated joint ventures) was €5.4 billion as of 31 December 2021 (of which retail was 51% and wholesale 49%), up €0.1 billion compared to 31 December 2020.

At 31 December 2021, the receivable balance greater than 30 days past-due as a percentage of portfolio was 3.9% (5.9% as of 31 December 2020).

COMBINED STATEMENT OF FINANCIAL POSITION BY ACTIVITY

The operations, and key financial measures and financial analysis, differ significantly for manufacturing and distribution businesses and Financial Services businesses; therefore, for a better understanding of the financial position of Iveco Group, and in particular of the net cash/debt position, the Company presents the following tables providing the combined statement of financial position of the Group, split between Industrial Activities and Financial Services. Specific comments on the net cash/debt position of Iveco Group split by Industrial Activities and Financial Services are included in section Liquidity and Capital Resources.

(€ million)	Industrial Activities[1]	Financial Services	Eliminations		Consolidated
					At 31 December 2021
ASSETS					
Intangible assets:	1,301	13	—		1,314
Goodwill	58	12	—		70
Other intangible assets	1,243	1	—		1,244
Property, plant and equipment	3,053	2	—		3,055
Investments and other non-current financial assets	442	140	—		582
Leased assets	24	34	—		58
Defined benefit plan assets	15	—	—		15
Deferred tax assets	569	78	(1)	(5)	646
Total Non-current assets	**5,404**	**267**	**(1)**		**5,670**
Inventories	2,650	1	—		2,651
Trade receivables	313	21	(16)	(3)	318
Financial receivables from CNH Industrial	2,896	624	—		3,520
Receivables from financing activities	67	2,954	(112)	(3)	2,909
Current tax receivables	119	2	(11)	(4)	110
Other current receivables and financial assets	314	98	(30)	(2)	382
Prepaid expenses and other assets	42	5	—		47
Derivative assets	49	1	—		50
Cash and cash equivalents	726	171	—		897
Total Current assets	**7,176**	**3,877**	**(169)**		**10,884**
Assets held for sale	6	—	—		6
TOTAL ASSETS	**12,586**	**4,144**	**(170)**		**16,560**
INVESTED EQUITY AND LIABILITIES					
Invested Equity	**1,571**	**740**	**—**		**2,311**
Provisions:	1,834	97	—		1,931
Employee benefits	603	18	—		621
Other provisions	1,231	79	—		1,310
Debt:	2,661	3,236	(112)	(3)	5,785
Asset-backed financing	—	1,926	—		1,926
Debt payable to CNH Industrial	2,370	706	—		3,076
Other debt	291	604	(112)	(3)	783
Derivative liabilities	42	1	—		43
Trade payables	3,130	22	(19)	(3)	3,133
Tax liabilities	38	22	(11)	(4)	49
Deferred tax liabilities	11	1	(1)	(5)	11
Other current liabilities	3,299	25	(27)	(2)	3,297
Total Liabilities	**11,015**	**3,404**	**(170)**		**14,249**
TOTAL EQUITY AND LIABILITIES	**12,586**	**4,144**	**(170)**		**16,560**

(1) Industrial Activities represents the enterprise without Financial Services. Industrial Activities includes Commercial and Specialty Vehicles and Powertrain segments and Iveco Group N.V.
(2) This item includes the elimination of intercompany activity between Industrial Activities and Financial Services.
(3) This item includes the elimination of receivables/payables between Industrial Activities and Financial Services.
(4) This item includes the elimination of tax receivables/payables between Industrial Activities and Financial Services and reclassifications needed for appropriate consolidated presentation.
(5) This item includes the reclassification of deferred tax assets/liabilities in the same jurisdiction and reclassifications needed for appropriate consolidated presentation.

(€ million)	Industrial Activities[1]	Financial Services	Eliminations		Consolidated
					At 31 December 2020
ASSETS					
Intangible assets:	1,247	13	—		1,260
Goodwill	58	12	—		70
Other intangible assets	1,189	1	—		1,190
Property, plant and equipment	3,030	2	—		3,032
Investments and other non-current financial assets	404	142	—		546
Leased assets	30	43	—		73
Defined benefit plan assets	—	1	—		1
Deferred tax assets	605	79	(3)		681
Total Non-current assets	**5,316**	**280**	**(3)**		**5,593**
Inventories	2,244	2	—		2,246
Trade receivables	438	17	(11)	(3)	444
Financial receivables from CNH Industrial	3,125	418	—		3,543
Receivables from financing activities	80	2,897	(146)	(3)	2,831
Current tax receivables	72	2	(1)		73
Other current receivables and financial assets	338	60	(45)	(2)	353
Prepaid expenses and other assets	40	11	—		51
Derivative assets	21	7	—		28
Cash and cash equivalents	366	97	—		463
Total Current assets	**6,724**	**3,511**	**(203)**		**10,032**
Assets held for sale	6	—	—		6
TOTAL ASSETS	**12,046**	**3,791**	**(206)**		**15,631**
INVESTED EQUITY AND LIABILITIES					
Invested Equity	**1,631**	**705**	**—**		**2,336**
Provisions:	1,744	70	—		1,814
Employee benefits	597	13	—		610
Other provisions	1,147	57	—		1,204
Debt:	2,513	2,946	(146)	(3)	5,313
Asset-backed financing	—	2,031	—		2,031
Debt payable to CNH Industrial	2,192	371	—		2,563
Other debt	321	544	(146)	(3)	719
Derivative liabilities	22	5	—		27
Trade payables	3,072	25	(15)	(3)	3,082
Tax liabilities	53	12	—		65
Deferred tax liabilities	11	2	(2)		11
Other current liabilities	3,000	26	(43)	(2)	2,983
Total Liabilities	**10,415**	**3,086**	**(206)**		**13,295**
TOTAL EQUITY AND LIABILITIES	**12,046**	**3,791**	**(206)**		**15,631**

(1) Industrial Activities represents the enterprise without Financial Services. Industrial Activities includes Commercial and Specialty Vehicles and Powertrain segments and Iveco Group N.V
(2) This item includes the elimination of intercompany activity between Industrial Activities and Financial Services.
(3) This item includes the elimination of receivables/payables between Industrial Activities and Financial Services.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion of liquidity and capital resources principally focuses on the Group's combined statement of cash flows and the Group's combined statement of financial position. The Group's operations are capital intensive and subject to seasonal variations in financing requirements for dealer receivables and dealer and company inventories. Whenever necessary, funds from operating activities are supplemented from external sources. The Group, focusing on cash preservation and leveraging its good access to funding, continues to maintain solid financial strength and liquidity. See Sections Risk Factors and Industry Overview, for additional information concerning risks related to the Group's business, strategy and operations.

Cash Flows

The following tables present the cash flows from operating, investing and financing activities by activity for the years ended 31 December 2021 and 2020.

(€ million)	Year ended 31 December 2021 Industrial Activities [(1)]	Financial Services	Eliminations	Consolidated
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**366**	**97**	**—**	**463**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:				
Profit/(loss)	17	59	—	76
Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)	565	2	—	567
(Gains)/losses on disposal of non-current assets (net of vehicles sold under buy-back commitments) and other non-cash items	7	(5)	—	2
Dividends received	18	—	(2) (2)	16
Change in provisions	100	26	—	126
Change in deferred income taxes	43	—	—	43
Change in items due to buy-back commitments(a)	36	13	—	49
Change in operating lease items(b)	(6)	9	—	3
Change in working capital	(303)	(40)	—	(343)
TOTAL	**477**	**64**	**(2)**	**539**
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)	(563)	(1)	—	(564)
Consolidated subsidiaries and other equity investments	(49)	—	5 (3)	(44)
Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)	14	—	—	14
Net change in receivables from financing activities	(37)	(80)	—	(117)
Change in other current financial assets	85	—	—	85
Other changes	465	116	—	581
TOTAL	**(85)**	**35**	**5**	**(45)**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:				
Net change in debt and derivative assets/liabilities	(61)	(27)	—	(88)
Capital increase	—	5	(5) (3)	—
Dividends paid	—	(2)	2 (4)	—
TOTAL	**(61)**	**(24)**	**(3)**	**(88)**
Translation exchange differences	29	(1)	—	28
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS	**360**	**74**	**—**	**434**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**726**	**171**	**—**	**897**

(a) Cash generated from the sale of vehicles under buy-back commitments, net of amounts included in Profit/(loss), is recognized under operating activities in a single line item, which includes changes in working capital, capital expenditure, depreciation and impairment losses. The item also includes gains and losses arising from the sale of vehicles subject to buy-back commitments.
(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.
(1) Industrial Activities represents the enterprise without Financial Services. Industrial Activities includes Commercial and Specialty Vehicles and Powertrain segments and Iveco Group N.V.
(2) This item includes the elimination of dividends from Financial Services to Industrial Activities.
(3) This item includes the elimination of paid in capital from Industrial Activities to Financial Services.
(4)This item includes the elimination of dividends from Financial Services to Industrial Activities, which are included in Industrial Activities net cash provided by operating activities.

(€ million)	Industrial Activities (1)	Financial Services	Eliminations	Consolidated
	Year Ended 31 December 2020			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**271**	**146**	**—**	**417**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:				
Profit/(loss)	(385)	13	—	(372)
Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)	578	2	—	580
(Gains)/losses on disposal of non-current assets (net of vehicles sold under buy-back commitments) and other non-cash items	77	19	—	96
Dividends received	1	-	—	1
Change in provisions	60	47	—	107
Change in deferred income taxes	(148)	(10)	—	(158)
Change in items due to buy-back commitments(a)	135	12	—	147
Change in operating lease items(b)	(7)	(22)	—	(29)
Change in working capital	197	(10)	—	187
TOTAL	**508**	**51**	**—**	**559**
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)	(400)	(1)	—	(401)
Consolidated subsidiaries and other equity investments	(134)	-	—	(134)
Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)	3	-	—	3
Net change in receivables from financing activities	4	211	—	215
Change in other current financial assets	(88)	-	—	(88)
Other changes	307	8	—	315
TOTAL	**(308)**	**218**	**—**	**(90)**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:				
Net change in debt and derivative assets/liabilities	(78)	(321)	—	(399)
Purchase of ownership interests in subsidiaries	(8)	—	—	(8)
TOTAL	**(86)**	**(321)**	**—**	**(407)**
Translation exchange differences	(19)	3	—	(16)
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS	**95**	**(49)**	**—**	**46**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**366**	**97**	**—**	**463**

(a) Cash generated from the sale of vehicles under buy-back commitments, net of amounts included in Profit/(loss), is recognized under operating activities in a single line item, which includes changes in working capital, capital expenditure, depreciation and impairment losses. The item also includes gains and losses arising from the sale of vehicles subject to buy-back commitments.

(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.

(1) Industrial Activities represents the enterprise without Financial Services. Industrial Activities includes Commercial and Specialty Vehicles and Powertrain segments and Iveco Group N.V.

At 31 December 2021, the Group had cash and cash equivalents of €897 million, an increase of €434 million, or 93.7%, from €463 million at 31 December 2020. Cash and cash equivalents at 31 December 2021 included €48 million of restricted cash (€45 million at 31 December 2020) that was reserved principally for the servicing of securitization-related debt. At 31 December 2021, undrawn medium-term unsecured committed facilities were €41 million (€48 million at 31 December 2020) and other current financial assets were €54 million at 31 December 2021 (€128 million at 31 December 2020). The aggregate of Cash and cash equivalents, undrawn medium-term unsecured committed facilities and other current financial assets, which the Group considers to constitute the Group's principal liquid assets (or "Available liquidity"), totaled €1,436 million at 31 December 2021 (€1,619 million at 31 December 2020). At 31 December 2021 this amount also included €444 million net financial receivables from CNH Industrial (€980 million at 31 December 2020) consisting of cash deposited in the central treasury of CNH Industrial and which was almost settled in the first months of 2022.

Net Cash from Operating Activities

Cash provided by operating activities in 2021 totaled €539 million and comprised the following elements:

- €76 million in profit;
- plus €567 million in non-cash charges for depreciation and amortization (net of commercial vehicles sold under buy-back commitments and operating leases);
- plus €2 million in losses on the disposal of assets and other non-cash items;
- plus €16 million in dividends received;
- plus change in deferred income taxes of €43 million and change in provisions of €126 million;
- plus €49 million for changes in items due to buy-back commitments and €3 million for changes in operating lease items; and
- minus €343 million in change in working capital.

In 2020, cash generated by operating activities during the year was €559 million as a result of cash generated from income-related inflows (calculated as profit plus amortization and depreciation, dividends, changes in provisions and deferred taxes, various items related to sales with buy-back commitments and operating leases, net of gains/losses on disposals and other non-cash items) for a total amount of €372 million, and of a €187 million increase in cash resulting from a decrease in working capital.

Net Cash from Investing Activities

In 2021, cash used by investing activities was €45 million. The negative flows were primarily generated by:

- investments in tangible and intangible assets that used €564 million in cash, including €271 million in capitalized development costs. Investments in tangible and intangible assets are net of investments in commercial vehicles for the Group's long-term rental operations and of investments relating to vehicles sold under buy-back commitments, which are reflected in cash flows relating to operating activities; partially offset by:
- cash generated by "Other changes" of €581 million, primarily including the net change in intersegment receivables/payables.

In 2020, cash used in investing activities totaled €90 million. Expenditures on tangible and intangible assets (including €178 million in capitalized development costs) totaled €401 million. Net decrease in receivables from financing activities amounted to €315 million, primarily due to a reduction in the wholesale portfolio.

	Years ended 31 December,	
(€ million)	**2021**	**2020**
Commercial and Specialty Vehicles	144	120
Powertrain	95	73
Total Industrial Activities investments in tangible assets	**239**	**193**
Industrial Activities investments in intangible assets	324	207
Total Industrial Activities capital expenditures	**563**	**400**
Financial Services investments in tangible assets	—	—
Financial Services investments in intangible assets	1	1
Total Capital expenditures	**564**	**401**

The Group incurred these capital expenditures in the regions in which the Group operates principally related to initiatives to introduce new products, enhance manufacturing efficiency and increase capacity, and for maintenance and engineering. Capital expenditures were higher than 2020 as expenditures returned to more normal levels from the pandemic-affected low levels experienced last year.

Net Cash from Financing Activities

In 2021, cash absorbed by financing activities totaled €88 million, mainly due to a net decrease in third party debt.

In 2020 cash absorbed by financing activities totaled €407 million, mainly attributable to a net decrease in third party debt (mainly on Financial Services).

Capital Resources

The cash flows, funding requirements and liquidity of Iveco Group are managed on a standard and centralized basis, in order to optimize the efficiency and effectiveness of the Group's management of capital resources.

The Group's subsidiaries participate in a company-wide cash management system, which the Group operates in a number of jurisdictions. Under this system, the cash balances of the Group's subsidiaries are aggregated at the end of each business day to central pooling accounts. The centralized treasury management offers financial and systems expertise in managing these accounts, as well as providing related services and consulting to the Group's business segments.

The Group's policy is to keep a high degree of flexibility with its funding and investment options in order to maintain the Group's desired level of liquidity to improve the Company's capital structure over time.

A summary of the Group's strategy is set forth below:

- Industrial Activities usually sells its receivables to Financial Services and relies on internal cash flows including managing working capital to fund its near-term financing requirements. The Group will also supplement its short-term financing by drawing on existing or new facilities with banks.
- To the extent funding needs of Industrial Activities are determined to be of a longer-term nature, the Group will access public debt markets as well as private investors and banks, as appropriate, to refinance borrowings and replenish the Group's liquidity.
- Financial Services' funding strategy is to maintain a sufficient level of liquidity and flexible access to a wide variety of financial instruments. While the Company expects securitizations and sale of receivables (factoring) to continue to represent a material portion of the Group's capital structure and intersegment borrowings to remain a marginal source of funding, the Group will continue to diversify its funding sources including committed asset-backed facilities, unsecured notes, bank facilities and commercial paper programs.

On a global level, the Group will continue to evaluate alternatives to ensure that Financial Services has access to capital on favorable terms to support its business, including agreements with global or regional partners, new funding arrangements or a combination of the foregoing.

Financial Services, leveraging on its specific expertise, grants support to CNH Industrial financial services, by providing business process services to their European activities, and receiving a fee for the services rendered.

The Group's consolidated debt as of 31 December 2021 and 2020 is as detailed in the following table:

	At 31 December 2021			At 31 December 2020		
(€ million)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Total Debt	**5,785**	**2,661**	**3,236**	**5,313**	**2,513**	**2,946**

The Company believes that Net Cash (Debt) (a non-IFRS financial measure as defined in the section "Alternative performance measures (or "Non-IFRS financial measures")" above)) is a useful analytical metric for measuring the Group's effective borrowing requirements. The Group provides a separate analysis of Net Cash (Debt) for Industrial Activities and Net Cash (Debt) for Financial Services to reflect the different cash flow management practices in the two activities. Industrial Activities reflects the consolidation of all majority-owned subsidiaries, except for Financial Services. Financial Services reflects the consolidation of the Financial Services' legal entities.

The calculation of Net Cash (Debt) as of 31 December 2021 and 2020, and the reconciliation of Total (Debt), the EU-IFRS financial measure that the Company believes to be most directly comparable, to Net Cash (Debt), are shown below:

(€ million)	At 31 December 2021 Consolidated	Industrial Activities	Financial Services	At 31 December 2020 Consolidated	Industrial Activities	Financial Services
Third party (debt)	(2,709)	(220)	(2,489)	(2,750)	(235)	(2,515)
Intersegment notes (payable)(1)	—	(71)	(41)	—	(86)	(60)
(Debt) payable to CNH Industrial (2)	(3,076)	(2,370)	(706)	(2,563)	(2,192)	(371)
Total (Debt)	**(5,785)**	**(2,661)**	**(3,236)**	**(5,313)**	**(2,513)**	**(2,946)**
Cash and cash equivalents	897	726	171	463	366	97
Intersegment financial receivables(1)	—	41	71	—	60	86
Financial receivables from CNH Industrial (3)	3,520	2,896	624	3,543	3,125	418
Derivative assets(4)	50	49	1	28	21	7
Derivative (liabilities)(4)	(43)	(42)	(1)	(27)	(22)	(5)
Other current financial assets(5)	54	54	—	128	128	—
Net Cash (Debt)(6)	**(1,307)**	**1,063**	**(2,370)**	**(1,178)**	**1,165**	**(2,343)**

(1) As a result of the role played by the central treasury, debt for Industrial Activities also includes funding raised by the central treasury on behalf of Financial Services (included under Intersegment financial receivables). Intersegment financial receivables for Financial Services, on the other hand, represent loans or advances to Industrial Activities – for receivables sold to Financial Services that do not meet the derecognition requirements – as well as cash deposited temporarily with the central treasury. Total Debt of Industrial Activities includes Intersegment notes payable to Financial Services of €71 million and €86 million as of 31 December 2021 and 2020, respectively. Total Debt of Financial Services includes Intersegment notes payable to Industrial Activities of €41 million and €60 million as of 31 December 2021 and 2020, respectively.
(2) It mainly includes overdraft and advances/utilizations under cash management and/or cash pooling arrangements and loans granted by the CNH Industrial central treasury.
(3) It mainly refers to cash balances deposited with the CNH Industrial central treasury, including cash management and/or cash pooling arrangements.
(4) Derivative assets and Derivative liabilities include, respectively, the positive and negative fair values of derivative financial instruments.
(5) This item includes short-term deposits and investments towards high-credit rating counterparties.
(6) The net intersegment receivable/(payable) balance recorded by Financial Services relating to Industrial Activities was €30 million and €26 million as of 31 December 2021 and 2020, respectively.

Net Debt at 31 December 2021 increased by €129 million compared to 31 December 2020, mainly reflecting a Free Cash Flow absorption from Industrial Activities of €125 million during 2021.

The following table shows the change in Net Cash (Debt) of Industrial Activities for the years ended 31 December 2021 and 2020:

(€ million)	Years ended 31 December 2021	2020
Net Cash (Debt) of Industrial Activities at beginning of period	**1,165**	**1,302**
Adjusted EBIT of Industrial Activities	302	(89)
Depreciation and amortization	565	578
Depreciation of assets under operating leases and assets sold with buy-back commitments	227	249
Cash out interest and taxes	(155)	(77)
Changes in provisions and similar(1)	(159)	(350)
Change in working capital	(303)	197
Operating cash flow of Industrial Activities	**477**	**508**
Investments in property, plant and equipment and intangible assets(2)	(563)	(400)
Other changes	(39)	(226)
Free Cash Flow of Industrial Activities	**(125)**	**(118)**
Capital increases and dividends	—	—
Currency translation differences and other	23	(19)
Change in Net Cash (Debt) of Industrial Activities	**(102)**	**(137)**
Net Cash (Debt) of Industrial Activities at end of period	**1,063**	**1,165**

(1) Including other cash flow items related to operating lease and buy-back activities.
(2) Excluding assets sold under buy-back commitments and assets under operating leases.

The Company believes that Free Cash Flow of Industrial Activities (a non-IFRS financial measure as defined in the section "Alternative performance measures (or "Non-IFRS financial measures")" above)) is a useful analytical metric for measuring the cash generation ability of the Group's Industrial Activities.

The reconciliation of Free Cash Flow of Industrial Activities to Net cash provided by (used in) Operating Activities, the EU-IFRS financial measure that the Company believes to be most directly comparable, for the years ended 31 December 2021 and 2020, is shown below:

	Years ended 31 December	
(€ million)	**2021**	**2020**
Net cash provided by (used in) Operating Activities	**539**	**559**
Less: Cash flows from Operating Activities of Financial Services net of eliminations	(62)	(51)
Operating cash flow of Industrial Activities	**477**	**508**
Investments in property, plant and equipment, and intangible assets of Industrial Activities	(563)	(400)
Other changes(1)	(39)	(226)
Free Cash Flow of Industrial Activities	**(125)**	**(118)**

(1) This item primarily includes change in intersegment financial receivables and capital increases in intersegment investments.

The non-IFRS financial measures (Available liquidity, Net Cash (Debt) and Free Cash Flow of Industrial Activities, as defined in paragraph 2.6.3 "Non-IFRS financial information"), used in this section, should neither be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with EU-IFRS. In addition, this non-IFRS financial measure may not be computed in the same manner as similarly titled measures used by other companies.

Industrial Activities

Third-party debt of Industrial Activities was €0.2 billion at 31 December 2021 (€0.2 billion at 31 December 2020) and primarily consisted of lease liabilities at 31 December 2021 and 2020.

Debt payable to CNH Industrial of Industrial Activities was €2.4 billion at 31 December 2021 (€2.2 billion at 31 December 2020), and mainly included overdraft and advances/utilizations under cash management and/or cash pooling arrangements and loans granted by the CNH Industrial central treasury to certain Iveco Group Industrial Activities subsidiaries. Other Iveco Group Industrial Activities subsidiaries held cash balances deposited with the CNH Industrial central treasury, including cash management and/or cash pooling arrangements for €2.9 billion at 31 December 2021 and €3.1 billion at 31 December 2020. As a consequence, the Group Industrial Activities held a net financial receivable position from CNH Industrial of €0.5 billion at 31 December 2021 (€0.9 billion at 31 December 2020). In the first months following the Demerger, almost all Financial Receivables and Payables between the Group and CNH Industrial were settled.

Financial Services

Total third-party debt of Financial Services' was €2.5 billion at 31 December 2021 (€2.5 billion at 31 December 2020), and included the following:

Bank Debt

At 31 December 2021, Financial Services available committed, unsecured facilities expiring after twelve months amounted to €41 million (€48 million at 31 December 2020).

Asset-Backed Financing

At 31 December 2021, Financial Services' asset-backed facilities amounted to €751 million (€735 million at 31 December 2020) of which €654 million committed and expiring after twelve months.

The sale of financial receivables is executed primarily through asset-backed commercial paper (ABCP) transactions and involves mainly accounts receivable from wholesale customers and from the network of dealers (wholesale) previously sold from Industrial Activities subsidiaries to the Group's Financial Services subsidiaries.

At 31 December 2021, the Group's receivables from financing activities included receivables sold and financed through both ABCP and factoring transactions of €2.0 billion (€2.3 billion at 31 December 2020), which do not meet derecognition requirements and therefore are recorded on the Group's consolidated statement of financial position. These receivables are recognized as such in the Group's financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated statement of financial position as debt (see Note 24 "Debt" to the Group's combined financial statements for the years ended 31 December 2021 and 2020).

Commercial Paper Programs

CNH Industrial Financial Services S.A. in Europe issued commercial paper under a program which had an amount of €73 million outstanding at 31 December 2021 (€92 million at 31 December 2020).

Furthermore, Debt payable to CNH Industrial of Financial Services was €0.7 billion at 31 December 2021 and €0.4 billion at 31 December 2020, and mainly included overdraft and advances/utilizations under cash management and/or cash pooling arrangements and loans granted by the CNH Industrial central treasury to certain Iveco Group Financial Services subsidiaries. Other Iveco Group Financial Services subsidiaries held cash balances deposited with the CNH Industrial central treasury, including cash management and/or cash pooling arrangements for €0.6 billion at 31 December 2021 and €0.4 billion at 31 December 2020. As a consequence, the Group Financial Services held a net financial payable position from CNH Industrial of €0.1 billion at 31 December 2021, and a net position from CNH Industrial of €0.0 billion at 31 December 2020. In the first months following the Demerger, almost all Financial Receivables and Payables between the Group and CNH Industrial were settled.

FUTURE LIQUIDITY

The Group has adopted formal policies and decision-making processes designed to optimize the allocation of funds, cash management processes and financial risk management. The Group's liquidity needs could increase in the event of an extended economic slowdown or recession that would reduce the Group's cash flow from operations and impair the ability of the Group's dealers and retail customers to meet their payment obligations.

The Company believes that funds available under its current liquidity facilities, those obtained from the settlement with CNH Industrial occurred in the first months after the Demerger, those realized under existing and planned asset-backed securitization programs and possible issuances of debt securities and those expected from ordinary course refinancing of existing credit facilities, together with cash provided by operating activities, will allow the Group to satisfy its debt service requirements for the coming year. At 31 December 2021, the Group had available committed, unsecured facilities expiring after twelve months of €41 million (€48 million at 31 December 2020).

Financial Services securitized debt is repaid with the cash generated by the underlying amortizing receivables. Accordingly, additional liquidity is not normally necessary for the repayment of such debt. Financial Services has traditionally relied upon the term ABCP market and committed asset-backed facilities as a primary source of funding and liquidity. At 31 December 2021, Financial Services' asset-backed facilities amounted to €751 million (€735 million at 31 December 2020).

Iveco Group continues to closely monitor its liquidity and capital resources for any potential impact that the COVID-19 pandemic may have on its operations. Iveco Group believes that its cash and cash equivalents, access to credit facilities and cash flows from future operations will be adequate to fund its known cash needs during the COVID-19 pandemic.

If Financial Services were unable to obtain ABCP funding at competitive rates, its ability to conduct its financial services activities would be limited.

OFF-BALANCE SHEET ARRANGEMENTS

The Group uses off-balance sheet arrangements with unconsolidated third parties in the ordinary course of business, including financial guarantees. The Group's arrangements are described in more detail below. For additional information, see Note 27 "Commitments and contingencies" to the Combined Financial Statements.

Financial Guarantees

The Group's financial guarantees requires the Group to make contingent payments upon the occurrence of certain events or changes in an underlying instrument that is related to an asset, a liability or the equity of the guaranteed party. These guarantees include arrangements that are direct obligations, giving the party receiving the guarantee a direct claim against the Group, as well as indirect obligations, under which the Group has agreed to provide the funds necessary for another party to satisfy an obligation.

Iveco Group provided guarantees on the debt or commitments of third parties and performance guarantees in the interest of non-consolidated affiliates totaling €452 million as of 31 December 2021 and €489 million as of 31 December 2020.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the Group's contractual obligations and commercial commitments with definitive payment terms that will require significant cash outlays in the future, as of 31 December 2021:

(€ million)	Total	Less than one year	One to three years	Three to five years	After five years
Contractual Obligations					
Debt obligations[(1)]					
Debt payable to CNH Industrial	3,076	3,076	—	—	—
Borrowings from banks	501	479	13	—	9
Asset-backed financing	1,926	1,847	63	10	6
Other debt	82	74	4	4	—
Undiscounted lease payments	215	61	71	37	46
Purchase obligations	1,066	557	496	—	13
Total	**6,866**	**6,094**	**647**	**51**	**74**

(1) Amounts presented exclude the related interest expense that will be paid when due. The table above does not include obligations for pension plans, other post-employment benefits and other employee benefits. The Group's best estimate of expected contributions in 2022 to pension plans is approximately €2 million. Potential outflows in the years after 2021 are subject to a number of uncertainties, including future asset performance and changes in assumptions, and therefore the Group is unable to make sufficiently reliable estimates of future contributions beyond 2021.

Debt Obligations

For information on the Group's debt obligations, see "Capital Resources" above and Note 24 "Debt" to the Combined Financial Statements. The debt obligations reflected in the tables above can be reconciled to the amount in the 31 December 2021 combined balance sheets as follows:

(€ million)	At 31 December 2021
Debt reflected in the combined balance sheet	**5,785**
Less:	
Lease liabilities	(200)
Total Debt obligations	**5,585**

The amount reported as debt obligations in the table above consists of the Group's borrowings from banks, asset-backed financing and other debt (excluding undiscounted lease payments, which are reported in a separate line item in the table above), as well as debt payable to CNH Industrial from certain Iveco Group subsidiaries (mainly including overdraft and advances/utilizations under cash management and/or cash pooling arrangements and loans granted by the CNH Industrial central treasury to certain Iveco Group subsidiaries) for an amount of €3.1 billion at 31 December 2021. Other Iveco Group subsidiaries held cash balances deposited with the CNH Industrial central treasury, including cash management and/or cash pooling arrangements, for an amount of €3.5 billion at 31 December 2021. As a consequence, Iveco Group held a net financial receivable position from CNH Industrial of €0.4 billion at 31 December 2021. In the first months following the Demerger, almost all Financial Receivables and Payables between the Group and CNH Industrial were settled.

Undiscounted Lease Payments

The Group's assets under lease agreements consist mainly of industrial buildings and plant, machinery and equipment used in the Group's businesses. The amounts reported above include the minimum future lease payments and payment commitments due under such leases.

Purchase Obligations

The Group's purchase obligations at 31 December 2021 were the following:

- the repurchase price guaranteed to customers on sales with a buy-back commitment which is included in the line item "Other liabilities" in the Group's consolidated balance sheets in an aggregate amount of €1,012 million; and
- commitments to purchase tangible fixed assets, largely in connection with planned capital expenditures, in an aggregate amount of approximately €54 million.

RISK MANAGEMENT AND CONTROL SYSTEM

Iveco Group N.V. was incorporated on 16 June 2021 with the only purpose of performing preparatory activities until 31 December 2021, waiting for the effectiveness of the Demerger (occurred on 1 January 2022): as a consequence, in 2021 the risk management objectives for Iveco Group N.V., only (i.e. excluding the subsidiaries received on 1 January 2022 following the Demerger), focused on compliance with laws, regulations and applicable standards. Additionally, risk management objectives during the period included certain applicable financial risks, such as the safeguarding and use of the Company's cash and cash equivalents, as well as quality of financial reporting.

During 2021, Company's cash and cash equivalents and trade payables did not lead to significant risks and/or risk management requirements.

Credit risk associated with cash and cash equivalents is considered limited as the counterparties are leading national and international banks. The above mentioned subsidiaries, instead, were included in the CNH Industrial Enterprise Risk Management ("ERM") process.

Following the Demerger, the Company has adopted an ERM process designed to assist in the identification, evaluation and prioritization of business risks (including environmental, social, and governance) followed by a coordinated and balanced application of resources to minimize, monitor, and control the probability or impact of adverse events or to maximize the realization of opportunities.

Iveco Group's ERM process is based on the framework published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), as well as the principles of the Dutch Corporate Governance Code, and adapted for specific business requirements by incorporating Company management knowledge and best practices identified by third-party risk consulting firms inside Iveco Group perimeter, before the Demerger.

CORPORATE GOVERNANCE

INTRODUCTION

The Company is incorporated and organized under the laws of the Netherlands. Its common shares are listed on Euronext Milan, managed by Borsa Italiana S.p.A.

The Dutch Corporate Governance Code 2016 applies, on a comply or explain basis, to Dutch companies whose shares have been admitted to trading on a regulated market or comparable system (the “DCGC”). The DCGC did not apply to the Company for the period from its incorporation to 31 December 2021 during which period it was wholly owned by CNH Industrial. Upon the Demerger and in connection with the start of the trading of its common shares on Euronext Milan, the Company has adopted, except as discussed below, the DCGC, which contains principles and best practice provisions that regulate relations between the board of directors of a listed Dutch company and its shareholders.

In this Report Iveco Group summarizes its overall corporate governance structure as it applies to the Company as of 1 January 2022. The Company discloses in this Report, and intends to disclose in its future annual reports, any material deviation from the best practice provisions of the DCGC.

COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE

While the Company endorses the principles and best practice provisions of the DCGC, its current corporate governance structure deviates from the following best practice provisions, only with respect to minor aspects as follows:

- Under best practice provision 5.1.3, the chairperson of the board should be an independent Non-Executive Director. The Company has adopted a one-tier governance structure with two Executive Directors and, in accordance with section 14(2) of the Articles of Association, the Board has granted to them, respectively, the title of ‘Chair’ and ‘Chief Executive Officer’. The Board entrusted to an independent Non-Executive Director the duties attributed by the DCGC to the chair of the management board in one-tier companies (or to the chairman of the supervisory board in two-tier companies) and granted to such independent Non-Executive Director the title of ‘Senior Non-Executive Director’ (so as to distinguish such Director from the Chairperson of the Company, who is an Executive Director). As a consequence, despite the difference in corporate titles, the Company believes it complies with best practice provision 5.1.3, as the current Senior Non-Executive Director satisfies the requirements described in best practice provision 5.1.3 of the DCGC.
- Under best practice provision 5.1.1, in case of a one-tier governance structure, the majority of the management board should be made up of non-executive directors and the requirements for independence stipulated in best practice provisions 2.1.7 and 2.1.8 should apply to the non-executive directors. The April 2022 AGM redefined the composition of the Board, by appointing Mr Ribadeau-Dumas (who does not qualify as ‘independent’, pursuant to the DCGC) as a non-executive director. The Company is of the opinion that this composition (focused on expertise and experience more than formal independence) is correctly balanced and can assure an effective supervision by fully accountable non-executive directors of the correct discharge of the duties entrusted to the executive ones, in the best interest of all the Company’s stakeholders.
- Under best practice provision 2.3.4, more than half of the members of the committees should be independent within the meaning of best practice provision 2.1.8. For the ESG Committee and the Human Capital and Compensation Committee the majority of the members in those two committees is not independent. The Company is of the opinion that, this composition will enhance the effectiveness and constitute a fair and adequate representation of persons having the necessary expertise and experience, even if those persons would not, formally speaking, be considered ‘independent’ within the meaning of provision 2.3.4. The Board has not appointed a vice-chairman in the sense of best practice provision 2.3.7 of the DCGC. Since the Company adopted a one-tier governance structure with a single management board comprised of Executive Directors and Non-Executive Directors, the Board has granted the title of ‘Chairperson’ to one Executive Director and designated as ‘Senior Non-Executive Director’ one of the Non-Executive Directors. The Senior Non-Executive Director is responsible for the proper functioning of the Board of Directors and its Committees. Furthermore, the Board Regulations provide that in the absence of the Senior Non-Executive Director any other Non-Executive Director chosen by a majority of the Directors present at a meeting shall preside at meetings of the Board of Directors. The Company considers the above sufficient to ensure that the role and function assigned by the DCGC to the vice-chairman is properly discharged.
- Pursuant to best practice provision 4.1.8 of the DCGC, every Executive and Non-Executive Director nominated for appointment should attend the Annual General Meeting at which votes will be cast on his/her nomination. Since, pursuant to the Articles of Association, the term of office of Directors is approximately one year, such period expiring on the day the first Annual General Meeting of Company shareholders is held in the following calendar year, all members of the Board of Directors are nominated for (re)appointment each year. By publishing the relevant biographical details and curriculum vitae of each nominee for (re)appointment, the Company ensures that the Company's general meeting of shareholders is well informed in respect of the nominees for (re)appointment and in practice only the Executive Directors, and Non-Executive Directors nominated for the first time for appointment to the Board, will therefore - as a rule - attend the Annual General Meeting.
- The Company does not have a retirement schedule as referred to in paragraph 2.2.4 of the DCGC. Pursuant to the Articles of Association, the term of office of Directors is approximately one year, such period expiring on the day the first Annual General Meeting of Company shareholders is held in the following calendar year.

BOARD OF DIRECTORS

Upon completion of the Demerger, the Company has adopted a one-tier board structure comprising of executive and non-executive directors (the "Executive Directors" and "Non-Executive Directors" and each of them a "Director". The Executive Directors are primarily responsible for all day-to-day operations of the Company. The Non-Executive Directors supervise (i) the Executive Directors' policy and performance of duties and (ii) the Company's general affairs and its business, and render advice and direction to the Executive Directors. The Directors furthermore perform any duties allocated to them under or pursuant to the law or the Articles of Association. Each Director has a duty to the Company to properly perform the duties assigned to each Director and to act in its corporate interest. Under Dutch law, the Company's corporate interest extends to the interests of all its stakeholders, including its shareholders, creditors, and employees.

The Board is the executive and supervisory body of the Company. It is entrusted with the management of the Company, supervises the general course of affairs in the Company and the business affiliated with the Company and is responsible for the continuity of the Company. The Board is accountable for these matters to the Company's general meeting (the "General Meeting").

The Board's responsibilities include, among other things, developing a view on long-term value creation by the Company, determining the Company's strategy and risk management policy, appointing and dismissing the senior internal auditor, annual assessment of the way in which the internal audit function fulfils its responsibility and approving the audit plan drawn up by the internal audit function, ensuring compliance with legislation and regulations and the corporate governance structure of the Company, publishing the corporate structure of the Company and any other information required under Dutch law and the Dutch Corporate Governance Code.

The Board may perform all acts necessary or useful for achieving the Company's objectives, with the exception of those acts that are prohibited by law or by the Articles of Association. Pursuant to the Articles of Association, the Board may allocate its duties and powers among the Directors pursuant to the Board Regulations or otherwise in writing, provided that the following duties and powers may not be allocated to the Executive Directors: (i) supervising the performance of the Executive Directors, (ii) making a nomination for the appointment of Directors, (iii) determining an Executive Director's remuneration and (iv) recommending to the shareholders' meeting the appointment of an auditor to audit the financial statements. Regardless of an allocation of tasks, all members of the Board remain collectively responsible for the proper management and strategy of the Company (including supervision thereof in case of Non-Executive Directors).

Pursuant to the Articles of Association, the general authority to represent the Company is vested in the Board, as well as in each of the Executive Directors to whom the title Chairperson or Chief Executive Officer has been granted. Furthermore, pursuant to the Articles of Association, the Board may appoint officers with general or limited power to represent the Company subject to the restrictions imposed on him or to grant one or more persons such titles as it sees fit. In addition, the Articles of Association provides that the Board may determine pursuant to the Board Regulations or otherwise in writing that one or more Directors can lawfully adopt resolutions concerning matters belonging to their duties within the meaning of Section 2:129a(3) of the Dutch Civil Code (DCC).

Dutch law provides that resolutions of the Board involving major changes in the Company's identity or character are subject to the approval of the General Meeting.

The Articles of Association provide that the Board shall consist of three or more Directors and that the number of Executive Directors and the number of Non-Executive Directors shall be determined by the Board. Upon completion of the Demerger, the initial number of Directors was eight, comprising two Executive Directors and six Non-Executive Directors. It was the Company's objective to have a Board comprising of nine Directors and the AGM held on 13 April 2022 appointed the ninth Director (Non-Executive).

The Board may grant titles to Directors. The Board designated Lorenzo Simonelli, a Non-Executive Director, with the title Senior Non-Executive Director who will discharge the duties attributed by the DCGC to the chair of the management board in one-tier companies. In addition, the Board appointed, among its Executive Directors, Suzanne Heywood as chair, and Gerrit Andreas Marx as chief executive officer (the Chief Executive Officer or CEO).

All members of the Board are appointed by the General Meeting. The term of office of all members of the Board will be for a period of approximately one year after appointment, such period expiring on the day the first annual General Meeting is held in the following calendar year. The General Meeting has the power to dismiss any member of the Board at any time.

The General Meeting may at all times suspend or dismiss any Director. The Board may at all times suspend an Executive Director. A suspension may be extended one or more times, but may not last longer than three months in aggregate. If at the end of that period, no decision has been taken on the termination of the suspension or on dismissal, the suspension shall end. A suspension can be terminated by the General Meeting at any time.

There should be an appropriate balance between the number of Executive Directors and Non-Executive Directors. Moreover, independent Directors have an essential role in protecting the interests of all stakeholders. Their contribution will also be necessary for the proper composition and functioning of the Board committees, whose advisory functions include preliminary examination and formulation of proposals relating to areas of potential risk, such as prevention of potential conflicts of interest.

The composition of the Non-Executive Directors is such that they will be able to operate independently and critically with respect to one another, the Executive Directors, and any other particular interest involved, and in accordance with best practice provision 2.1.7 of the Dutch Corporate Governance Code.

Under Dutch law reporting rules, the Company is required to address diversity of the Board in its annual report or in the report of the Board (*bestuursverslag*): (i) composition of the board of directors by gender; (ii) objectives of the diversity policy; (iii) description of how the diversity policy is being implemented and the results thereof and (iv) if there is no diversity policy, this should be explained.

As of 1 January 2022, new legislation entered into force, requiring "large Dutch companies" to set an 'appropriate and ambitious' target for their management board, supervisory board and senior executives (the latter as determined by the company). If a company has adopted a one-tier board structure, the appropriate and ambitious target applies to both the executive and non-executive directors. At the time of completion of the Demerger, the Company did not qualify as a "large Dutch company". The Company is expected to qualify as a "large Dutch Company" at the end of its second financial year as a listed company, on 31 December 2023, and will as of that moment start making the appropriate disclosures.

No matter legal requirements, with regard to diversity, the Company generally recognizes that more diverse boards are more effective in performing their monitoring and advisory activities, due to the variety of professional experience, perspectives, insights, skills and connections to the outside world that diversity can add. While the Company believes its Board members are reasonably diverse upon completion of the Demerger, it will continue to consider enhanced diversity as a key future objective. The Board Regulations set out this principle in respect of making a nomination for the appointment of Directors.

Pursuant to Dutch law, there are limitations to the number of supervisory or non-executive positions persons can hold on the boards of directors of large Dutch companies. At the time of completion of the Demerger, even though the Company does not yet qualify as a "large Dutch company", no member of the Board exceeded the maximum number of supervisory or non-executive positions.

The Board shall hold meetings on a regular basis at a time to be determined by the Board and whenever the Board of Directors have requested a meeting. Special meetings of the Board shall be held whenever called by direction of the chair of the Board or, in his or her absence, by the chief executive officer or by a majority of the directors then in office.

Composition of the Board

At 31 December 2021, the Board was comprised of the following four managing Directors, who had all been appointed at the incorporation of the Company with indefinite term of appointment: Oddone Incisa della Rocchetta (Managing Director, Chairperson), Monica Ciceri, Roberto Russo, Andreas Georg Weishaar.

Upon completion of the Demerger, all those managing Directors resigned and were replaced by the following two Executive Directors and six Non-executive Directors, who were appointed for an initial term ending at the annual General Meeting of the Company to held in 2023. On 13 April 2022, the Annual General Meeting of Shareholders appointed Mr. Benoît Ribadeau-Dumas as the seventh Non-Executive Director:

Name	Position with the Company
Suzanne Heywood	Executive Director, Chairperson
Gerrit Andreas Marx	Executive Director, Chief Executive Officer
Tufan Erginbilgic	Independent Non-Executive Director
Essimari Kairisto	Independent Non-Executive Director
Linda Knoll	Non-Executive Director
Alessandro Nasi	Non-Executive Director
Olof Persson	Independent Non-Executive Director
Benoît Ribadeau-Dumas	Independent Non-Executive Director
Lorenzo Simonelli	Independent Senior Non-Executive Director

Biographical Details of the Executive Directors

- Suzanne Heywood (Chairperson)

  Suzanne Heywood became a Managing Director of EXOR in 2016. Prior to that she worked at McKinsey & Company which she joined as an associate in 1997 and left as a Senior Partner (Director) in 2016. Suzanne co-led McKinsey's global service line on organization design for several years and also worked extensively on strategic issues with clients across different sectors. She has published a book, "Reorg," and multiple articles on these topics and has also acted as a visiting lecturer at Tsinghua University in Beijing. Suzanne started her career in the U.K. Government as a Civil Servant in the U.K. Treasury. At the Treasury she worked as Private Secretary to the Financial Secretary (who is responsible for all direct taxation issues) as well as leading thinking on the Government's privatization policy and supporting the Chancellor in his negotiations at ECOFIN (the meeting of European Finance Ministers) in Brussels. Prior to that she studied science at Oxford University (BA) and then at Cambridge University (PhD). Lady Heywood is Chair of CNH Industrial N.V., and of Shang Xia. She is also a non-executive director of Juventus, Louboutin and The Economist, Deputy Chair of the Royal Opera House and a director of the Royal Academy of Arts Trust. She grew up sailing around the world for ten years on a yacht with her family recreating Captain James Cook's third voyage around the world. Born in 1969, British citizenship. Female. Born 1969. British citizenship. Date of first appointment: 1 January 2022.

- Gerrit Andreas Marx (Chief Executive Officer)

  Gerrit Marx has more than 20 years of experience in roles of increasing importance in different locations around the world and in a variety of industrial segments, with a specific in-depth focus on automotive industries. He holds a degree in Mechanical Engineering ("Diplom Ingenieur") and an MBA ("Diplom Kaufmann") from RWTH Aachen University, and a Doctorate in Business Administration from Cologne University. From 1999 to 2007, Mr. Marx worked at the global consulting firm McKinsey & Company, focusing on operational improvement programmes in the automotive and aerospace industries in Europe, Brazil, and Japan. He joined Daimler AG in 2007 to head the global controlling function for vehicle and powertrain component projects, as well as market-entry / mergers and acquisitions for three truck brands in North America, Europe, and Asia. This led him to the role of President and Chief Executive Officer at Daimler Trucks China in 2009 and subsequently, President of Skoda China with Volkswagen AG, overseeing imports and joint venture business relations in both roles. In 2012 Mr. Marx joined the European leadership team of Bain Capital as a member of their portfolio group, driving and leading transformational change programs. This role also encompassed due diligence and merger and acquisition activities, with specific focus on automotive and industrial assets, and also included interim roles such as Chief Executive Officer of Wittur Group, a global Tier-1 supplier to the elevator industry. Gerrit Marx joined CNH Industrial in January 2019 as President of Commercial and Specialty Vehicles. Since the spin-off of Iveco Group from CNH Industrial on 1 January 2022, Mr. Marx has served as Chief Executive Officer of the newly formed Company. Male. Born in 1975, German citizenship. Date of first appointment: 1 January 2022.

Biographical Details of the Non-Executive Directors

- Tufan Erginbilgic (Non-Executive Director - independent), Member of the ESG Committee, Member of the Human Capital and Compensation Committee

  Tufan Erginbilgic is a partner at Global Infrastructure Partners (GIP) based in London. In 2014, he became the Chief Executive, Downstream, at BP, the company's customer facing arm comprising a diverse portfolio of five core business: Retail, Refining, Aviation, Lubricants and Petrochemicals. He held this position until April 2020. Prior to this he was the Chief Operating Officer of BP's Global Fuels Business. In 2009 he became the Chief Operating Officer for the Eastern Hemisphere Fuel value chains and global Lubricant businesses and prior to his move to the Group Chief Executive's office in 2007, he assumed leadership of BP's global lubricant business in 2006. In 2004 Mr. Erginbilgic was appointed head of the Company's European Fuels Business. He joined BP in 1997, holding a wide variety of roles in refining and marketing in Turkey, and in various European countries, including the UK. Mr. Erginbilgic started his career with Mobil in 1990. He served as an independent Non- Executive director at CNH Industrial N.V. (from 2020 - 2021). Tufan Erginbilgic serves on the Strategic Advisory Board of the University of Surrey, U.K., and joined the board of DCC PLC in April 2020 and Türkiye Petrol Rafinerileri A.Ş. in March 2021. Mr. Erginbiglic holds a Bachelor of Science in Engineering degree from Istanbul Technical University, Turkey, a Masters of Business Administration degree from Bosphorous University, Turkey and a Master in Economics degree from Ohio State University, U.S. Male. Born in 1959, British and Turkish citizenship. Date of first appointment: 1 January 2022.

- Essimari Kairisto (Non-Executive Director - independent), Chair of the Audit Committee

  Essimari Kairisto has a diploma in Business Administration from the University of Fachhochschule Bielefeld (Germany). Ms. Kairisto was the Chief Financial Officer and a Board Director for Hochtief Solutions AG until 2016 after which she has taken on independent consulting roles. These include, since 2015, a Supervisory Board Member and a member of the Audit Committee of Freudenberg SE, the privately owned German technology company, and since 2018, a Non-Executive Director and chair of the Audit and Risk Committee of Fortum Oyj, a clean energy generation and distribution company which is listed on the Helsinki stock exchange. Additionally, Ms. Kairisto is member of the Supervisory Board, chair of the Audit Committee and member of the Strategy and Investment Commitee of TenneT B.V., a Dutch state owned leading European electricity transmission system operator with its main activities in the Netherlands and Germany. She is also a director and member of the Audit Committee of Applus+ S.A., a Spanish company, listed on the Madrid Stock Exchange, that is a worldwide leader in the testing, inspection and certification sector. Prior to her move to Hochtief Solutions AG in 2013, Ms. Kairisto had several high profile roles in finance and general management including at Sasol, RWE and Schlumberger. Female. Born in 1966, Finnish and German citizenship. Date of first appointment: 1 January 2022.

- Linda Knoll (Non-Executive Director), Member of the ESG Committee, Chair of the Human Capital and Compensation Committee

  Linda Knoll holds a Bachelor of Science Degree in Business Administration from Central Michigan University. After a career in the land systems division of General Dynamics, Linda Knoll honed her career in the predecessor companies to Fiat Chrysler Automobiles (FCA) and CNH Industrial through numerous operational assignments, accumulating a wealth of relevant industrial industry experience spanning more than 25 years (including Vice-President and General Manager of the Crop Production Global Product Line, Vice-President North America Agricultural Industrial Operations, Executive Vice-President Agricultural Product Development, President Parts and Service (ad interim) and Executive Vice-President Worldwide Agricultural Manufacturing). Linda Knoll has been CHRO in CNH Industrial (from 2007 to 2019) and FCA (from 2011 to March 2021). Linda Knoll currently serves as director at Schneider Electric SE, and Comau. Female. Born in 1960, American citizenship. Date of first appointment: 1 January 2022.

- Alessandro Nasi (Non-Executive Director), Chair of the ESG Committee, Member of the Human Capital and Compensation Committee

  Alessandro Nasi started his career as a financial analyst in several banks, gaining experience at Europlus Asset Management, a division of Unicredit in Dublin, Ireland, PricewaterhouseCoopers in Turin, Italy, Merrill Lynch and JP Morgan in New York, U.S. He also worked as an Associate in the Private Equity Division of JP Morgan Partners in New York, U.S. Mr. Nasi joined the Fiat Group in 2005 as manager of Corporate and Business Development, heading the APAC division and supporting Fiat Group sectors in Asia Pacific. In 2007, Mr. Nasi was appointed Vice President of Business Development and a member of the Steering Committee of Fiat Powertrain Technologies. In 2008, he joined CNH in the role of Senior Vice President of Business Development and from 2009 to 2011 he also served as Senior Vice President of Network Development. In January 2011, he was also appointed Secretary of the Industrial Executive Council of Fiat Industrial, continuing in the role of Executive Coordinator to the successor Group Executive Council of CNH Industrial until January 2019. In 2013 he was appointed President Specialty Vehicles, a role he held until January 2019. Mr. Nasi is a Director of Giovanni Agnelli B.V., Vice Chairman of the Board of Directors of EXOR N.V., Chairman of Comau, Chairman of Iveco Defence Vehicles (an affiliate of Iveco Group), Chairman of Astra Veicoli Industriali (an affiliate of Iveco Group), Director of CNH Industrial and Chair of its Environmental, Social, and Governance Committee. In November 2019, he was appointed a member of the Advisory Board of the Lego Brand Group. In June 2020, Mr. Nasi was appointed a Non-Executive, Independent Director of GVS S.p.A. Mr. Nasi obtained a degree in Economics from the University of Turin. Male. Born in 1974, Italian citizenship. Date of first appointment: 1 January 2022.

- Olof Persson (Non-Executive Director - independent), Member of the Audit Committee

  Olof Persson is currently Senior Advisor. Mr. Persson is also currently Chairman of the Board of New Wave Group and non-executive director of World Flight Services. In the course of his career Mr. Persson held various positions at ABB and was appointed Division President at Bombardier Transportation in 2004. In 2006, he joined Volvo Group as President of Volvo Aero and subsequently President of Volvo Construction Equipment in 2008. In 2011 he became President and CEO of the AB Volvo Group. In 2015 Mr. Persson was appointed Senior Operating Executive at Cerberus Capital Management. Mr. Persson holds a Bachelor of Business Administration, BBA – Ekonomi 1988, at Karlstads University. Male. Born in 1964, Swedish citizenship. Date of first appointment: 1 January 2022.

- Lorenzo Simonelli (Senior Non-Executive Director - independent), Member of the Audit Committee

  Lorenzo Simonelli is the Chairman, President and CEO of Baker Hughes, an energy technology company that combines innovation, expertise and scale to provide solutions for energy and industrial customers worldwide. In October 2017 he was named Chairman of the Board of Baker Hughes, and has been President and CEO since the Company's creation in 2017, where he oversaw the successful merger of GE Oil & Gas with Baker Hughes Inc. In 2013 he was appointed President and CEO of GE Oil & Gas. Previously, Mr. Simonelli served as President and CEO of GE Transportation, a global transportation leader in the rail, mining, marine and energy storage industries. During his five-year tenure, he expanded and diversified GE Transportation by focusing on advanced technology manufacturing, intelligent control systems and a diverse approach to new propulsion solutions. He served as Chief Financial Officer for the Americas for GE Consumer & Industrial, as well as General Manager, Product Management for GE Appliances, Lighting, Electrical Distribution and Motors. Lorenzo Simonelli joined GE's Financial Management Program in 1994, where he worked on assignments in GE International, GE Shared Services, GE Oil & Gas and Consolidated Financial Insurance. Mr. Simonelli also served on the Board of C3.ai, Inc (from 2020 - 2021) and on the Board of CNH Industrial N.V. (from 2019 - 2021). He graduated in Business & Economics from Cardiff University, Wales and received a master's degree honoris causa in Chemical Sciences from the University of Florence, Italy. Male. Born in 1973, Italian, British and Swiss citizenship. Date of first appointment: 1 January 2022.

- Benoît Ribadeau-Dumas (Non-Executive Director)

  Benoît Ribadeau-Dumas was appointed Non-Executive Director of Iveco Group N.V. in April 2022. He began his career at the French Council of State in 1997 before joining Thales, a leading French technology group in aerospace and defense, as Director of Business Development. He held different roles within the Company until 2009 when he was named CEO of Thales Underwater Systems. Mr. Ribadeau-Dumas was later appointed at geoscience global leader CGG as Senior Executive Vice President, responsible for Data Acquisition and then at ZodiacAerospace, as member of the management Board and CEO of Aerosystems Branch. In 2017 he joined the Cabinet of the French Prime Minister as Chief of Staff. He is a Partner at Exor. Mr. Ribadeau-Dumas graduated from Ecole Polytechnique and attended the Ecole Nationale d'Administration (ENA). Born in 1972, French citizenship.

COMMITTEES

After the completion of the Demerger, the Board appointed among its Non-Executive Directors three committees to assist it to discharge its duties: an audit committee (the Audit Committee), an environmental, social and governance committee (the ESG Committee), and a human capital and compensation committee (the Human Capital and Compensation Committee). Unless disclosed otherwise the members of each committee are independent pursuant to the Dutch Corporate Governance Code.

The Board may appoint additional committees from time to time, as it deems necessary and appropriate to carry out its responsibilities and oversight function. The Board, at establishment of each committee, set their terms of reference further setting out the tasks of the relevant committee and providing for the internal rules and procedures for the functioning of the relevant committee.

The Board shall remain accountable for the work carried out by committees of the Board and the performance and affairs of the Company notwithstanding the establishment of committees to assist the Board on certain specified matters. Except as otherwise required by applicable law, the Articles of Association or the resolution of the Board designating the committee, the presence in person of a majority of the total number of members of a committee shall be required and constitute a quorum for the transaction of business, including the adoption of resolutions. If any meeting of a committee a quorum is not present, a majority of the committee members present may adjourn the meeting from time to time, without notice other than adjournment at the meeting, until a quorum shall be present. Whenever a quorum cannot be secured for any meeting of a committee from the members of such committee, the member or members thereof present and not disqualified from voting may unanimously appoint one or more Non-Executive Directors who are not regular members of the committee to act at the meeting in the place of any absent or disqualified member or members of the committee.

AUDIT COMMITTEE

The Audit Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making regarding the supervision of the integrity and quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems and shall prepare resolutions of the Board in relation thereto.

The Audit Committee consists of at least three Non-Executive Directors to be appointed by the Board, all of whom, including the chair of the Audit Committee, must be independent Non-Executive Directors. The Audit Committee may not be chaired by the chair of the Board or by a former Executive Director. At least one member of the Audit Committee has competence in accounting and/or auditing. The members as a whole must have competence relevant to the sector in which the Company is operating. The Audit Committee shall meet at such time and place as the chairperson or a majority of the members of the Audit Committee shall determine, but normally at least four times every year. The quorum of any meeting shall be a majority of the members of the Audit Committee. and if there is a tie in a vote, the chairperson of the Audit Committee shall have a casting vote. The Audit Committee shall meet with the external auditor as often as it considers necessary, but at least once a year, outside the presence of the Executive Directors.

The chief financial officer, the internal auditor and the external auditor shall attend the Audit Committee meetings, unless the Audit Committee determines otherwise. The Audit Committee shall decide whether and, if so, when the chair of the Board shall attend its meetings.

In short, the Audit Committee's main responsibilities include, among others: (i) supervising and monitoring, and discussing with and advising the Board on, the effectiveness of the design and operation of the internal risk management and control systems and supervising material ethics matters; (ii) supervising the submission of financial information by the Company; (iii) supervising the compliance with recommendations and observations of the Company's internal and external auditor; (iv) supervising the functioning of the internal audit department (if present); (v) supervising the Company's tax policy; (vi) supervising the financing of the Company; (vii) supervising the applications of information and communication technology, including risks relating to cybersecurity; (viii) maintaining frequent contact and supervising the relationship with the external auditor; (ix) implementing the procedure for the selection of a statutory auditor and submitting a recommendation to the Non-Executive Directors for the (re)appointment or dismissal of a statutory auditor by the General Meeting; (x) informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in that process; (xi) monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity; (xii) determining whether, and if so, how the external auditor shall be involved in the content and publication of financial reports other than the financial statements; (xiii) issuing a recommendation on the appointment and dismissal of the senior internal auditor (if present); (xiv) if there is no separate department for the internal audit function, issuing a recommendation to the Board whether adequate alternative measures have been taken; (xv) submitting a proposal to the Board for the external auditor's engagement to audit the financial statements; and (xi) advising the Board as to the approval of the financial statements of the Company.

The Audit Committee has the power, without the Board's approval and at the Company's expense, to engage any independent legal counsel and other advisors as it deems necessary or appropriate and shall have the sole authority to approve such firms' fees and other retention terms.

The Audit Committee is currently composed of: Essimari Kairisto as chair, and Olof Persson and Lorenzo Simonelli as members, all of whom are independent.

ESG COMMITTEE

The ESG Committee advises the Board in relation to its responsibilities and shall prepare resolutions of the Board in relation thereto.

The ESG Committee consists of at least three Non-Executive Directors to be appointed by the Board. The ESG Committee shall meet at such time and place as the chairperson or a majority of the members of the ESG Committee may determine, but at least once every year. The quorum of any meeting shall be a majority of the members of the ESG Committee and if there is a tie in a vote, the chairperson of the ESG Committee shall have a casting vote.

In short, the ESG Committee's main responsibilities include, among other things: (i) overseeing the Company's environmental, social, and governance risks, strategies and practices; (ii) overseeing the Company's commitment to environmental stewardship and corporate social responsibility; (iii) overseeing and evaluating the policies, procedures, and practices related to the health and safety of Company employees; (iv) monitoring, evaluating and reporting on the sustainability strategy, governance, practices and performance globally of the Company; (v) drawing up selection criteria and appointment procedures for the Directors; (vi) periodically assessing the size and composition of the Board, and making a proposal for a composition profile of the Non-Executive Directors; (vii) periodically assessing the functioning of individual Directors and the Board as a whole, and reporting on this to the Board; (viii) making recommendations for appointments and reappointments; (ix) supervising the policy of the Board on the selection criteria and appointment procedures for senior management; and (x) supervising the Company's main initiatives and reporting on ESG matters.

The ESG Committee has the power, without the Board's approval and at the Company's expense, to appoint, compensate and oversee the work of any outside advisor to assist the ESG Committee in connection with its responsibilities.

The ESG Committee is currently composed of: Mr. Alessandro Nasi as chair, and Tufan Erginbilgic and Linda Knoll as members. Mr. Alessandro Nasi and Ms. Linda Knoll do not qualify as independent.

HUMAN CAPITAL AND COMPENSATION COMMITTEE

The Human Capital and Compensation Committee advises the Board in relation to its responsibilities and shall prepare resolutions of the Board in relation thereto.

The Human Capital and Compensation Committee consists of at least three Non-Executive Directors appointed by the Board. The Human Capital and Compensation Committee may not be chaired by the chairperson of the Board or by a former Executive Director. The Human Capital and Compensation Committee shall meet at such time and place as the chairperson or a majority of the members of the Human Capital and Compensation Committee shall determine, but at least once every year. The quorum of any meeting shall be a majority of the members of the Human Capital and Compensation Committee and if there is a tie in a vote, the chairperson of the Human Capital and Compensation Committee shall have a casting vote. In short, the Human Capital and Compensation Committee's main responsibilities include, among other things: (i) every four years, submitting a proposal to the Board for the Remuneration Policy to be pursued; (ii) preparing the Board's decision-making regarding the determination of remuneration of the individual Executive Directors; (iii) preparing the decision- making by the Non-Executive Directors regarding the determination of remuneration of the individual Non-Executive Directors; and (iv) annually preparing the remuneration report to be tabled at the General Meeting.

The Human Capital and Compensation Committee has the power, without the Board's approval and at the Company's expense, to appoint, compensate and oversee the work of any outside advisor to assist the Human Capital and Compensation Committee in connection with its responsibilities.

The Human Capital and Compensation Committee is currently composed of: Ms. Linda Knoll, as chair, and Tufan Erginbilgic and Alessandro Nasi as members. Ms. Linda Knoll and Mr. Alessandro Nasi do not qualify as independent.

THE SENIOR LEADERSHIP TEAM

On certain key industrial matters, the Board is advised by the Company's Senior Leadership Team (the "SLT"). The SLT serves to strengthen the quality of the Company's decision-making and the implementation of its strategy. The SLT is an operational decision-making body of the Company, which is responsible for reviewing the operating performance of the segments and making decisions on certain operational matters. The Board remains accountable for the decisions of the SLT and has ultimate responsibility for the Company's management and external reporting. The SLT is comprised of the Company's Chief Executive Officer and certain key senior managers. The SLT is effectively supervised by the Non-Executive Directors of the Board. For this purpose, the SLT, either directly or through the Executive Directors, must provide the Non-Executive Directors with all information the Non-Executive Directors require to fulfil their responsibilities. The SLT consists of key members, each of whom oversees a specific aspect of the business.

POTENTIAL CONFLICT OF INTEREST OF DIRECTORS AND MEMBERS OF THE SLT

Directors

Other than as described below, no Director has a conflict of interest (actual or potential) between his or her duties to the Company and his or her private interests and/or other duties.

Suzanne Heywood, who was appointed executive director and Chairperson of the Company effective upon completion of the Demerger, is also executive director and chair of CNH Industrial. In addition, Alessandro Nasi, who was appointed non-executive director of the Board of Directors effective upon completion of the Demerger, is also a non-executive director of the board of directors of EXOR and CNH Industrial. Suzanne Heywood and Alessandro Nasi owe duties both to Iveco Group and to CNH Industrial, which may raise potential conflicts of interest should the Company have to enter into new transactions (or amend existing transactions as the case may be) with CNH Industrial. Mr Ribadeau-Dumas, who was appointed non-executive director of the Board of Directors on 13 April 2022, is also a Partner at EXOR.

Considering also that the Company and CNH Industrial operate in different product markets, the Company does not expect that the circumstances described above will cause any of the Directors to have a conflict with the duties they owe to the Company. However, the Board Regulations includes arrangements to ensure that the Board will in each relevant situation handle and decide on any (potential) conflict of interest.

SLT members

None of the members of the SLT have a conflict of interest (actual or potential) between his or her duties to the Company and his or her private interests and/or other duties.

RELATED PARTY TRANSACTIONS

Related Party Transaction Policy

The Board drew up a related party transaction policy in accordance with Dutch law and the DCGC, for the purpose of providing a procedure that prevents related parties from taking advantage of their position and provide adequate protection for the interests of the Company and its stakeholders. CNH Industrial is specifically considered a related party for the purpose of this policy, given the Demerger and the background as former group company of the Company as referred to in Section 2:24b DCC. A Director shall not participate in the discussions and/or decision-making process on a subject or transaction in the event of being involved in a related party transaction within the meaning of Section 2:169 paragraph 4 DCC. The related party transaction policy provides procedures for members of the Board to notify a potential related party transaction. Potential related party transactions shall be subject to review by the Board. The related party transaction policy stipulates when a transaction qualifies as a related party transaction. No such related party transactions shall be undertaken without the approval of the Board.

Agreements between the Company and CNH Industrial

Prior to the completion of the Demerger, the Company was a wholly-owned directly and indirectly held subsidiary of CNH Industrial. In the context of the Demerger, CNH Industrial and the Company entered into agreements, primarily of commercial nature, but also covering general administrative and specific technical matters as well as services provided by CNH Industrial and vice versa.

Master Service Agreements

In relation to services (related to lease of premises, IT services, promotion and marketing activities, warehouse management, human resources, and other corporate functions) provided by either the Company to CNH Industrial and vice versa, in connection with the execution of the Demerger Deed, the Company 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).

The reason for both parties of entering into the MSA is the result of the realization that in certain areas (and namely lease of premises, IT services, promotion and marketing activities, warehouse management, human resources, and other corporate functions) a complete duplication of the entire range of in-house services currently existing before the Demerger would result in unnecessary separation costs. The MSA is intended to constitute an umbrella agreement allowing both parties to continue receiving (or providing as the case may be) such services substantially at the same terms and conditions in place before the Demerger for an interim period. The identification of each of the services and their peculiar terms and conditions is governed by ad hoc Opt-in arrangements. The term of the MSA is two years, with the possibility of renewals, but it is expected that a substantial part of these services will be provided for a shorter period of time, whereas services related to premises and warehouses are expected to continue in the medium-long term. Upon termination of the MSA (or of each of the Opt-in letter) the receiving party may be required either to purchase the line of business providing such services at fair market value or to indemnify the service provider from any direct cost incurred as a result of such termination.

Engine Supply Agreement

In relation to the design and supply of off-road engines from the Company to CNH Industrial, in connection with the execution of the Demerger Deed, the Company and CNH Industrial entered into a ten-year Engine Supply Agreement (ESA) whereby the Company (through FPT) will sell to CNH Industrial diesel, CNG and LNG engines and provide post-sale services. Prices of the current engines have been agreed in consistency with past practices and will be subject to revision for raw material cost fluctuations. The price of future engines will be agreed between the parties. The ESA provides for mechanisms incentivizing both parties to maximize efficiencies and quality improvements, such as bonus-malus arrangements to incentivize FPT to reach or exceed predetermined targets in warranty costs and reduction of prices (or, as the case may be, to penalize FPT in case of failure to reach the same predetermined targets) with the ultimate result of fostering the reduction over time of warranty costs and the quality and technical improvement on a continuous basis of the engines and related spare parts supplied under the ESA.

Financial Service Agreement

In relation to financial services activities to be carried out post-Demerger by either the Company in favor of CNH Industrial or vice versa, in connection with the execution of the Demerger Deed, the Company and CNH Industrial entered into a Master Services Agreement (FS MSA), whereby each Party (and its subsidiaries) has agreed to provide services to the other (and its subsidiaries) and/or financial services activities to their customers, distribution networks, and suppliers. Neither Party has taken funding commitments in favor of the other party nor its suppliers, dealers, and networks. The FS MSA is intended to provide to both the Company and CNH Industrial access to such services substantially at the same terms and conditions in place before the Demerger. Further, under the terms of the FS MSA, the servicing of the receivable portfolios originated by captive activities will be performed by Iveco Group's Financial Services segment insofar as it relates to the European operations of both groups, whereas CNH Industrial will provide financial services to Iveco Group companies in the rest of the world. The FS MSA term is three years and it may be renewed for additional terms with the consent of both parties. Upon termination the party receiving such services may be required either to purchase the line of business providing such services at fair market value or to indemnify the service provider from any direct cost incurred as a result of such termination.

Agreements with EXOR subsidiaries and associates

EXOR is an investment holding company and it is the major shareholder of CNH Industrial and of the Company after the Demerger. As of the date of this Report, among other things, EXOR managed a portfolio that includes the investment in Stellantis.

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 (the 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. Stellantis subsidiaries are continuing to provide the Company with administrative services such as accounting, 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. The Stellantis MSA has a two-year term renewable upon agreement of both parties. In the event the Stellantis MSA is not renewed the Group may be required (or has the option to require as the case may be) to either purchase at fair market value the line of business dedicated to providing such services for the benefit of the Group or to indemnify the service provider from any direct cost incurred as a result of such termination.

Furthermore, the Company and Stellantis may engage in other minor transactions in the ordinary course of business.

GENERAL MEETING OF SHAREHOLDERS

At least one general meeting of Company shareholders shall be held every year, which meeting shall be held within six months after the close of the prior financial year. In addition, general meetings of shareholders shall be held in the situations referred to in Article 2:108a of the Dutch Civil Code and as often as the Board of Directors, the Chair, the Senior Non-Executive Director or the Chief Executive Officer deems it necessary to hold them, without prejudice to what has been provided in the next paragraph hereof.

Shareholders solely or jointly representing at least ten percent (10%) of the Company’s issued share capital may request the Board of Directors, in writing, to call a general meeting of shareholders, stating the matters to be dealt with. If the Board of Directors fails to call a meeting, then such shareholders may, on their application, be authorized by the interim provisions judge of the court *(voorzieningenrechter van de rechtbank)* to convene a general meeting of the Company’s shareholders. The interim provisions judge *(voorzieningenrechter van de rechtbank)* shall reject the application if he/she is not satisfied that the applicants have previously requested the Board of Directors in writing, stating the exact subjects to be discussed, to convene a general meeting of shareholders.

General meetings of shareholders shall be held in Amsterdam or Haarlemmermeer (Schiphol Airport), and shall be called by the Board of Directors, the Chairperson, the Senior Non-Executive Director or the Chief Executive Officer, in such manner as is required to comply with the law and the applicable stock exchange regulations, not later than on the forty-second (42nd) day prior to the meeting.

All convocations of meetings of shareholders and all announcements, notifications and communications to Company shareholders shall be made by means of an announcement on the Company's website and such announcement shall remain accessible until the relevant general meeting of shareholders. Any communication to be addressed to the general meeting of shareholders by virtue of law or the Articles of Association, may be either included in the notice (referred to in the preceding sentence) or, to the extent provided for in such notice, on the Company's website and/or in a document made available for inspection at the office of the Company and such other place(s) as the Board of Directors shall determine.

Convocations of meetings of shareholders may be sent to shareholders through the use of an electronic means of communication to the address provided by such shareholders to the Company for this purpose. The notice shall state the place, date and hour of the meeting and the agenda of the meeting as well as the other information required by law.

An item proposed in writing by such number of shareholders who, by law, are entitled to make such proposal, shall be included in the notice or shall be announced in a manner similar to the announcement of the notice, provided that the Company has received the relevant shareholder's request, including the reasons for putting the relevant item on the agenda, no later than the sixtieth (60th) day before the day of the meeting.

The agenda of the Annual General Meeting shall contain, inter alia, the following items:

a. adoption of the Company's annual accounts;
b. granting of discharge to the members of the Board of Directors in respect of the performance of their duties in the relevant financial year;
c. the policy of the Company on additions to reserves and on dividends, if any;
d. as required by Dutch law, the Company's Remuneration Policy;
e. if applicable, the proposal to pay a dividend;
f. if applicable, discussion of any substantial change in the corporate governance structure of the Company;
g. the appointment of Directors; and
h. any matters decided upon by the person(s) convening the meeting and any matters placed on the agenda with due observance of applicable Dutch laws.

The Board of Directors shall provide the general meeting of shareholders with all requested information, unless this would be contrary to an overriding interest of the Company. If the Board of Directors invokes an overriding interest, it must provide shareholders with details of the overriding interest.

When convening a general meeting of shareholders, the Board of Directors shall determine that, for the purpose of Article 18 and Article 19 of the Articles of Association, persons with the right to vote or attend meetings shall be considered those persons who have these rights at the twenty-eighth (28th) day prior to the day of the meeting (the "Record Date") and are registered as such in a register to be designated by the Board of Directors for such purpose, irrespective of whether they will have these rights at the date of the meeting. In addition to the Record Date, the notice of the meeting shall further state the manner in which Company shareholders and other parties with meeting rights may have themselves registered and the manner in which those rights can be exercised.

The general meeting of shareholders shall be presided over by the Senior Non-Executive Director or, in his/her absence, by the person chosen by the Board of Directors to act as chairperson for such meeting.

One of the persons present designated for that purpose by the chairperson of the meeting shall act as secretary and take minutes of the business transacted. The minutes shall be confirmed by the chairperson of the meeting and the secretary and signed by them in witness thereof.

The minutes of the general meeting of shareholders shall be made available, on request, to the shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the minutes in the following three months. The minutes shall then be adopted in the manner as described in the preceding paragraph.

If an official notarial record is made of the business transacted at the shareholders' meeting, then minutes need not be drawn up and it shall suffice that the official notarial record be signed by the notary. Each Director shall at all times have power to give instructions for having an official notarial record made at the Company's expense.

As a prerequisite to attending the meeting and, to the extent applicable, exercising voting rights, shareholders entitled to attend the meeting shall be obliged to inform the Board of Directors in writing within the time mentioned in the convening notice. At the latest, this notice must be received by the Board of Directors on the day specified in the convening notice.

Shareholders and those permitted by law to attend the shareholders' meeting may cause themselves to be represented at any meeting by a proxy duly authorized in writing, provided they shall notify the Company in writing of their wish to be represented at such time and place as shall be stated in the notice of the meeting. For the avoidance of doubt, such attorney is also authorized in writing if the proxy is documented electronically. The Board of Directors may determine further rules concerning the deposit of the powers of attorney and any such additional rules shall be mentioned in the notice of the meeting.

The chairperson of the meeting of shareholders shall decide on the admittance to the meeting of persons other than those who are entitled to attend.

For each general meeting of shareholders, the Board of Directors may decide that shareholders shall be entitled to attend, address and exercise voting rights at such meeting through the use of electronic means of communication, provided that shareholders who participate in the meeting are capable of being identified through the electronic means of communication and have direct cognizance of the discussions at the meeting and the exercising of voting rights (if applicable). The Board of Directors may set requirements for the use of electronic means of communication and state these in the convening notice. Furthermore, the Board of Directors may for each meeting of shareholders decide that votes cast by the use of electronic means of communication prior to the meeting and received by the Board of Directors shall be considered to be votes cast at the meeting. Such votes may not be cast prior to the Record Date. Whether the provision of the foregoing sentence applies and the procedure for exercising the rights referred to in that sentence shall be stated in the notice.

Prior to being allowed admittance to a meeting, a shareholder or its attorney shall sign an attendance list, stating his/her/its name and, to the extent applicable, the number of votes to which he/she/it is entitled. Each shareholder attending a meeting by the use of electronic means of communication and identified in accordance with the above shall be registered on the attendance list by the Board of Directors. In the event that it concerns an attorney of a shareholder, the name(s) of the person(s) on whose behalf the attorney is acting shall also be stated. The chairperson of the meeting may decide that the attendance list must also be signed by other persons present at the meeting.

The chairperson of the meeting may determine the time for which shareholders and others who are permitted to attend the general meeting of shareholders may speak if he/she considers this desirable with a view to the orderly conduct of the meeting.

Every share (whether common or special voting) shall confer the right to cast one vote.

Shares in respect of which the law determines that no votes may be cast shall be disregarded for the purposes of determining the proportion of shareholders voting, present or represented or the proportion of the share capital provided or represented.

All resolutions shall be passed with an absolute majority of the votes validly cast unless otherwise specified.

Blank votes shall not be counted as votes cast.

All votes shall be cast in writing or electronically. The chairperson of the meeting may, however, determine that voting by raising hands or in another manner shall be permitted.

Voting by acclamation shall be permitted if none of the shareholders present objects.

No voting rights shall be exercised in the general meeting of shareholders for shares owned by the Company or by a subsidiary of the Company. Usufructuaries of shares owned by the Company and its subsidiaries shall however not be excluded from exercising their voting rights, if the usufruct was created before the shares were owned by the Company or a subsidiary.

Without prejudice to the other provisions of the Articles of Association, the Company shall determine for each resolution passed:

a. the number of shares on which valid votes have been cast;
b. the percentage that the number of shares as referred to under a. represents in the issued share capital;
c. the aggregate number of votes validly cast; and
d. the aggregate number of votes cast in favor of and against a resolution, as well as the number of abstentions.

CODE OF CONDUCT

The Company has adopted a Code of Conduct that describes the Company's values that contribute to a culture focused on long-term value creation. The Company periodically reviews and updates the Code of Conduct to ensure it is consistent with applicable laws and best practices. The Code of Conduct forms an integral part of the internal control system and sets out the principles of business ethics to which Iveco Group adheres and which Directors, officers, employees, consultants and business "partners" are required to observe. The Code of Conduct covers topics such as the environment, health and safety, antitrust/competition, anti-corruption, data privacy, management of human resources, communities and respect of human rights.

Iveco Group uses its best endeavors to ensure that suppliers, consultants and any third party with whom Iveco Group has a business relationship be informed of the principles set forth in the Code of Conduct.

In addition, the Company issued its Supplier Code of Conduct, which includes the Company's guidelines and expectations for suppliers with regard to such areas as labor and human rights, the environment, trade restrictions and export controls, business ethics and anti-corruption, and reporting matters to the Company.

The Code of Conduct is available in seven languages on the Governance section of the Company's website (www.ivecogroup.com), and on the Company's intranet site.

The Supplier Code of Conduct is available on the Governance section of the Company's website and on the Company's intranet site and is available in six languages.

The Company has established dedicated channels of communication to enable Iveco Group's employees, customers, suppliers, and other third parties to report alleged irregularities of a general, operational, and financial nature with the Company. The Company's Compliance Helpline is managed by an independent third party. Reports may be submitted through a dedicated web portal (www.ivecogroupcompliancehelpline.com), by phone (to a call center managed by a third party), or in person to a manager or other Company representative. Company employees are required to report compliance issues. Where legally permissible, reports may be submitted on an anonymous basis. In addition, where legally required, the nature of the reports may be limited to certain subject matters. The Company investigates reports submitted and, in appropriate cases, implements corrective and/or disciplinary actions.

The Group's ethics and compliance program is managed by the Chief Legal & Compliance Officer (the "CLCO"). The Company's CLCO reports to the Company's Chief Executive Officer. As a rule, the CLCO reports on (at least) a quarterly basis to the Audit Committee. The CLCO's reports to the Audit Committee include such things as compliance training and communications activities, material compliance and ethics trends and topics, matters reported to the Compliance Helpline, the status of material investigations, and the effectiveness of the compliance and ethics program. The CLCO is responsible for, among other things, maintaining the Code of Conduct, creating and deploying compliance training, managing the Compliance Helpline (including investigating reported matters), creating and maintaining compliance-related corporate policies, and assessing legal and compliance risks and working with stakeholders to develop policies, procedures and controls to effectively manage such risks.

The Group's Code of Conduct is supplemented by additional corporate policies, guidelines and procedures that provide greater detail than is contained in the Code of Conduct. Corporate policies cover areas of higher risk given the nature and extent of the Company's business such as: conflicts of interest, bribery and corruption, antitrust/competition law, international trade compliance, and data privacy. Each year certain categories of employees (i.e. those deemed to have responsibilities presenting potentially greater risk to the Company) are required to certify that (1) they have read and understand the Code of Conduct and the Company's Conflict of Interest Policy, and (2) they have not violated, and are not aware of a violation of, the Code of Conduct or the Conflict of Interest Policy.

COMPANY SHARE CAPITAL

Until 31 December 2021, the Company's issued share capital, composed of 25,000,000 common shares, each with a nominal value of €0.01, was entirely held by CNH Industrial. Those shares were transferred from CNH Industrial to the Company as part of the Demerger by universal title succession. Immediately upon the Demerger having become effective, the Company canceled all those shares acquired as part of the Demerger by virtue of Section 2:334x, paragraph 3 DCC. The aggregate nominal value of those shares was added to the share premium reserve attached to the Common Shares.

Upon completion of the Demerger, the Company's issued share capital was divided into 271,215,400 Common Shares and 74,243,570 Special Voting Shares. All Shares are in registered form (*op naam*) and are only available in the form of an entry in the Company's shareholders' register. No certificates (*aandeelbewijzen*) were issued. On the settlement date of the Demerger, Monte Titoli credited the Common Shares to the accounts of the financial intermediaries participating with Monte Titoli with respect to the Common Shares distributed to beneficiaries holding CNH Industrial Common Shares and Computershare registered the Special Voting Shares in the Loyalty Register (as defined below) in the name of the holders of CNH Industrial Special Voting Shares. The Common Shares are accepted for clearance through the book-entry facilities of Monte Titoli which has its offices at Piazza degli Affari 6, Milan, Italy.

Special Voting Shares

Effective from the Demerger, the Company has in place a loyalty voting program. The loyalty voting program effectively awards one additional vote for each Qualifying Common Share by means of the issue of Special Voting Shares. The Special Voting Shares carry the same voting rights as Common Shares.

In connection with the Demerger, the Company registered to the Loyalty Register, for the corresponding number of Common Shares pursuant to the Allotment Ratio, each CNH Industrial Shareholder that, in addition to holding CNH Industrial Common Shares, was registered in the CNH Industrial Loyalty Register. If such CNH Industrial shareholder also held CNH Industrial Special Voting Shares, it, by operation of law, received a number of Special Voting Shares equal to the number of Common Shares for which it was registered in the Loyalty Register. If such CNH Industrial Shareholder was registered in the CNH Industrial Loyalty Register electing to receive CNH Industrial Special Voting Shares upon completion of the required holding period, it also was registered in the Loyalty Register electing to receive Special Voting Shares upon completion of the required holding period, whereby the holding period to receive Special Voting Shares shall be shortened with the period for which such holder of Common Shares had already been registered in the CNH Industrial Loyalty Register. At any time, a holder of Common Shares that subject to meeting certain conditions, can be registered in the Loyalty Register and may qualify as qualifying common shares (Qualifying Common Shares) or any Electing Common Shares (as defined below) that would become Qualifying Common Shares if held in such register after an uninterrupted period of at least three years after registration (i.e. the Loyalty Register) wishing to transfer such Common Shares other than in limited specified circumstances (i.e., transfers to affiliates or to relatives through succession, donation or other transfers) must first request a de-registration of such shares from the Loyalty Register and if held outside the system maintained and operated by Monte Titoli S.p.A. or the direct registration system maintained by the Agent, as applicable (the Regular Trading System), transfer such Common Shares back into the Regular Trading System. After de-registration from the Loyalty Register, such Common Shares no longer qualify as Electing Common Shares or Qualifying Common Shares and the holder of such Common Shares is required to offer and transfer the Special Voting Shares associated with such Common Shares to the Company for no consideration (*om niet*).

Subject to meeting certain conditions, the Common Shares can be registered in the Company's Loyalty Register and all such Common Shares may qualify as Qualifying Common Shares. The holder of Qualifying Common Shares is entitled to receive without consideration one special voting share in respect of each such Qualifying Common Share. Pursuant to the Terms and Conditions of the Special Voting Shares, and for so long as the Common Shares remain in the Loyalty Register, such Common Shares shall not be sold, disposed of, transferred, except in very limited circumstances (i.e. transfers to affiliates or to relatives through succession, donation or other transfers (defined in the Terms and Conditions of the Special Voting Shares as Loyalty Transferee)), but a Shareholder may create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Common Shares, provided that the voting rights in respect of such Common Shares and any corresponding Special Voting Shares remain with such Shareholder at all times. Shareholders who want to directly or indirectly sell, dispose of, trade or transfer such Common Shares or otherwise grant any right or interest therein, or create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Common Shares with a potential transfer of voting rights relating to such encumbrances will need to submit a de-registration request as referred to in the Terms and Conditions of the Special Voting Shares, in order to transfer the relevant Common Shares to the Regular Trading System except that a Shareholder may transfer Common Shares included in the Loyalty Register to a Loyalty Transferee (as defined in the Terms and Conditions of the Special Voting Shares) of such Shareholder without transferring such shares from the Loyalty Register to the Regular Trading System.

Shareholders who seek to qualify to receive Special Voting Shares can request to have their Common Shares registered in the Loyalty Register. Upon registration in the Loyalty Register such shares will be eligible to be treated as Qualifying Common Shares, provided they meet the specified conditions. Notwithstanding the fact that article 11 of the Articles of Association will permit the Board to approve transfers of Special Voting Shares, the Special Voting Shares cannot be traded and will be transferable only in very limited circumstances (i.e. to a Loyalty Transferee described above, or to the Company for no consideration (*om niet)*).

Any transfer of Common Shares that are registered on the Loyalty Register will trigger the de-registration of such Common Shares from that register and any associated Special Voting Shares will automatically be surrendered to the Company for no consideration.

The purpose of the loyalty voting program is to grant long-term Shareholders an extra voting right (as qualifying shareholders are entitled to exercise an additional vote through the Common Share and the associated Special Voting Share held). The Special Voting Shares will not entitle the long-term Shareholder to additional economic entitlement. The entitlement to dividend and other distribution will effectively be calculated on the basis of the number of Common Shares held by a Shareholder, irrespective of the number of Special Voting Shares such a Shareholder may also hold. Notwithstanding, under Dutch law, for a public company (*naamloze vennootschap*) such as the Company, no shares can be entirely excluded from economic entitlements. As a result, in accordance with Dutch law, the Articles of Association provide that holders of Special Voting Shares will be entitled to a minimal dividend per Special Voting Share of 1% of the nominal value of such Special Voting Share, which is then allocated to the Special Dividend Reserve. Only the holders of Special Voting Shares hold entitlement to the balance of the Special Dividend Reserve. The distribution of any amounts from the Special Dividend Reserve can only be authorized with the approval of the general meeting of the holders of Special Voting Shares upon proposal of the Board. The power to vote upon the distribution from the Special Dividend Reserve will be the only power that is granted to that meeting and which meeting can only be convened by the Board as it deems necessary. The Special Voting Shares will not have any other economic entitlement.

Further, pursuant to article 21 of the Articles of Association, the Company shall have to maintain a special capital reserve to be credited against the share premium exclusively for the purpose of facilitating any issuance or cancellation of Special Voting Shares. No payments will be made to the holders of Special Voting Shares upon their cancellation. Also, the obligation to pay up the Special Voting Shares upon their issuance will be fully settled against the special capital reserve. There will not be any additional payments required from those being issued the Special Voting Shares.

Considering the purpose of the Loyalty Voting Program to only grant additional voting rights to long-term Shareholders while at the same time keeping the entitlement to dividend distributions equally for all shareholders, according to the provisions described above, Special Voting Shares establish immaterial economic entitlements for the Special Voting Shares. Such economic entitlements are designed only to comply with Dutch law but are immaterial for investors.

Section 9 of the Terms and Conditions of the Special Voting Shares include liquidated damages provisions intended to deter any attempt by holders to circumvent the Terms and Conditions of the Special Voting Shares. Such liquidated damages provisions may be enforced by the Company by means of a legal action brought by the Company before competent courts of Amsterdam, the Netherlands. In particular, a violation of the provisions of the Terms and Conditions of the Special Voting Shares concerning the transfer of Special Voting Shares, Common Shares registered in the Loyalty Register for the purpose of becoming Qualifying Common Shares in accordance with the Articles of Association (Electing Common Shares) and Qualifying Common Shares may lead to the imposition of liquidated damages. Because the Company expects the restrictions on transfers of the Special Voting Shares to be effective in practice, it does not expect the liquidated damages provisions to be used.

Pursuant to section 11 of the Terms and Conditions, any amendment to the Terms and Conditions of the Special Voting Shares (other than merely technical, non-material amendments and unless such amendment is required to ensure compliance with applicable law or regulations or the listing rules of any securities exchange on which the Common Shares are listed) may only be made with the approval of the General Meeting. At any time, a holder of Qualifying Common Shares or Electing Common Shares may request the de-registration of such shares from the Loyalty Register to enable free trading thereof in the Regular Trading System. Upon the de-registration from the Loyalty Register, such shares will cease to be Electing Common Shares or Qualifying Common Shares as the case may be and will be freely tradable and voting rights attached to the corresponding Special Voting Shares will be suspended with immediate effect and such Special Voting Shares shall be transferred to the Company for no consideration (*om niet*).

DISCLOSURES PURSUANT TO DECREE ARTICLE 10 EU-DIRECTIVE ON TAKEOVERS

The following disclosures are provided as a consequence of the current status of the Company following the admission of its common shares to trading on Euronext Milan.

In accordance with the Dutch *Besluit artikel 10 overnamerichtlijn* (the "Decree"), the Company makes the following disclosures:

a. For information on the rights attached to the common shares, please refer to the Articles of Association which can be found on the Company's website. To summarize, the rights attached to common shares comprise pre-emptive rights upon issue of common shares, the entitlement to attend the general meeting of shareholders and to speak and vote at that meeting and the entitlement to distributions of such amount of the Company's profit as remains after allocation to reserves. For information on the rights attached to the special voting shares, refer to the Articles of Association and the Terms and Conditions for the Special Voting Shares which can both be found on the Company's website and more in particular to the paragraph "Special Voting Shares" of this Report. Immediately prior to the Demerger becoming effective, as at 31 December 2021, the issued share capital of the Company consisted of 25,000,000 common shares, representing 100% of the issued share capital. Immediately after the Demerger became effective, as at 1 January 2022, the issued share capital of the Company consisted of 271,215,400 common shares, representing 78.51% of the aggregate issued share capital and 74,243,570 special voting shares, representing 21.49% of the aggregate issued share capital.

b. The Company has imposed no limitations on the transfer of common shares. The Articles of Association provide in Article 11 for transfer restrictions for special voting shares. The Company is not aware of any depository receipts having been issued for shares in its capital.

c. For information on participations in the Company's capital in respect of which pursuant to Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Acts *(Wet op het financieel toezicht)* notification requirements apply, refer to the chapter "Major Shareholders" of this Report. There you will find a list of shareholders who are known to the Company to have holdings of 3% or more.

d. No special control rights or other rights accrue to shares in the capital of the Company.

e. Current equity incentive plans adopted by the Company are administered by the Compensation Committee.

f. No restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles of Association do not allow the Company to cooperate with the issue of depository receipts for shares.

g. The Company is not aware of the existence of any agreements with shareholders which may result in restrictions on the transfer of shares or limitation of voting rights.

h. The rules governing the appointment and dismissal of members of the board of directors of the Company are stated in the Articles of Association of the Company. All members of the Board of Directors are appointed by the general meeting of shareholders. The term of office of all members of the Board of Directors is for a period of approximately one year after appointment, such period expiring on the day the first Annual General Meeting of Shareholders is held in the following calendar year. The general meeting of shareholders has the power to dismiss any member of the Board of Directors at any time. The rules governing an amendment of the Articles of Association are stated in the Articles of Association and require a resolution of the general meeting of shareholders which can only be passed pursuant to a prior proposal of the Board of Directors of the Company.

i. The general powers of the Board of Directors are stated in the Articles of Association of the Company. For a period of five years from 3 January 2022 up to and including 3 January 2027, the Board of Directors has been irrevocably authorized through article 5, paragraph 8 of the Articles of Association to issue special voting shares up to the maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set forth in Article 3, paragraph 1 of the Articles of Association. For a period of five years from 1 January 2022 and therefore ending 1 January 2027, the Board of Directors has been authorized by the general meeting of shareholders by way of written resolution adopted on 30 December 2021 as authorized body to issue common shares and to grant rights to acquire common shares in the capital of the Company, which authorization is limited to: (i) the issuance of 15% of the total number of common shares issued in the capital of the Company as of 1 January 2022. By way of a written resolution adopted by shareholders on 30 December 2021 for a period of five years starting from 1 January 2022 and therefore ending 1 January 2027, the Board of Directors has been also authorized by the shareholders as authorized body to limit or exclude the statutory preemptive rights of shareholders in connection with the issuance of common shares or rights to acquire shares in the capital of the Company, pursuant the share issuance authorization described above. The Board of Directors is authorized to acquire special voting shares in the capital of the Company for no consideration. Further rules governing the acquisition of shares by the Company in its own share capital are set out in article 5 of the Articles of Association of the Company.

j. The Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Act *(Wet op het financieel toezicht*), provided that some of the loan agreements guaranteed by the Company contain clauses that, as it is customary for such financial transactions, may require early repayment or termination in the event of a change of control of the guarantor or the borrower. In certain cases, that requirement may only be triggered if the change of control event coincides with other conditions, such as a credit rating downgrade.

k. Under the terms of the Iveco Group Equity Incentive Plan ("Iveco Group EIP") and the terms of engagement entered into with certain executive officers, executives may be entitled to receive severance payments of up to one (1) times their annual cash compensation and accelerated vesting of awards under plans issued under the Iveco Group EIP if, within twenty-four (24) months of a Change of Control (as defined therein), the executive's employment is involuntarily terminated (other than for Cause -as defined therein-) by the relevant entity of the Iveco Group or is terminated by the participant for Good Reason (as defined therein).

PUBLIC TENDER OFFERS AND PRIVATE BIDS

Pursuant to Section 5:70 of the DFSA, and in accordance with Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (the Takeover Directive), any party, acting alone or in concert with others, that, directly or indirectly, acquires 30% or more of the Company's voting rights at the General Meeting will be obliged to launch a public takeover bid for all outstanding Common Shares. Under the DFSA, "persons with whom a party is acting in concert" has been defined as natural persons, legal persons or companies collaborating under a contract with the aim to acquire predominant control in a Dutch listed company or, if the target company is one of the collaborators, to frustrate the success of an announced public takeover bid for that company. The following categories of natural persons, legal persons or companies are deemed in any case to act in concert: (i) legal persons or companies which together form part of a group as referred to in Section 2:24b of the Dutch Civil Code; and (ii) natural persons, legal persons or companies and the undertakings controlled by these persons or companies.

Exceptions are made for, amongst others, Shareholders who, whether alone or acting in concert with others (i) have an interest of at least 30% of the Company's voting rights before the Common Shares are first admitted to trading on Euronext Milan and who still have such an interest after such first admittance to trading, and (ii) reduce their holding to below 30% of the voting rights within 30 days of the acquisition of the controlling interest provided that (a) the reduction of their holding was not effected by a transfer of Common Shares to an exempted party and (b) during such period such Shareholders or group of Shareholders did not exercise their voting rights.

Further, certain rules provided for under Italian law with respect to both voluntary and mandatory public tender offers will apply to any offer launched for Common Shares. In particular, among other things, the provisions concerning the tender offer price and the procedure, including the obligation to communicate the decision to launch a tender offer, the content of the offer document and the disclosure of the tender offer will be supervised by CONSOB and will be subject to Italian law.

REMUNERATION REPORT

The General Meeting of Shareholders adopted a remuneration policy outlining the framework to determine the remuneration for the Company's Executive Directors and Non-Executive Directors of the Company effective 1 January 2022 (the Remuneration Policy).

The remuneration report has been prepared in accordance with article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code. It was presented for an advisory vote to the shareholders at the 2022 General Meeting of Shareholders.

Remuneration for the Executive and Non-Executive Directors in 2021

As the Executive and Non-Executive Directors have only been appointed effective 1 January 2022 and as the Remuneration Policy only applies effective 2022, there has been no application of the policy for the year 2021.

None of the Directors has received any compensation in the capacity as director of the Company over the year 2021.

Remuneration of the Board of Directors before the Demerger

Before the Demerger, the Company had the following four managing directors, who all resigned effective 1 January 2022: Oddone Incisa della Rocchetta, Monica Ciceri, Roberto Russo, Andreas Georg Weishaar. None of these individuals received any remuneration from the Company over the year 2021 concerning their role with the Company.

Malus and Clawback

In 2021, no application of claw-back was applied on any kind of variable payments for the Executive Directors.

Severance payments

Over 2021, no severance payments were made to any Executive Director.

Deviation from Remuneration Policy since last shareholders' vote

As the 2021 Remuneration Report is the first remuneration report that is subject to an advisory vote since the public listing of the Company, there have been no deviations and there is no previous advisory vote of the General Meeting of Shareholders to take into account this year.

MAJOR SHAREHOLDERS

On 31 December 2021, the Company was 100% owned by CNH Industrial. Following the Demerger becoming effective on 1 January 2022, the allotment, delivery and settlement of the Common Shares to the shareholders of CNH Industrial took take place on 5 January 2022 through the book-entry systems of Monte Titoli S.p.A. ("Settlement Date").

For the purposes of transparency, the following table set forth the shareholders of the Company which, directly or indirectly, had a notifiable interest (equal or in excess of 3%) in the Company's issued share capital and voting rights as at 31 March 2022:

Sharehloder	Number of Common Shares held	Percent of issued shares held (1)	Number of votes held in relation to Common Shares	Number of Special Voting Shares held	Percent of Total Voting rights
EXOR N.V.	73,385,580	42.49 %	73,385,580	73,385,580	42.49 %
Southpoint Capital Advisors LP	11,452,687	3.32 %	11,452,687	—	3.32 %
Norges Bank	10,990,058	3.18 %	10,990,058	—	3.18 %

(1) For the purpose of this column of the table, the percentages of the Iveco Group shares refer to both the Iveco Group Common Shares and the Iveco Group Special Voting Shares.

SUBSEQUENT EVENTS

SUBSEQUENT EVENTS

Iveco Group has evaluated subsequent events through 24 April 2022, which is the date the financial statements were authorized for issuance, and identified the following:

- On 4 January 2022, Iveco Group signed a €1.9 billion syndicated facility, which includes a €1.4 billion committed revolving credit facility with a 5-year tenor with two extension options of 1-year each (subject to the bank's approval), as well as a €0.5 billion committed term facility with a 12-months tenor, extendable for up to an additional 12 months at the Company's sole option.
- On 13 January 2022, Fitch Ratings assigned Iveco Group N.V. a final Long-Term Issuer Default Rating (IDR) of 'BBB-'. The outlook is stable.
- The geopolitical situation and the Russia-Ukraine conflict escalated since the end of February 2022, after the balance sheet date. Iveco Group has operations in both Russia and Ukraine, which have been suspended during the first quarter of 2022. While Russia and Ukraine do not constitute a material portion of the Group business, a significant escalation or expansion of economic disruption could have a material adverse effect on Iveco Group results of operations. As of the date of this Report, the Group estimates a negative impact of approximately €50 million, net of tax effect, on its income statement, primarily due to the impairment of certain assets. However, due to the volatile and uncertain geopolitical situation, the Group cannot exclude that a reassessment of such estimate could be required in the next quarters. The Group is closely monitoring the impact of the Russia-Ukraine conflict on its employees and all aspects of its business, the Group's results of operations, financial condition and cash flows. Iveco Group immediately focused on the safety and well-being of its employees, in order to support them and their families and understand how helping its dealers, suppliers, and other stakeholders in the areas of the conflict.

  The increased risk resulting from the Russia-Ukraine conflict is described in section "Risk Factors - Global economic conditions impact the Group's businesses".

24 April 2022

The Board of Directors

Suzanne Heywood

Gerrit Andreas Marx

Lorenzo Simonelli

Tufan Erginbilgic

Essimari Kairisto

Linda Knoll

Alessandro Nasi

Olof Persson

Benoît Ribadeau-Dumas

IVECO GROUP COMBINED FINANCIAL STATEMENTS

At 31 December 2021

COMBINED INCOME STATEMENT

(€ million)	Note	**2021**	**2020**
Net revenues from third parties		11,850	9,885
Net revenues from CNH Industrial		801	526
Total Net revenues	(1)	12,651	10,411
Cost of sales	(2)	10,881	9,462
Selling, general and administrative costs	(3)	825	705
Research and development costs	(4)	481	436
Result from investments:	(5)	27	(43)
Share of the profit/(loss) of investees accounted for using the equity method		27	(43)
Gains/(losses) on the disposal of investments	(14)	8	—
Restructuring costs	(6)	36	32
Other income/(expenses)	(7)	(168)	(109)
EBIT		**295**	**(376)**
Financial income/(expenses)	(8)	(115)	(112)
PROFIT/(LOSS) BEFORE TAXES		**180**	**(488)**
Income tax (expense) benefit	(9)	(104)	116
PROFIT/(LOSS) FOR THE PERIOD		**76**	**(372)**

PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		52	(408)
Non-controlling interests		24	36

(in €)			
BASIC EARNINGS/(LOSS) PER COMMON SHARE	(11)	**0.19**	**(1.50)**
DILUTED EARNINGS/(LOSS) PER COMMON SHARE	(11)	**0.19**	**(1.50)**

The accompanying notes are an integral part of the Combined Financial Statements

COMBINED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Note	**2021**	**2020**
PROFIT/(LOSS) (A)		**76**	**(372)**
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on the remeasurement of defined benefit plans	(21)	42	(12)
Net change in fair value of equity investments at fair value through other comprehensive income	(21)	(95)	93
Tax effect of Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss	(21)	(1)	—
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss, net of tax (B1)		**(54)**	**81**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedging instruments	(21)	7	18
Exchange gains/(losses) on translating foreign operations	(21)	17	(110)
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(21)	(17)	(2)
Tax effect of Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	(21)	(4)	(5)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss, net of tax (B2)		**3**	**(99)**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX (B) = (B1) + (B2)		**(51)**	**(18)**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**25**	**(390)**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		(8)	(424)
Non-controlling interests		33	34

The accompanying notes are an integral part of the Combined Financial Statements

COMBINED STATEMENT OF FINANCIAL POSITION

(€ million)	Note	At 31 December 2021	At 31 December 2020
ASSETS			
Intangible assets	(12)	1,314	1,260
Property, plant and equipment	(13)	3,055	3,032
Investments and other non-current financial assets:	(14)	582	546
Investments accounted for using the equity method		310	209
Equity investments measured at fair value through other comprehensive income		224	319
Other investments and non-current financial assets		48	18
Leased assets	(15)	58	73
Defined benefit plan assets	(22)	15	1
Deferred tax assets	(9)	646	681
Total Non-current assets		**5,670**	**5,593**
Inventories	(16)	2,651	2,246
Trade receivables	(17)	318	444
Financial receivables from CNH Industrial	(17)	3,520	3,543
Receivables from financing activities	(17)	2,909	2,831
Current tax receivables	(17)	110	73
Other current receivables and financial assets	(17)	382	353
Prepaid expenses and other assets		47	51
Derivative assets	(18)	50	28
Cash and cash equivalents	(19)	897	463
Total Current assets		**10,884**	**10,032**
Assets held for sale	(20)	6	6
TOTAL ASSETS		**16,560**	**15,631**

The accompanying notes are an integral part of the Combined Financial Statements

COMBINED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

(€ million)	Note	At 31 December 2021	At 31 December 2020
INVESTED EQUITY AND LIABILITIES			
Invested capital and reserves attributable to owners of the parent		2,289	2,268
Non-controlling interests		22	68
Total Invested equity	(21)	**2,311**	**2,336**
Provisions:		1,931	1,814
Employee benefits	(22)	621	610
Other provisions	(23)	1,310	1,204
Debt:	(24)	5,785	5,313
Asset-backed financing	(24)	1,926	2,031
Debt payable to CNH Industrial	(24)	3,076	2,563
Other debt	(24)	783	719
Derivative liabilities	(18)	43	27
Trade payables	(25)	3,133	3,082
Tax liabilities	(9)	49	65
Deferred tax liabilities	(9)	11	11
Other current liabilities	(26)	3,297	2,983
Total Liabilities		**14,249**	**13,295**
TOTAL INVESTED EQUITY AND LIABILITIES		**16,560**	**15,631**

The accompanying notes are an integral part of the Combined Financial Statements

COMBINED STATEMENT OF CASH FLOWS

(€ million)	Note	2021	2020
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(19)	**463**	**417**
B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:			
Profit/(loss)		76	(372)
Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)		567	580
(Gains)/losses on disposal of:			
Property plant and equipment and intangible assets (net of vehicles sold under buy-back commitments)		(1)	(3)
Investments		(8)	—
Other non-cash items	(33)	11	99
Dividends received		16	1
Change in provisions	(33)	126	107
Change in deferred income taxes		43	(158)
Change in items due to buy-back commitments(a)	(33)	49	147
Change in operating lease items(b)	(33)	3	(29)
Change in working capital	(33)	(343)	187
TOTAL		**539**	**559**
C) CASH FLOWS FROM/(USED IN) INVESTMENT ACTIVITIES:			
Investments in:			
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments and operating leases)		(564)	(401)
Consolidated subsidiaries and other equity investments		(44)	(134)
Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)		14	3
Net change in receivables from financing activities	(33)	(117)	215
Change in current securities		85	(88)
Other changes		581	315
TOTAL		**(45)**	**(90)**
D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Issuance of other medium-term borrowings (net of repayment)		63	(47)
Net change in other financial payables and derivative assets/liabilities	(33)	(151)	(352)
Purchase of ownership interests in subsidiaries		—	(8)
TOTAL		**(88)**	**(407)**
Translation exchange differences		28	(16)
E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**434**	**46**
F) CASH AND CASH EQUIVALENTS AT END OF YEAR	(19)	**897**	**463**

(a) Cash generated from the sale of vehicles under buy-back commitments, net of amounts included in Profit/(loss), is recognized under operating activities in a single line item, which includes changes in working capital, capital expenditure, depreciation and impairment losses. The item also includes gains and losses arising from the sale of vehicles subject to buy-back commitments.
(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.

The accompanying notes are an integral part of the Combined Financial Statements

COMBINED STATEMENT OF CHANGES IN INVESTED EQUITY

(€ million)	Invested capital and earnings reserves	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
	Attributable to the owners of the parent							
AT 31 DECEMBER 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	(408)	13	(108)	(10)	91	(2)	34	**(390)**
Other changes(1)	16	—	—	—	—	—	—	**16**
AT 31 DECEMBER 2020	**2,572**	**2**	**(256)**	**(190)**	**87**	**53**	**68**	**2,336**
Dividends distributed	—	—	—	—	—	—	(76)	**(76)**
Total comprehensive income/(loss) for the period	52	3	9	39	(94)	(17)	33	**25**
Other changes(1)	29	—	—	—	—	—	(3)	**26**
AT 31 DECEMBER 2021	**2,653**	**5**	**(247)**	**(151)**	**(7)**	**36**	**22**	**2,311**

(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.

The accompanying notes are an integral part of the Combined Financial Statements

NOTES TO THE COMBINED FINANCIAL STATEMENTS

BACKGROUND

Iveco Group N.V. (the "Company" and together with its subsidiaries the "Iveco Group" or the "Group") was incorporated as a public limited company (*naamloze vennootschap*) under the laws of the Netherlands on 16 June 2021. The Company's corporate seat is in Amsterdam, the Netherlands, and its principal office and business address is Via Puglia n. 35, Turin, Italy. The Company is registered with the trade register of the Chamber of Commerce of the Netherlands *(Kamer van Koophandel*) under number 83102701. The Netherlands is the Company's home member state for the purposes of the EU Transparency Directive (Directive 2004/109/EC, as amended by Directive 2013/50/EU).

The Company, 100% owned by CNH Industrial N.V. ("CNH Industrial" and together with its subsidiaries the "CNH Industrial Group") upon incorporation, was formed in the context of the separation of the Commercial and Specialty Vehicles business, the Powertrain business as well as the related Financial Services business from CNH Industrial N.V.. The Demerger became effective on 1 January 2022 (the "Effective Date"), and the Company ultimately began to act as a holding for the Iveco Group, also providing for central treasury activity in the interest of Group's subsidiaries.

On 3 January 2022, the Company's common shares started trading on Euronext Milan (previously named the Mercato Telematico Azionario), a regulated market operated by Borsa Italiana S.p.A. in Milan, Italy. Effective from the Demerger, Iveco Group N.V. is not anymore owned by CNH Industrial N.V.. All shares in the Company issued upon incorporation to CNH Industrial were cancelled as part of the Demerger. As a result of the listing, the Company became a Dutch Public Interest Entity (OOB) on 3 January 2022.

STRUCTURE OF THE DEMERGER

Until 31 December 2021, CNH Industrial N.V. owned and controlled the Commercial and Specialty Vehicles business, the Powertrain business, and the related Financial Services business (together the "Iveco Group Business" or the "On-Highway Business"), as well as the Agriculture business, the Construction business, and the related Financial Services business (collectively, the "Off-Highway Business"). Effective 1 January 2022, the Iveco Group Business was separated from CNH Industrial N.V. by way of a legal statutory demerger to Iveco Group N.V. (the Demerger) and Iveco Group N.V. became a public listed company independent from CNH Industrial.

The separation occurred in accordance with Section 2:334a (3) of the Dutch Civil Code (*Burgerlijk Wetboek*) by way of a statutory demerger (*juridische afsplitsing*), governed by the laws of the Netherlands, of: a) equity investments attributable to the Iveco Group Business operations, b) the portion of CNH Industrial N.V.'s financial payables attributable to the Iveco Group Business operations, and c) all issued and paid up 25,000,000 common shares, each with a nominal value of €0.01, held by CNH Industrial N.V. in the share capital of the Company, from CNH Industrial N.V. in favor of Iveco Group N.V. (the "Demerger"); immediately upon the Demerger having become effective, Iveco Group N.V. canceled all those shares acquired as part of the Demerger by virtue of Section 2:334x, paragraph 3 DCC, and the aggregate nominal value of those shares was added to the share premium reserve attached to the Common Shares. As part of the Demerger and by operation of law, each holder of common shares in the share capital of CNH Industrial N.V. (the "CNH Common Shares") received one common share of Iveco Group N.V. (the "Common Shares") for every five CNH Common Shares which it held (the "Allotment Ratio") on 31 December 2021 (the "Demerger Record Date") (such holder of CNH Common Shares on the Demerger Record Date being a "CNH Shareholder"). Each CNH Shareholder that, in addition to holding CNH Common Shares, was registered in the loyalty register of CNH Industrial (the "CNH Loyalty Register") had been registered in the loyalty register of the Company (the "Loyalty Register") for the corresponding number of Common Shares pursuant to the Allotment Ratio. If such CNH shareholder also held CNH special voting shares, it received, by operation of law, a number of special voting shares of Iveco Group N.V. (the "Special Voting Shares") that is equal to the number of Common Shares for which it had been registered in the Loyalty Register.

Effective 1 January 2022, Iveco Group N.V. became the holding company controlling the Commercial and Specialty Vehicles business, the Powertrain business, and the related Financial Services business.

BASIS OF PREPARATION

These combined financial statements (the "Combined Financial Statements") have been prepared in connection with the Demerger and have been derived from the consolidated financial statements and accounting records of CNH Industrial. These 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 is controlled by the Company following the Demerger. The Combined Financial Statements are presented as if the entities controlled directly or indirectly by CNH Industrial until the Demerger and that are 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 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, as well as by the possible impacts deriving from the supply chain disruptions and the ongoing Russia-Ukraine war, 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. As of 31 December 2021, the Group had approximately €0.9 billion cash and cash equivalents, and €0.4 billion net financial receivables from CNH Industrial consisting in cash deposited in the central treasury of CNH Industrial.

EU-IFRS do not provide principles for the preparation of combined and/or carved-out financial statements, accordingly, in preparing these 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 Combined Financial Statements:

- 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 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 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 and entities being transferred to Iveco Group are included in these 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) 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 Combined Financial Statements for 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 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 Combined Financial Statements, including recharges of expenses from CNH Industrial Group, are reasonable. Nevertheless, the 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 Combined Financial Statements are prepared using the euro as presentation currency.

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

These Combined Financial Statements together with the notes thereto of Iveco Group at 31 December 2021 and 2020 were authorized for issuance by the Board of Directors of Iveco Group N.V. on 24 April 2022 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").

SIGNIFICANT ACCOUNTING POLICIES

COVID-19 effects, actions, and use of accounting estimates and management's assumptions

The COVID-19 pandemic and the related actions of governments and other authorities to contain COVID-19 spread continue to affect Iveco Group's business, results and cash flow presented in these Combined Financial Statements.

Governments in many countries where the Group operates, designated part of our businesses as essential critical infrastructure businesses. This designation allows Iveco Group to operate in support of its dealers and customers to the extent possible. Iveco Group also continues to prioritize the health, safety and well-being of its employees.

The Group remains cautious about future impacts on its end-markets and business operations of restrictions on social interactions and business operations to limit the resurgence of the pandemic. Iveco Group is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business, its employees and the Group's results of operations, financial condition and cash flows.

The main impacts of the pandemic on significant accounting matters are disclosed below.

The preparation of the 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, as further described in the following paragraph "Use of estimates".

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 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 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. Updated estimates and assumptions to incorporate the expected consequences of the COVID-19 pandemic were also included in the analysis of the recoverability and collectability of financial assets, especially of receivables from financing activities. Finally, with regard to hedge accounting, estimates were updated concerning whether forecast transactions can still be assumed to be highly likely to occur.

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. For a detailed description of this information see Note 17 "Current receivables and Other current financial assets" and Note 30 "Information on financial risks".

Climate related matters

Based on the analysis of climate-related risks and opportunities, Iveco Group defined a decarbonization strategy, which in turn has been incorporated within, and regularly influences, the Group's Strategic Business Plan. To further address the potential impacts of climate change, Iveco Group has implemented relevant projects and a number of other specific climate-related topics and has defined long-term strategic targets that aim to reduce the CO_2 emissions along the entire value chain (e.g.,in manufacturing plants, in logistics processes, during the use of sold products).

There has been increasing interest in how climate change will impact the Group's business. Iveco Group recognizes the importance of climate change risk and promotes a responsible use of resources and a reduction of the environmental impact of production to mitigate climate change. In this context, Iveco Group has adopted an environmental policy that applies to all Group locations and divisions and has set up a structure dedicated to control environmental pollution, waste, and water disposal as well as emission reduction.

Global Supply Chain Disruptions

In October 2021, it was announced the temporary closure of several of Iveco Group 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. Global supply chain represented the main challenge for the operations in the year, with multiple bottlenecks resulting in increased raw material prices, intermittent subcomponent availability, notably for semiconductors, and increased transportation costs.

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*. The Combined Financial Statements include both industrial activities companies and financial services companies. The investment portfolios of the 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 the 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. Disclosure of the due dates of financial liabilities is however provided in the notes.

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

Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of subsidiaries are included in the Combined Financial Statements from the date that control commences until the date that control ceases. Non-controlling interests in the net assets of combined subsidiaries and non-controlling interests in the profit or loss of combined subsidiaries are presented separately from the interests of the owners of the parent in the combined statement of financial position and income statement respectively. Losses applicable to non-controlling interests which exceed the non-controlling interests in the subsidiary's equity are debited to non-controlling interests.

Changes in the Group's ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions. The carrying amounts of the equity attributable to owners of the parent and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the book value of the non-controlling interests and the fair value of the relevant consideration is recognized directly in the equity attributable to the owners of the parent.

If the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the relevant consideration and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Any profits or losses recognized in other comprehensive income in respect of the subsidiary are accounted for as if the subsidiary had been sold (i.e. are reclassified to profit or loss or transferred directly to retained earnings depending on the applicable IFRS).

Subsidiaries that are either dormant or generate a negligible volume of business, are not combined. Their impact on the Group's assets, liabilities, financial position and profit/(loss) attributable to the owners of the parent is immaterial.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investments in joint ventures are accounted for using the equity method from the date that joint control commences until the date that joint control ceases.

Associates

Associates are enterprises over which the Group has significant influence. As defined in IAS 28 – *Investments in Associates and Joint Ventures*, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate, if any, exceeds the carrying amount of the associate in the Group's statement of financial position, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Investments in other companies

Investments in other companies are measured at fair value. With reference to equity investments for which there is no quoted market price in an active market and there is insufficient financial information in order to determine fair value, cost is used as an estimate of fair value, as permitted by IFRS 9 - *Financial Instruments*. The Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income upon the initial recognition of an equity investment that is not held to sell. This election is made on an investment-by-investment basis. Dividends received from these investments are included in Other income/(expenses) from investments unless they are basically a repayment of the initial investment (in case of investments measured at fair value through other comprehensive income).

Transactions eliminated on consolidation

All significant intragroup balances and transactions and any unrealized gains and losses arising from intragroup transactions are eliminated in preparing the Combined Financial Statements. Unrealized gains and losses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in profit or loss.

Consolidation of foreign entities

All assets and liabilities of subsidiaries with a functional currency other than the euro are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment. Average rates of exchange are used to translate the cash flows of foreign subsidiaries in preparing the combined statement of cash flows.

The goodwill, assets acquired and liabilities assumed arising from the acquisition of entities with a functional currency other than the euro are recognized in the functional currency and translated at the exchange rate at the acquisition date. These balances are subsequently retranslated at the exchange rate at the balance sheet date.

The Group applies IAS 29 - *Financial reporting in hyperinflationary economies* for its subsidiaries that prepare their financial statements in a functional currency of a hyperinflationary economy. According to this standard, non-monetary assets and liabilities not yet translated into euro at the reporting date are redetermined using a general price index. The financial statements of these subsidiaries are then translated at the closing spot rate.

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

	Average 2021	At 31 December 2021	Average 2020	At 31 December 2020
U.S. dollar	1.183	1.133	1.142	1.227
Pound sterling	0.860	0.840	0.890	0.899
Swiss franc	1.081	1.033	1.071	1.080
Brazilian real	6.378	6.310	5.894	6.373
Polish Zloty	4.565	4.597	4.443	4.560
Czeck Koruna	25.640	24.858	26.455	26.242
Argentine peso(1)	116.239	116.239	103.043	103.043

(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.

Business combinations

Business combinations are accounted for by applying the acquisition method. Under this method:

- the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group and the equity interests issued in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred;
- at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at that date, except for deferred tax assets and liabilities, assets and liabilities relating to employee benefit arrangements, liabilities or equity instruments relating to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire, assets (or disposal groups) that are classified as held for sale, which are measured in accordance with the relevant standard;

- goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a gain from a bargain purchase;
- non-controlling interest is initially measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree's identifiable net assets. The selection of the measurement method is made on a transaction-by-transaction basis;
- any contingent consideration arrangement in the business combination is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination in order to determine goodwill. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are recognized retrospectively, with corresponding adjustments to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which may not exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date. Any changes in fair value after the measurement period are recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Changes in the equity interest in the acquiree that have been recognized in Other comprehensive income in prior reporting periods are reclassified to profit or loss as if the interest had been disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete in the Combined Financial Statements. Those provisional amounts are adjusted during the above-mentioned measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have affected the amounts recognized at that date.

Fair value measurement

Some of the Group’s assets and liabilities are measured at fair value at the balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In estimating the fair value of an asset or a liability, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Additional information about fair value, fair value hierarchy, valuation techniques and inputs used in determining the fair value of assets and liabilities is provided in Note 18, Note 31 and, where required, in the individual notes relating to the assets and liabilities whose fair value were determined.

In addition, 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 fair value measurement in its entirety:

- 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 (as prices) or indirectly (derived from prices) on the market;
- Level 3 — inputs that are not based on observable market data.

Intangible assets

Goodwill

Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Development costs

Development costs for vehicle production project (trucks, buses, and engines) are recognized as an asset if and only if both of the following conditions are met: a) development costs can be measured reliably, b) the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits, and c) the intention to complete the intangible asset, as well as d) the availability of adequate technical, financial and other resources for this purpose. Capitalized development costs include all direct and indirect costs that may be directly attributed to the development process. Capitalized development costs are amortized on a systematic basis from the start of production of the related product over the product’s estimated average life, as follows:

	N° of years
Trucks and buses	4-10
Engines	2-10

All other development costs are expensed as incurred.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives principally consist of acquired trademarks which have no legal, regulatory, contractual, competitive, economic, or other factor that limits their useful life. Intangible assets with an indefinite useful life are not amortized but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired.

Other intangible assets
Other purchased and internally-generated intangible assets are recognized as assets in accordance with IAS 38 – *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.

Such assets are measured at purchase or manufacturing cost and amortized on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.

Other intangible assets acquired as part of the acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably.

Property, plant and equipment

Cost
Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment.

Subsequent expenditures and the cost of replacing parts of an asset are capitalized only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalized, the carrying amount of the parts that are replaced is recognized in profit or loss.

Property, plant and equipment also include vehicles sold with a buy-back commitment, which are recognized under the method described in the paragraph “Revenue recognition”.

Depreciation
Depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets as follows:

	Depreciation rates
Buildings	3% - 10%
Plant, machinery and equipment	8% - 25%
Other assets	12% - 30%

Land is not depreciated.

Lease accounting policy

Lessee accounting
A lease is a contract that conveys the right to control the use of an identified asset (the leased asset) for a period of time in exchange for consideration. The lease term determined by the Group comprises the non-cancellable period of lease contract together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. For real estate leases, this assessment is based on an analysis by management of all relevant facts and circumstances including the leased asset’s purpose, the economic and practical potential for replacing and any plans that the Group has in place for the future use of the asset. The Group combines lease and non-lease components.

For leases with terms not exceeding twelve months (short-term leases) and for leases of low-value assets, Iveco Group recognizes the lease payments associated with those leases on a straight-line basis over the lease term as operating expense in the income statement.

For all other leases, at the commencement date (i.e., the date the underlying asset is available for use), Iveco Group recognizes a right-of-use asset, classified within Property, plant and equipment, and a lease liability, classified within Other Debt.

At the commencement date, the right-of-use asset includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. At the same date, the lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The incremental borrowing rate is determined considering macro-economic factors such as the specific interest rate curve based on the relevant currency and term, as well as specific factors contributing to Iveco Group’s credit spread. The Group primarily uses the incremental borrowing rate as the discount rate for its lease liabilities.

After the commencement date, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated on a straight-line basis. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, Iveco Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. After the commencement date, the lease liability is increased to reflect the accretion of interest, recognized within Financial income/(expenses) in the income statement, reduced for the lease payments made, and remeasured to reflect any reassessment or lease modifications.

Lessor accounting

Lease contracts where Iveco Group acts as a lessor, can be classified as either an operating lease or finance lease. Leases where a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are classified as a finance leases.

Where Iveco Group is the lessor in a finance lease, the future minimum lease payments from lessees are classified as Receivables from financing activities. Lease payments are recognized as repayment of the principal, and financial income remunerating the initial investment and the services provided.

Where Iveco Group is the lessor in an operating lease, income from operating leases is recognized over the term of the lease on a straight-line basis. Leased assets include vehicles leased to retail customers by the Group's leasing companies. They are stated at cost and depreciated at annual rates of between 20% and 33%.

When leased assets are no longer leased and become held for sale, the Group reclassifies their carrying amount to Inventories.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets (as defined under IAS 23 – *Borrowing Costs*), which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized and amortized over the useful life of the class of assets to which they refer.

All other borrowing costs are expensed when incurred.

Impairment of assets

The Group reviews, at least annually, the recoverability of the carrying amount of intangible assets (including capitalized development costs) and property, plant and equipment, in order to determine whether there is any indication that those assets have suffered an impairment loss. Goodwill and Intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that an asset may be impaired.

If indicators of impairment are present, the carrying amount of the assets is reduced to its recoverable amount that is the higher of its fair value less disposal costs and its vlue in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In assessing its value in use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the recoverable amount is lower than the carrying amount.

Where a previous impairment loss for assets other than goodwill no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased up to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. A reversal of an impairment loss is recognized in profit or loss immediately.

Financial instruments

Presentation

Financial instruments held by the Group are presented and measured in the financial statements as described in the following paragraphs.

Investments and other non-current financial assets comprise investments in unconsolidated companies and other non-current financial assets (securities, and other non-current financial receivables).

Current financial assets include trade receivables, receivables from financing activities (retail financing, dealer financing, lease financing and other current loans to third parties), current securities and other current financial assets (which include derivative financial instruments stated at fair value as assets), as well as cash and cash equivalents.

Current securities include short-term or marketable securities which represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents.

Financial liabilities refer to debt, which includes asset-backed financing, and derivative liabilities (which include derivative financial instruments stated at fair value as liabilities), trade payables and other liabilities.

Measurement

Investments in unconsolidated companies classified as non-current financial assets are accounted for as described in the paragraph "Basis of consolidation".

In accordance with IFRS 9 - *Financial Instruments*, financial assets are classified as measured at either amortized cost ("AC"), fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"), depending on the business model for managing such financial assets and the asset's contractual cash flow characteristics. Financial liabilities are classified as measured at amortized cost using the effective interest method.

Financial assets and current securities acquired through a regular way purchase are recognized on the basis of the settlement date and, on initial recognition, are measured at fair value, including transaction costs where applicable. Subsequent measurement depends on the business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost using the effective interest method. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interests, are measured at fair value through other comprehensive income. Gains and losses on assets measured at fair value through other comprehensive income are recognized directly in other comprehensive income until the financial asset is disposed of or is determined to be impaired; when the asset is disposed of, the cumulative gains or losses, including those previously recognized in other comprehensive income, are reclassified to profit or loss; when the asset is impaired, impairment losses are recognized to profit or loss. Interest income from these financial assets is included in financial income.

As a result of the Group's business model, trade receivables and receivables from financing activities are subsequently measured at amortized cost.

Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. If any such evidence exists, an impairment loss is included in profit or loss for the period. The recognition of an impairment is based on expected credit losses.

Cash and cash equivalents include cash at banks, units in liquidity funds, other money market securities and other cash equivalents. Cash and cash equivalents are subject to an insignificant risk of changes in value. Money market securities consist of investments in high-quality, short-term, diversified financial instruments that can generally be liquidated on demand and are measured at FVTPL. Cash at banks and Other cash equivalents are measured at amortized cost.

Derivatives financial assets and liabilities are measured either at fair value through other comprehensive income (when in an hedging relationship) or at fair value through profit or loss.

Financial assets and liabilities hedged by derivative instruments are measured in accordance with hedge accounting principles applicable to fair value hedges: gains and losses arising from remeasurement at fair value, due to changes in the respective hedged risk, are recognized in profit or loss and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument.

Derivative financial instruments

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks. In accordance with IFRS 9 - *Financial Instruments*, 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 and the entity's risk management objective and strategy for undertaking the hedge, 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 ratio in the hedging relationship reflects the actual quantity of the hedging instruments and the hedged item. Further details on qualifying criteria are included in Note 18 "Derivative assets and derivative liabilities" and Note 30 "Information on financial risks".

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- *Fair value hedges* – where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognized in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit or loss.

- *Cash flow hedges* – where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect profit or loss, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income in the cash flow hedge reserve. The cumulative gain or loss is removed from other comprehensive income and recognized in profit or loss at the same time as the economic effect arising from the hedged item affects income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in profit or loss immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in other comprehensive income and is recognized in profit or loss at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in other comprehensive income is recognized in profit or loss immediately.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in profit or loss.

Transfers of financial assets

The Group derecognizes financial assets when the contractual rights to the cash flows arising from the assets are no longer held or if it transfers the financial activities, as follows:

- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, it derecognizes the financial asset and recognizes separately as assets or liabilities any possible rights and obligations created or retained in the transfer;
- if the Group retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset;
- if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case:
  - if the Group has not maintained control, it derecognizes the financial asset and recognizes separately as assets and liabilities any possible rights and obligations created or retained in the transfer;
  - if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received or receivable for the transfer of the asset is recognized in profit or loss.

Inventories

Inventories of raw materials, semi-finished products and finished goods (including assets leased out under operating lease) are stated at the lower of cost or net realizable value. Cost is determined by the first-in-first-out (FIFO) method. Cost includes the direct costs of materials, labor and indirect costs (variable and fixed). Provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for sale and distribution.

Assets and liabilities held for sale

Non-current assets are classified as held for sale if their carrying amounts will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, with the sale expected to be completed within one year from the date of classification, and the non-current asset (or the disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group). When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

Employee benefits

Pension plans

The present value of a defined benefit obligation and the related current service cost (and past service cost, where applicable) for defined benefit pension plans are determined on an actuarial basis using the projected unit credit method.

The net defined benefit liability that the Group recognizes in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of any plan assets (deficit). In case of a surplus, a net defined benefit asset is recognized at the lower of the surplus and the asset ceiling.

Remeasurements of the net defined benefit liability/asset (that comprise: a) actuarial gains and losses, b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset, and c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability/asset) are recognized directly in other comprehensive income without reclassification to profit or loss in subsequent years.

Past service cost resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction in the number of employees covered by a plan) and gain or loss on settlements (a transaction that eliminates all further legal or constructive obligations for part or all of the benefits) are recognized in profit or loss in the period in which they occur (or, in case of past service costs, when the entity recognizes related restructuring costs or termination benefits, if earlier).

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is recognized as Financial income/ (expenses) in profit or loss. Current service cost and all other costs and income arising from the measurement of pension plan provisions are allocated to costs by function in profit or loss.

Post-employment plans other than pensions

The Group provides other post-employment defined benefits. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Defined contribution plans

Costs arising from defined contribution plans are recognized as an expense in profit or loss as incurred.

Share-based compensation plans

Iveco Group's key executive officers and select employees have historically participated in CNH Industrial's equity compensation plans (stock option plans and stock grants). In accordance with IFRS 2 – *Share-based Payment*, these plans represent a component of recipient remuneration. The compensation expense, corresponding to the fair value of the instruments at the grant date, is recognized in profit or loss on a straight-line basis over the requisite service period for each separately vesting portion of an award, with the offsetting credit recognized directly in equity, and has been allocated to the Iveco Group based on the awards and terms previously granted to its employees as well as an allocation of CNH Industrial's management expenses attributable to the Iveco Group, as part of the allocation of the corporate general and administrative functions costs as described above. Any subsequent changes to fair value do not have any effect on the initial measurement. The historical cost of share-based payments may not be indicative of the future expenses that will be incurred through incentive schemes that will be established for the Iveco Group's key personnel following the Demerger.

Provisions

The Group records provisions when it has an obligation, legal or constructive, to a third party, as a result from a past event, when it is probable that an outflow of Group resources will be required to satisfy the obligation and when a reliable estimate of the amount can be made.

Changes in estimates are reflected in profit or loss in the period in which the change occurs.

Revenue recognition

Revenue is recognized when control of the vehicles, services or parts has been transferred and the Group's performance obligations to the customers have been satisfied. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services.

The timing of when the Group transfers the goods or services to the customer may differ from the timing of the customer's payment.

Revenues are stated net of discounts, allowances, settlement discounts and rebates, as well as costs for sales incentive programs, which are determined on the basis of historical costs, country by country, and charged against profit for the period in which the corresponding sales are recognized.

The Group also enters into contracts with multiple performance obligations. For these contracts, the Group allocates revenue from the transaction price to the distinct goods and services in the contract on a relative standalone selling price basis. To the extent the Group sells the goods or services separately in the same market, the standalone selling price is the observable price at which the Group sells the goods or services separately. For all other goods or services, the Group estimates the standalone selling price considering all information, reasonably available (including market conditions, entity-specific factors and information about the customer or class of customer).

Sales of goods

The Group has determined that the customers from the sale of vehicles and parts are generally dealers, distributors and retail customers.

Transfer of control, and thus related revenue recognition, generally corresponds to when the vehicles and parts are made available to the customer. Therefore, the Group recognizes revenue at a point in time, when control is transferred to the customer at a sale price that the Group expects to receive.

For all sales, no significant uncertainty exists surrounding the purchaser's obligation to pay for vehicles and parts. The Group records appropriate allowance for credit losses and anticipated returns as required. Fixed payment schedules exist for all sales, but payment terms vary by geographic market and product line.

The cost of incentives, if any, are estimated at the inception of a contract at the amount that is expected to be paid and is recognized as a reduction to revenue at the time of the sale. If a vehicle contract transaction has multiple performance obligations, the cost of incentives is allocated entirely to vehicle as the intent of the incentives is to encourage sales of vehicles. If the estimate of the incentive changes following the sale to the customer, the change in estimate is recognized as an adjustment to revenue in the period of the change. Iveco Group grants sales incentives to support sales of its products to retail customers. At the later of the time of sale or the time an incentive is announced to dealers, Iveco Group records the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. Subsequent adjustments to sales incentive programs related to products/vehicles previously sold are recognized as an adjustment to revenues in the period the adjustment is determinable. The determination of sales allowances requires management to make estimates based upon historical data, estimated future market demand for products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things. With reference to the sales to dealers accompanied by "floor plan" agreements under which the Group offers wholesale financing including "interest-free" financing for a specified period of time (which also vary by geographic market and product line), two separate performance obligations exist. The first performance obligation consists of the sale of the vehicle from Industrial Activities to the dealer. Concurrent with the sale of the vehicle, Industrial Activities offers to the dealer wholesale financing through loans extended by Financial Services. Industrial Activities compensates Financial Services for the cost of the interest-free period. This cost has been determined to represent a cash sale incentive on the initial sale of the good, and therefore it should be recognized upfront as a reduction of net sales of Industrial Activities. The second performance obligation consists of a credit facility extended by Financial Services to the dealer. The remuneration for this performance obligation is represented by the compensation received from Industrial Activities for the period of the interest-free financing and by the interest charged to dealer for the remaining period. This remuneration is recognized by Financial Services over the period of the outstanding exposure.

For parts sales, when the Group provides its customers with a right to return a transferred product, revenue and corresponding cost of sales are recognized for parts that are not expected to be returned. The expected returns are estimated based on an analysis of historical experience. The portion of revenue (and corresponding cost of sales) related to the parts that are expected to be returned is recognized at the end of the return period. The amount received or receivable that is expected to be returned is recognized as a refund liability, representing the obligation to return the customer's consideration. Furthermore, at the time of the initial sale, Iveco Group recognizes a return asset for the right to recover the goods returned by the customer. This asset is initially measured at the former carrying amount of the inventory. At each reporting date, both the refund liability and the return asset are remeasured to record for any revisions to the expected level of returns, as well as any decreases in the value of the returned products.

Rendering of services

Revenues from services provided are primarily comprised of extended warranties and maintenance and repair services and are recognized over the contract period when the costs are incurred, that is when the claims are charged by the dealer. Amounts invoiced to customers for which Iveco Group receives consideration before the performance is satisfied are recognized as contract liability. These services are either separately-priced or included in the selling price of the vehicle. In the second case, revenue for the services is allocated based on the estimated stand-alone selling price. In the event that the costs expected to be incurred to satisfy the remaining performance obligations exceed the transaction price, an estimated contract loss is recognized.

Shipping and other transportation activities performed as an agent are recognized on a net basis, which is netting the related freight cost against the freight revenue.

Rents and other income on assets sold with a buy-back commitment

Commercial and Specialty Vehicles enters into transactions for the sale of vehicles to some customers with an obligation to repurchase ("buy-back commitment") the vehicles at the end of a period ("buy-back period") at the customer's request. For these types of arrangements, at inception, Iveco Group assesses whether a significant economic incentive exists for the customer to exercise the option.

If Iveco Group determines that a significant economic incentive exists for the customer to exercise the buy-back option, the transaction is accounted for as an operating lease. In such case, vehicles are accounted for as Property, plant and equipment because the agreements typically have a long-term buy-back period. The difference between the carrying value (corresponding to the manufacturing cost) and the estimated resale value (net of refurbishing costs) at the end of the buy-back period is depreciated on a straight-line basis over the same period. The initial sale price received is recognized in "Other current liabilities" and is comprised of the repurchase value of the vehicle, and the rents to be recognized in the future recorded as contract liability. These rents are determined at the inception of the contract as the difference between the initial sale price and the repurchase price and are recognized as revenue on a straight-line basis over the term of the agreement. At the end of the agreement term, upon exercise of the option, the used vehicles are reclassified from Property, plant and equipment to Inventories. The proceeds from the sale of such vehicles are recognized as Revenues.

If Iveco Group determines that a significant economic incentive does not exist for the customer to exercise the buy-back option, the transaction is treated as a sale with a variable consideration whose variable component is the buy-back provision accrual. The buy-back provision accrual is the difference between the repurchase price and the estimated market value of the used vehicle at the end of the buy-back period and is recorded only when the repurchase price is greater than the estimated market value of the used vehicle. The buy-back provision accrual is estimated and recognized as a reduction of revenues at the time of the sale. Any subsequent change following such periodic reassessment is recognized as a reduction of revenues at that time.

Finance and interest income

Finance and interest income on retail and other notes receivables and finance leases is recorded using the effective yield method. Deferred costs on the origination of financing receivables are recognized as a reduction in finance revenue over the expected lives of the receivables using the effective yield method. When a financial asset becomes credit-impaired and is, therefore, regarded as “Stage 3”, Iveco Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, Iveco Group reverts to calculating interest income on a gross basis. Receivables are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Delinquency is reported on receivables greater than 30 days past due. Charge-offs of principal amounts of receivables outstanding are deducted from the allowance at the point when it is determined to be probable that all amounts due will not be collected.

Rents and other income on operating leases

Income from operating leases is recognized over the term of the lease on a straight-line basis.

Cost of sales

Cost of sales comprises the cost of manufacturing products and the acquisition cost of purchased merchandise which has been sold. It includes all directly attributable material and production costs and all production overheads. These include the depreciation of property, plant and equipment and the amortization of intangible assets relating to production and write-downs of inventories. Cost of sales also includes freight and insurance costs relating to deliveries to dealers and agency fees in the case of direct sales.

Cost of sales also includes provisions made to cover the estimated cost of product warranties at the time of sale to dealer networks or to the end customer.

Expenses which are directly attributable to the Financial Services business, including the interest expense related to the financing of Financial Services business as a whole and charges for risk provisions and write-downs, are reported in cost of sales.

Research and development costs

This item includes research costs, development costs not eligible for capitalization and the amortization of development costs recognized as assets in accordance with IAS 38.

Government grants

Government grants are recognized in the financial statements when there is reasonable assurance that the company concerned will comply with the conditions for receiving such grants and that the grants themselves will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan (fair value plus transaction costs) and the proceeds received, and is accounted for in accordance with the policies already used for the recognition of government grants.

Income taxes

Income taxes include all taxes based upon the taxable profits of the Group. Taxes on income are recognized in profit or loss except to the extent they relate to items recognized directly in equity or in other comprehensive income, in which case the related tax effects are recognized directly in equity or in other comprehensive income. Provisions for income taxes arising on the future distribution of a subsidiary’s undistributed profits are only made when there is a current intention to distribute such profits. Deferred taxes are provided using the full liability method. They are calculated on all temporary differences between the tax bases of assets or liabilities and the corresponding carrying amounts in the Combined Financial Statements, except for those arising from non-tax-deductible goodwill and investments in subsidiaries where it is possible to control the reversal of the basis differences and reversal will not take place in the foreseeable future.

Deferred tax assets relating to the carry-forward of unused tax losses and tax credits, as well as those arising from temporary differences, are recognized to the extent it is probable future profits will be available against which they can be utilized. Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and where there is a legally enforceable right of offset. Deferred tax assets and liabilities are measured at the enacted or substantively enacted tax rates of the relevant tax jurisdictions that are expected to apply to taxable income during the period or periods in which the temporary differences reverse. The Group recognizes tax liabilities for uncertain tax treatments when tax risks arising from positions taken by the Group are considered probable, assuming the tax authorities have full knowledge of all relevant information when making their examinations. In doing so, the Group evaluates whether to consider each uncertain tax treatment separately or jointly consider multiple uncertain tax treatments, using the approach that better predicts the resolution of the uncertainty. The liabilities recognized correspond to the amounts expected to be paid. Other taxes not based on taxable profits, such as property taxes and taxes on capital, are included in operating expenses.

Use of estimates

These Combined Financial Statements have been prepared in accordance with EU-IFRS which requires Iveco Group to make judgments, estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of income and expenses. The estimates and related assumptions are based on available information at the date of preparation of the financial statements, on historical experience and other relevant factors. Actual results may differ from the estimates.

Particularly in light of the current economic uncertainty, developments may occur which may differ from Iveco Group's estimates and assumptions, and therefore might require significant adjustments to the carrying amounts of certain items, which as of the date of these Combined Financial Statements cannot be accurately estimated or predicted.

The principal items affected by estimates are the allowances for doubtful accounts receivable and inventories, non-current assets (tangible and intangible assets), the residual values of vehicles leased out under operating lease arrangements or sold with buy-back commitments, sales allowances, product warranties, pension and other post-employment benefits, deferred tax assets and liabilities and contingent liabilities.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and the key assumptions concerning the future that Iveco Group has made in the process of applying its accounting policies and that may have the most significant effect on the amounts recognized in its Combined Financial Statements or that represent a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for doubtful accounts

The allowance for doubtful accounts for trade receivables and contract assets reflects Iveco Group's estimate of expected lifetime credit losses, and it is measured at an amount equal to the present value of the cash shortfalls over the expected life of the financial asset.

The allowance for doubtful accounts for receivables from financing activities reflects management's estimate of forward-looking expected credit losses ("ECL") in the wholesale and retail credit portfolio. This requires considerable judgement about how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. The ECL model applies to financial assets accounted for at amortized cost and at fair value through other comprehensive income, lease receivables, and certain loan commitments and financial guarantee contracts. The loss allowances will be measured on either of the following bases:

- 12 months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Refer to Note 17 "Current receivables and Other current financial assets" for additional details on the calculation of allowance for credit losses.

Allowance for obsolete and slow-moving inventory

The allowance for obsolete and slow-moving inventory reflects management's estimate of the expected loss in value and has been determined on the basis of past experience and historical and expected future trends in the used vehicle market. A worsening of the economic and financial situation could cause a further deterioration in conditions in the used vehicle market compared to that taken into consideration in calculating the allowances recognized in the financial statements.

Recoverability of non-current assets

Non-current assets include property, plant and equipment, intangible assets (including goodwill), investments and other non-current financial assets. The Group reviews the carrying value of non-current assets held and used and that of assets to be disposed of when events and circumstances warrant such a review. For goodwill and intangible assets with indefinite useful lives such analysis is carried out at least annually.

The analysis of the recoverable amount of non-current assets other than goodwill is usually performed using estimates of future expected cash flows from the use or disposal of the asset and an appropriate discount rate in order to calculate present value. If the carrying amount is deemed to be impaired, the Group recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds its estimated recoverable amount from use or disposal determined by reference to the cash flows included in its most recent business forecasts.

In view of the present economic and financial situation, the Group made the following considerations in respect of its future prospects:

- when carrying out impairment testing of tangible and intangible assets, the Group took into account its expected performance in the upcoming years. Iveco Group extended such projections for subsequent years to appropriately cover the period of analysis.
- should the assumptions underlying the forecast deteriorate further, the following is noted: the Group's tangible and intangible assets with a finite useful life (mostly development costs) relate to models or products with high technological content in line with the latest environmental laws and regulations, which consequently makes them competitive in the current economic environment, especially in the more mature economies in which particular attention is placed on the eco-sustainability of those types of products. Consequently, despite the fact that the capital goods sector is one of the markets which could be most affected by a potential crisis in the immediate term, management considers that is highly probable that the life cycle of these products can be lengthened to extend over the period of time involved in a slower economic recovery, allowing the Group to achieve sufficient cash flows to cover the investments, although over a longer period of time.

Residual values of assets leased out under operating lease arrangements or sold with a buy-back commitment

Iveco Group records assets rented to customers or leased to them under operating lease as tangible assets. Furthermore, new vehicle sales with a buy-back commitment are not recognized as sales at the time of delivery but are accounted for as operating lease if it is probable that the vehicle will be bought back. Income from such operating lease is recognized on a straight-line basis over the term of the lease. Depreciation expense for assets subject to operating lease is recognized on a straight-line basis over the lease term in amounts necessary to reduce the cost of an asset to its estimated residual value at the end of the lease term. The estimated residual value of leased assets is calculated at the lease commencement date on the basis of published industry information and historical experience and are reviewed quarterly. Realization of the residual values is dependent on Iveco Group's future ability to market the assets under the then-prevailing market conditions. The Group continually evaluates whether events and circumstances have occurred which impact the estimated residual values of the assets on operating lease. The used vehicle market was carefully monitored to ensure that write-downs were properly determined. However, it cannot be excluded that additional write-downs may be required if market conditions should deteriorate further.

Sales allowances

Iveco Group grants sales incentives to support sales of its products to retail customers. At the later of the time of sale or the time an incentive is announced to dealers, Iveco Group records the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. The expense for new programs is accrued at the inception of the program. The amounts of incentives to be paid are estimated. The determination of sales allowances requires management to make estimates based upon historical data, estimated future market demand for products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things.

Product warranties

Iveco Group makes provisions for estimated expenses related to product warranties at the time products are sold. Management establishes these estimates based on historical information on the nature, frequency and average cost of warranty claims. The Group seeks to improve vehicle quality and minimize warranty expenses arising from claims. Warranty costs may differ from those estimated if actual claim rates are higher or lower than historical rates.

Pension and other post-employment benefits

Group companies sponsor pension and other post-employment benefits in various countries, mainly in the United Kingdom, Germany, Italy, and Switzerland.

Employee benefit liabilities, related assets, costs and net interest connected with them are measured on an actuarial basis which requires the use of estimates and assumptions to determine the net defined benefit liability/asset for the Group. The actuarial method takes into consideration parameters of a financial nature such as the discount rate the rate of salary increases and the healthcare costs trend rate and takes into consideration the likelihood of potential future events by using demographic parameters such as mortality rates and dismissal or retirement rates. The discount rates selected are based on yields or yield curves of high-quality corporate bonds in the relevant market. Trends in healthcare costs are developed on the basis of historical experience, the near-term outlook for costs and likely long-term trends. Rates of salary increases reflect the Group's long-term actual expectations in the reference market and inflation trends. Changes in any of these assumptions may have an effect on future contributions to the plans.

The effects resulting from revising the estimates for the above parameters ("re-measurements") are recognized directly in other comprehensive income without reclassification to profit or loss in subsequent years: refer to "Employee benefits" section above for further details.

Significant future changes in the yields of corporate bonds, other actuarial assumptions referred to above and returns on plan assets may significantly impact the net liability/asset.

Recognition of deferred tax assets

At 31 December 2021, Iveco Group had net deferred tax assets, including tax loss carry forwards, of €864 million, of which €229 million are not recognized in the financial statements. The corresponding totals at 31 December 2020 were €910 million and €240 million. Management has recognized deferred tax assets it believes are probable to be recovered considering amounts from budgets and plans consistent with those used for other purposes within Iveco Group, for example impairment testing, as discussed in the paragraph "Recoverability of non-current assets (including goodwill)" above. Iveco Group believes the amount of recognized deferred tax assets is appropriate, despite the risk of actual future results potentially being less than results included in these forecasts, considering many of the recognized net deferred tax assets relate to temporary differences and tax losses which, to a significant extent, may be recovered over an extended time period, but do not expire based on currently enacted tax law.

As in all financial reporting periods, Iveco Group assessed the realizability of its various deferred tax assets, which related to multiple tax jurisdictions in all regions of the world.In substantially all the jurisdictions in which Iveco Group operates, no changes in assessment occurred with respect to the recognition of deferred tax assets despite incurring significant pre-tax losses. This is primarily attributable to the fact the losses were largely driven by non-recurring events (the COVID-19 pandemic and asset impairments) that are only expected to impact taxable income in the near-term, while substantially all of Iveco Group's deferred tax assets have no expiry date. Further, Iveco Group has a history of producing pre-tax losses in the bottom-end of economic cycles followed by generating pre-tax profits during ensuing periods of economic expansion such that there is little history of its tax attributes expiring unutilized. Given the economic impact of the COVID-19 pandemic, however, it is possible assessment changes could occur within the next twelve months, with those changes potentially having a material impact on Iveco Group's results of operations.

Contingent liabilities

Iveco Group is the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against Iveco Group often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business management consults with legal counsel and other experts on matters related to litigation and taxes. The Group accrues a liability when it is determined that an adverse outcome is probable, and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible, or an estimate is not determinable, the matter is disclosed.

New standards and amendments effective from 1 January 2021

On 27 August 2020 the IASB issued I*nterest 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 annual reporting periods beginning on or after 1 January 2021. These amendments had no impact on these Combined Financial Statements. The Group intends to apply these amendments in the future periods if they become applicable.

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

The main accounting standards, amendments, and interpretations not yet applicable and not early adopted by the Group are the following:

- On 14 May 2020 the IASB issued *Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)* to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use and clarifying the meaning of "testing whether an asset is functioning properly". These amendments are effective retrospectively from 1 January 2022.
- On 14 May 2020 the IASB issued *Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)* specifying that the cost of fulfilling a contract comprises the costs that relate directly to the contract, including both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. These amendments are effective retrospectively from 1 January 2022.
- On 14 May 2020 the IASB issued the *Annual Improvements to IFRS 2018-2020 Cycle*. The most important topics addressed in these amendments are: (i) on IFRS 9 - *Financial Instruments* clarifying which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability; and (ii) on IFRS 16 - *Leases* removing the illustration of the reimbursement of leasehold improvements. These improvements are effective from 1 January 2022.
- On 12 February 2021 the IASB issued the *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies,* requiring to disclose the material accounting policy information rather than the significant accounting policies. Furthermore, the amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective from 1 January 2023.
- On 12 February 2021 the IASB issued the *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.* The amendments clarify how to distinguish changes in accounting policies (generally also applied retrospectively to past transactions and other past events) from changes in accounting estimates (applied prospectively only to future transactions and other future events). This amendment is effective from 1 January 2023.

Furthermore, at the date of these Combined Financial Statements, the European Union has not yet completed its endorsement process for the amendments and improvements, reported below.

The Group is currently evaluating the impact of the adoption of these amendments and improvements on its Combined Financial Statements or disclosures:

- On 7 May 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 1 January 2023, with early application permitted.

SCOPE OF CONSOLIDATION

The Combined Financial Statements of the Group as of 31 December 2021 include the Company and 91 combined subsidiaries.

At 31 December 2021, excluded from combination are 4 subsidiaries that are either dormant or generate a negligible volume of business: their proportion of the Group's assets, liabilities, financial position, and earnings is immaterial. All such subsidiaries are accounted for using the cost method and represent in aggregate less than 0.01 percent of Group revenues, invested equity and total assets.

A list of the companies included in the scope of the Combined Financial Statements is included in Note 35.

BUSINESS COMBINATIONS

There were no significant business combinations in 2021 or 2020.

COMPOSITION AND PRINCIPAL CHANGES

1. Net revenues

The following table summarizes Net revenues for the years ended 31 December 2021 and 2020:

(€ million)	2021	2020
Commercial and Specialty Vehicles	10,318	8,247
Powertrain	3,750	3,180
Eliminations and Other	(1,548)	(1,113)
Total Industrial Activities	**12,520**	**10,314**
Financial Services	195	165
Eliminations and Other	(64)	(68)
Total Net revenues	**12,651**	**10,411**

In 2021, total Net revenues includes €801 million (€526 million in 2020) of Revenues from CNH Industrial.

The following table disaggregates Net revenues by major source for the years ended 31 December 2021 and 2020:

(€ million)	2021	2020
Revenues from:		
Sales of goods	11,646	9,461
Rendering of services and other revenues	603	577
Rents and other income on assets sold with a buy-back commitment	271	276
Revenues from sales of goods and services	**12,520**	**10,314**
Finance and interest income	99	72
Rents and other income on operating lease	32	25
Total Net Revenues	**12,651**	**10,411**

During the years ended 31 December 2021 and 2020, revenues included €399 million and €406 million, respectively, relating to the reversal of contract liabilities outstanding at the beginning of each period. Refer to Note 26 "Other current liabilities" for additional details on contract liabilities.

As of 31 December 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 at 31 December 2020). As of 31 December 2021, Iveco Group expects to recognize revenue on approximately 29% and 73% of the remaining performance obligations over the next 12 and 36 months, respectively, (approximately 32% and 77% as of 31 December 2020, respectively), with the remaining recognized thereafter.

2. Cost of sales

Cost of sales amounted to €10,881 million in 2021 and €9,462 million in 2020. In 2020, Cost of sales included asset optimization charges of €247 million and other asset impairment charges of €6 million.

3. Selling, general and administrative costs

Selling, general and administrative costs amounted to €825 million in 2021, up €120 million compared to 2020, as cost returned to more normal levels from the pandemic-affected low levels experienced last year.

4. Research and development costs

In 2021, Research and development costs of €481 million (€436 million in 2020) comprise all the research and development costs not recognized as assets in the year, amounting to €238 million (€215 million in 2020), the amortization of capitalized development costs of €227 million (€219 million in 2020) and the impairment of capitalized development costs of €16 million (€2 million in 2020). During 2021, the Group capitalized new development costs of €271 million (€178 million in 2020).

5. Result from investments

In 2021 and 2020 Iveco Group's share in the net profit or loss of the investees accounted for using the equity method amounted to a gain of €27 million and a loss of €43 million, respectively. In 2020 this item also included the €17 million negative impact from the costs recognized by a Chinese joint venture, accounted for under the equity method, for valuation allowances against deferred tax assets and restructuring actions.

6. Restructuring costs

Iveco Group incurred restructuring costs of €36 million and €32 million in 2021 and 2020, respectively, primarily due to plant reorganization actions and efficiency programs.

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 €168 million and €109 million in 2021 and 2020, respectively.

8. Financial income/(expenses)

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

(€ million)	**2021**	**2020**
Financial income (a)	**32**	**24**
Interest and other financial expenses (b)	**95**	**81**
Net (income) expenses from derivative financial instruments at fair value through profit or loss	(42)	(1)
Exchange rate differences from derivative financial instruments	(10)	(54)
Total net income/(expenses) and exchange differences from derivative financial instruments (c)	**(52)**	**(55)**
Net financial income/(expenses) (a) - (b) + (c)	**(115)**	**(112)**

Capitalized borrowing costs amounted to €4 million and €16 million in 2021 and 2020, respectively.

9. Income tax (expense) benefit

The Company and its subsidiaries have substantial worldwide operations. The Company's subsidiaries incur tax obligations in the jurisdictions in which they operate. The Group's income tax expenses or benefits as reported in its combined income statement for the years ended 31 December 2021 and 2020 consist primarily of income tax expenses or benefits related to subsidiaries of the Company.

Income tax (expense) benefit for the years ended 31 December 2021 and 2020 consisted of the following:

(€ million)	**2021**	**2020**
Current taxes	(82)	(61)
Deferred taxes	(21)	152
Taxes relating to prior periods	(1)	25
Total Income tax (expense) benefit	**(104)**	**116**

The Company is incorporated in the Netherlands but is a tax resident of Italy. The reconciliation of the differences between the theoretical income taxes at the parent statutory rate and the total income taxes is presented based on the Italian national statutory corporation tax rate of 24% in force during each of Iveco Group's calendar year reporting periods presented in these combined financial statements. A reconciliation of Iveco Group's income tax expense for the years ended 31 December 2021 and 2020 is as follows:

(€ million)	**2021**	**2020**
Theoretical Income tax (expense) at the parent statutory rate	**(43)**	**119**
Foreign income taxed at different rates	14	16
Deferred tax assets not recognized and write-down	(34)	(25)
Italian IRAP taxes	(9)	(7)
Taxes relating to prior years	(1)	(12)
Use of tax losses for which no deferred tax assets were recognized	9	41
Change in tax rate or law	2	(2)
Other	(42)	(14)
Total Income tax (expense) benefit	**(104)**	**116**

The effective tax rates for 2021 and 2020 were 57.8% and, 23.8%, respectively. The 2021 effective tax rate reflects the impact of unbenefited losses in certain jurisdictions and certain other discrete items. The 2020 tax rate reflected the Group's geographic mix of pre-tax earnings, which included pre-tax losses in jurisdictions for which no tax benefits were recognized, the negative impact of incremental tax reserve accruals and the net benefits associated with recognizing deferred tax assets in certain jurisdictions.

The Group recognizes in its combined statement of financial position within Deferred tax assets, the amount of deferred tax assets less the deferred tax liabilities of the individual combined legal entities, where these may be offset.

The components of net deferred tax assets at 31 December 2021 and 2020 are as follows:

(€ million)	At 31 December 2020	Recognized in income statement	Charged to equity	Translation differences and other changes	At 31 December 2021
Deferred tax assets arising from:					
Taxed provisions	394	39	—	2	435
Inventories	103	(7)	—	(7)	89
Taxed allowances for doubtful accounts	60	(7)	—	—	53
Provision for employee benefits	64	(4)	(2)	(4)	54
Intangible assets	5	(4)	—	—	1
Lease liabilities	47	1	—	5	53
Fixed assets	28	(4)	—	7	31
Measurement of derivative financial instruments	15	2	(4)	(6)	7
Other	79	5	1	3	88
Total	**795**	**21**	**(5)**	**—**	**811**
Deferred tax liabilities arising from:					
Accelerated depreciation	(44)	(2)	—	(9)	(55)
Inventories	—	(4)	—	(1)	(5)
Provision from employee benefits	(2)	(2)	—	5	1
Capitalization of development costs	(85)	12	—	27	(46)
Other	(38)	1	—	(43)	(80)
Total	**(169)**	**5**	**—**	**(21)**	**(185)**
Theoretical tax benefit arising from tax loss carryforwards and tax credits	284	(7)	—	(39)	238
Adjustments for assets whose recoverability is not probable	(240)	(40)	—	51	(229)
Total net deferred tax assets	**670**	**(21)**	**(5)**	**(9)**	**635**

(€ million)	At 31 December 2021	At 31 December 2020
Deferred tax assets	646	681
Deferred tax liabilities	(11)	(11)
Net deferred tax assets	**635**	**670**

The decrease of €35 million in net deferred tax assets during 2021 was mainly due to the income tax expense of €21 million recognized in the income statement as a result of the reversal of temporary differences and tax losses.

The decision to recognize deferred tax assets is made for each legal entity in the Group by critically assessing whether the conditions exist for the future recoverability of such assets on the basis of actual results, as well as updated strategic business plans and accompanying tax plans. For this reason, the total theoretical future tax benefits arising from deductible temporary differences of €811 million at 31 December 2021 and €795 million at 31 December 2020, and tax loss and credit carryforwards of €238 million at 31 December 2021 and €284 million at 31 December 2020, were reduced by €229 million at 31 December 2021 and €240 million at 31 December 2020.

Net recognized deferred tax assets include €136 million at 31 December 2021 (€149 million at 31 December 2020) of tax benefits arising from tax loss carryforwards and tax credits. At 31 December 2021, a further tax benefit of €102 million (€135 million at 31 December 2020) arising from tax loss carryforwards and tax credits has not been recognized.

At 31 December 2021, tax liabilities primarily include uncertain income tax amounts of €21 million (€17 million at 31 December 2020) and other tax payables.

The totals of deductible and taxable temporary differences and accumulated tax losses at 31 December 2021, together with the amounts for which deferred tax assets have not been recognized, analyzed by estimated year of reversal or expiry, are as follows:

		Year of expiry					
(€ million)	**Total at 31 December 2021**	**2022**	**2023**	**2024**	**2025**	**Beyond 2025**	**Unlimited/ indeterminable**
Temporary differences and tax losses:							
Deductible temporary differences	2,965	1,153	453	453	453	453	—
Taxable temporary differences	(542)	(38)	(126)	(126)	(126)	(126)	—
Tax losses and tax credits	806	—	—	—	30	32	744
Temporary differences and tax losses for which deferred tax assets have not been recognized	(891)	—	(183)	(183)	(212)	(183)	(130)
Temporary differences and tax losses	**2,338**	**1,115**	**144**	**144**	**145**	**176**	**614**

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 2009 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 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. Other information by nature of expense

The income statement includes personnel costs for €1,792 million in 2021 (€1,562 million in 2020).

An analysis of the average number of employees by category is as follows:

	2021	**2020**
Managers	399	380
White-collar	11,368	11,217
Blue-collar	21,781	21,035
Average number of employees	**33,548**	**32,632**

11. Earnings per share

A reconciliation of basic and diluted earnings/(loss) per share is as follows:

		2021	**2020**
Basic:			
Profit/(loss) attributable to the owners of the parent	€ million	52	(408)
Weighted average common shares outstanding – basic	million	271	271
Basic earnings/(loss) per common share	€	**0.19**	**(1.50)**
Diluted:			
Profit/(loss) attributable to the owners of the parent	€ million	52	(408)
Weighted average common shares outstanding – basic	million	271	271
Effect of dilutive potential common shares (when dilutive):			
Stock compensation plans	million	—	—
Weighted average common shares outstanding – diluted	million	271	271
Diluted earnings/(loss) per common share	€	**0.19**	**(1.50)**

Basic earnings/(loss) per common share ("EPS") is computed by dividing the Profit/(loss) for the period attributable to the owners of the parent by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur on the conversion of all dilutive potential common shares into common shares. Restricted stock units and performance stock units deriving from the CNH Industrial share-based payment awards are considered dilutive potential common shares. For 2021 and 2020, the denominator for basic and diluted earnings (loss) per share is the number of common shares at the Effective date, which is considered more representative of the expected average number of outstanding common shares after the Demerger.

12. Intangible assets

In 2021 and 2020, changes in the carrying amount of Intangible assets were as follows:

(€ million)	Goodwill	Development costs externally acquired	Development costs internally generated	Patents, concessions and licenses	Other intangible assets externally acquired	Advances and intangible assets in progress externally acquired	Total
Gross carrying amount Balance at 31 December 2019	**71**	**1,502**	**1,971**	**523**	**81**	**29**	**4,177**
Additions	—	105	73	7	1	22	**208**
Divestitures, translation differences and other changes	—	(4)	(22)	15	1	(19)	**(29)**
Balance at 31 December 2020	**71**	**1,603**	**2,022**	**545**	**83**	**32**	**4,356**
Additions	—	175	96	13	6	35	**325**
Divestitures, translation differences and other changes	—	(7)	(33)	40	(6)	(31)	**(37)**
Balance at 31 December 2021	**71**	**1,771**	**2,085**	**598**	**83**	**36**	**4,644**
Accumulated amortization and impairment losses Balance at 31 December 2019	**1**	**1,246**	**1,075**	**479**	**61**	**—**	**2,862**
Amortization	—	163	56	19	9	—	**247**
Impairment losses	—	—	2	—	—	—	**2**
Divestitures, translation differences and other changes	—	5	(14)	(1)	(5)	—	**(15)**
Balance at 31 December 2020	**1**	**1,414**	**1,119**	**497**	**65**	**—**	**3,096**
Amortization	—	184	43	24	6	—	**257**
Impairment losses	—	16	—	—	7	—	**23**
Divestitures, translation differences and other changes	—	(1)	(39)	3	(9)	—	**(46)**
Balance at 31 December 2021	**1**	**1,613**	**1,123**	**524**	**69**	**—**	**3,330**
Carrying amount at 31 December 2020	**70**	**189**	**903**	**48**	**18**	**32**	**1,260**
Carrying amount at 31 December 2021	**70**	**158**	**962**	**74**	**14**	**36**	**1,314**

Goodwill and intangible assets with indefinite useful lives

Goodwill is allocated to the Group's cash-generating units identified as the Group's operating segments. The following table presents the allocation of goodwill across the segments:

(€ million)	At 31 December 2021	At 31 December 2020
Commercial and Specialty Vehicles	53	53
Powertrain	5	5
Financial Services	12	12
Goodwill net carrying amount	**70**	**70**

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently if a triggering event occurs.

Goodwill impairment test is performed at the cash generating unit level, the segment level, comparing the recoverable amount of the cash generating to the carrying amount to determine if there is an impairment loss. The results of the impairment tests obtained in 2021 and 2020 confirmed the absence of an impairment loss.

The vast majority of goodwill, representing approximately the 80% of the total, related to Commercial and Specialty Vehicles and, as such, the following discussion relates to the impairment testing performed at year-end for this cash-generating unit.

The recoverable amount of the Commercial and Specialty Vehicles cash-generating unit is determined using an income approach, based on the present value of estimated future cash flows. The income approach is dependent on several critical management assumptions, including estimates of future sales in the discrete future period, the weighted average cost of capital (discount rate), and also less significant assumptions such as gross margins, operating costs, income tax rates, capital expenditures and changes in working capital requirements.

Discount rate assumptions include an assessment of the risk inherent in the future cash flows of the cash-generating unit. The discount rate before taxes selected was approximately 12% at 31 December 2021 and 10% at 31 December 2020.

Expected cash flows used under the income approach are developed in conjunction with budgeting and forecasting processes. Iveco Group used 5 years in 2021 and 7 years in 2020 of expected cash flows for Commercial and Specialty Vehicles as the Company believes that these periods reflect the underlying market cycle for its business. Furthermore, instead of including a terminal value, an additional 5-year discounted cash flow has been included at the end of the projection period in order to conservatively reflect the remaining value that the cash-generating unit is expected to generate.

Due to the many variables inherent in the estimation of a cash generating unit's recoverable amount, differences in assumptions could have a material effect on the estimated recoverable amount and could result in a goodwill impairment loss in a future period. Circumstances and events, which could potentially cause further impairment losses, are constantly monitored by Iveco Group.

Development costs

The amortization of development costs and impairment losses are reported in the income statement as Research and development costs.

Development costs are tested for impairment at the cash-generating unit level.

13. Property, plant and equipment

In 2021 and 2020, changes in the carrying amount of Property, plant and equipment were as follows:

(€ million)	Land	Industrial buildings	Plant, machinery and equipment	Right-of-use assets	Assets sold with a buy-back commitment	Other	Total
Gross carrying amount Balance at 31 December 2019	**122**	**1,120**	**4,798**	**275**	**2,357**	**410**	**9,082**
Additions	—	14	134	63	580	45	**836**
Divestitures, translation differences and other changes	—	(37)	(27)	(16)	(787)	(26)	**(893)**
Balance at 31 December 2020	**122**	**1,097**	**4,905**	**322**	**2,150**	**429**	**9,025**
Additions	—	26	173	61	586	40	**886**
Divestitures, translation differences and other changes	(5)	51	55	(32)	(762)	(30)	**(723)**
Balance at 31 December 2021	**117**	**1,174**	**5,133**	**351**	**1,974**	**439**	**9,188**
Accumulated depreciation and impairment losses Balance at 31 December 2019	**3**	**727**	**3,837**	**70**	**776**	**318**	**5,731**
Depreciation	—	32	218	66	242	17	**575**
Impairment losses	—	—	6	—	125	—	**131**
Divestitures, translation differences and other changes	—	(21)	(34)	(17)	(364)	(8)	**(444)**
Balance at 31 December 2020	**3**	**738**	**4,027**	**119**	**779**	**327**	**5,993**
Depreciation	—	27	189	69	220	25	**530**
Impairment losses	—	—	1	—	2	—	**3**
Divestitures, translation differences and other changes	—	33	39	(35)	(403)	(27)	**(393)**
Balance at 31 December 2021	**3**	**798**	**4,256**	**153**	**598**	**325**	**6,133**
Carrying amount at 31 December 2020	**119**	**359**	**878**	**203**	**1,371**	**102**	**3,032**
Carrying amount at 31 December 2021	**114**	**376**	**877**	**198**	**1,376**	**114**	**3,055**

Other tangible assets also include advances and tangible assets in progress.

Commercial and Specialty Vehicles recognized an impairment loss of €2 million on Assets sold with a buy-back commitment in 2021. The losses were recognized in the Cost of sales.

As a result of the significant decline in industry demand and other market conditions due to the economic disruption caused by the COVID-19 pandemic, during the second quarter of 2020 Iveco Group reviewed its current manufacturing footprint and, consequently, reassessed the recoverability of assets. As a result, during the second quarter of 2020, Commercial and Specialty Vehicles recognized impairment losses of €117 million in connection with new actions identified in order to realize the asset portfolio of vehicles sold under buy-back commitments as a result of the significant deterioration of the used vehicle markets in which the segment operates and the consequent impact on truck residual values. Commercial and Specialty Vehicles also recognized impairment losses of €6 million against Property, plant and equipment acquired. The impairment losses were recognized in Cost of sales.

Other changes mainly include the reclassification of the prior year balances for Advances and tangible assets in progress to the appropriate categories when the assets were effectively acquired and put into operation, as well as the reclassification to Inventory of Assets sold with a buy-back commitment (€183 million in 2021 and €187 million in 2020) that are held for sale at the agreement expiry date.

At 31 December 2021, right-of-use assets refer primarily to lease contracts for industrial buildings for €133 million (€140 million at 31 December 2020), plant, machinery and equipment for €16 million (€17 million at 31 December 2020), and other assets for €49 million (€46 million at 31 December 2020). For a description of the related lease liabilities, refer to Note 24 "Debt".

Short-term and low-value leases are not recorded in the statement of financial position. Iveco Group recognizes lease expense (€9 million and €11 million in 2021 and 2020, respectively) in the income statement for these leases on a straight-line basis over the lease term.

Land and industrial buildings and plant, machinery and equipment pledged as security for debt and other commitments were immaterial at 31 December 2021 and 2020.

Iveco Group had contractual commitments of €54 million and €75 million for the acquisition of property, plant and equipment at 31 December 2021 and 2020, respectively.

14. Investments and other non-current financial assets

(€ million)	**At 31 December 2021**	**At 31 December 2020**
Investments accounted for using the equity method	310	209
Equity investments measured at fair value through other comprehensive income	224	319
Other investments	13	5
Total Investments	547	533
Non-current financial receivables and other non-current securities	35	13
Total Investments and other financial assets	**582**	**546**

At 31 December 2021 and 2020, no Non-current financial receivables had been pledged as security.

Investments

Changes in Investments in 2021 and 2020 are set out below:

(€ million)	**At 31 December 2020**	**Revaluations / (Write-downs)**	**Acquisitions and capitalizations**	**Fair value remeasurements**	**Translation differences, Disposals and other changes**	**At 31 December 2021**
Investments in:						
Unconsolidated subsidiaries	5	—	4	—	4	**13**
Joint ventures	80	11	—	—	91	**182**
Associates	129	16	—	—	(17)	**128**
Equity investments measured at fair value through other comprehensive income	319	—	—	(95)	—	**224**
Total Investments	**533**	**27**	**4**	**(95)**	**78**	**547**

(€ million)	At 31 December 2019	Revaluations/ (Write-downs)	Acquisitions and capitalizations	Fair value remeasurements	Translation differences, Disposals and other changes	At 31 December 2020
Investments in:						
Unconsolidated subsidiaries	2	—	3	—	—	**5**
Joint ventures	129	(55)	7	—	(1)	**80**
Associates	114	12	—	—	3	**129**
Equity investments measured at fair value through other comprehensive income	96	—	124	93	6	**319**
Total Investments	**341**	**(43)**	**134**	**93**	**8**	**533**

Revaluations and Write-downs include the Group's share of the profit or loss for the year of investments accounted for using the equity method for a gain of €27 million in 2021 (a loss of €43 million in 2020).

Translation differences, disposals and other changes also included dividends by companies accounted for using the equity method.

Equity investments measured at fair value through other comprehensive income include the fair value of the approximately 6.6% 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 each 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 (equivalent to €220 million). The market price of Nikola shares as of 31 December 2021 was $15.26, determining a value of $254 million (equivalent to €224 million) for the 25,661,448 shares held by Iveco Group through its fully-owned subsidiary Iveco S.p.A. During 2021, Iveco Group recorded in Other comprehensive income a pre-tax loss of €95 million (€94 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 are progressing according to internal schedules, and production started in the fourth quarter of 2021.

Investments in joint ventures

Interests in joint ventures are accounted for using the equity method. A summary of investments in joint ventures at 31 December 2021 and 2020 is as follows:

	At 31 December 2021		At 31 December 2020	
	% of interest	(€ million)	% of interest	(€ million)
Naveco (Nanjing Iveco Motor Co.) Ltd.	— %	—	50.0 %	54
SAIC IVECO Commercial Vehicle Investment Company Limited	50.0 %	166	50.0 %	8
Other joint ventures		16		18
Total Investments in joint ventures		**182**		**80**

Interests in joint ventures consist of 4 companies at 31 December 2021 (6 companies at 31 December 2020) and mainly include SAIC IVECO Commercial Vehicle Investment Company Limited.

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-tax 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 31 December 2021, determined on the basis of the sale price for the 30.1% interest).

At 31 December 2021 and 2020, summarized financial information relating to the material joint ventures of the Group, prepared in accordance with EU-IFRS, is as follows:

(€ million)	At 31 December 2021		At 31 December 2020
	SAIC IVECO Ltd.	**Naveco Ltd.**	**SAIC IVECO Ltd.**
Cash and cash equivalents	128	176	—
Non-current assets	—	259	—
Current assets	207	245	25
Total Assets	**335**	**680**	**25**
Debt	—	87	—
Other liabilities	—	485	—
Total Liabilities	**—**	**572**	**—**
Total Equity	**335**	**108**	**25**

	2021		2020
(€ million)	**SAIC IVECO Ltd.**	**Naveco Ltd.**	**SAIC IVECO Ltd.**
Net revenues	—	489	243
Depreciation and amortization	—	31	—
Net Financial income/(expenses)	—	(2)	(6)
Profit/(loss) before taxes	15	(88)	(6)
Income tax (expenses)	—	(28)	3
Profit/(loss) from continuing operations	**15**	**(116)**	**(3)**
Profit/(loss) from discontinued operations	—	—	—
Profit/(loss)	**15**	**(116)**	**(3)**
		—	—
Total Other comprehensive income, net of tax	**—**	**—**	**—**
Total Comprehensive income	**15**	**(116)**	**(3)**

This summarized financial information may be reconciled to the carrying amount of the % interest held in the joint ventures as follows:

	At 31 December 2021		At 31 December 2020
(€ million)	**SAIC IVECO Ltd.**	**Naveco Ltd.**	**SAIC IVECO Ltd.**
Total Equity	**336**	**108**	**25**
Group's interest (%)	50.0	50.0	50.0
Pro-quota equity	**168**	**54**	**13**
Adjustments made by using the equity method	(2)	—	(5)
Carrying amount	**166**	**54**	**8**

Investments in associates

A summary of investments in associates at 31 December 2021 and 2020 is as follows:

	At 31 December 2021		At 31 December 2020	
	% of interest	(€ million)	% of interest	(€ million)
CNH Industrial Capital Europe S.a.S.	24.95 %	93	24.95 %	96
Other associates		35		33
Total Investments in associates		**128**		**129**

Summarized financial information relating to CNH Industrial Capital Europe S.a.S., material associate of the Group, is as follows:

(€ million)	At 31 December 2021	At 31 December 2020
Non-current assets	—	—
Current assets	5,209	4,771
Total Assets	**5,209**	**4,771**
Debt	4,605	4,181
Other liabilities	231	214
Total Liabilities	**4,836**	**4,395**
Total Equity	**373**	**376**

(€ million)	2021	2020
Net revenues	113	114
Profit/(loss) before taxes	73	55
Profit/(loss) from continuing operations	**48**	**38**
Profit/(loss) from discontinued operations	—	—
Profit/(loss)	**48**	**38**
Total Other comprehensive income, net of tax	**—**	**—**
Total Comprehensive income	**48**	**38**

This summarized financial information may be reconciled to the carrying amount of the % interest held in the associate as follows:

(€ million)	At 31 December 2021	At 31 December 2020
Total Equity	**373**	**376**
Group's interest (%)	24.95	24.95
Pro-quota equity	**93**	**94**
Adjustments made by using the equity method	—	2
Carrying amount	**93**	**96**

15. Leased assets

This item changed as follows in 2021 and 2020:

(€ million)	At 31 December 2020	Additions	Depreciation	Translation differences, Disposals and other changes	At 31 December 2021
Gross carrying amount	120	60	—	(66)	**114**
Less: Depreciation and impairment	(47)	—	(30)	21	**(56)**
Net carrying amount of Leased assets	**73**	**60**	**(30)**	**(45)**	**58**

(€ million)	At 31 December 2019	Additions	Depreciation	Translation differences, Disposals and other changes	At 31 December 2020
Gross carrying amount	66	83	—	(29)	**120**
Less: Depreciation and impairment	(24)	—	(24)	1	**(47)**
Net carrying amount of Leased assets	**42**	**83**	**(24)**	**(28)**	**73**

Leased assets include vehicles leased to retail customers by the Group's leasing companies.

At 31 December 2021, minimum lease payments receivable for assets under non-cancelable operating leases amount to €73 million (€71 million at 31 December 2020) and fall due as follows:

(€ million)	At 31 December 2021	At 31 December 2020
Less than one year	29	29
One to two years	21	17
Two to three years	15	13
Three to four years	6	7
Four to five years	2	4
More than five years	—	1
Total Undiscounted lease payments	**73**	**71**

No leased assets have been pledged as security at 31 December 2021 and 2020.

16. Inventories

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

(€ million)	At 31 December 2021	At 31 December 2020
Raw materials	657	493
Work-in-progress	453	276
Finished goods	1,541	1,477
Total Inventories	**2,651**	**2,246**

At 31 December 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 €49 million, which decreased €95 million from the €144 million at 31 December 2020 primarily due to higher used vehicle sales and extensions of the duration of buyback agreements on request of rental companies and final customers.

At 31 December 2021, the amount of Inventories measured at net realizable value (estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale) is €546 million (€508 million at 31 December 2020).

During 2021, Commercial and Specialty Vehicles recognized an impairment loss of €24 million in Inventories. During 2020, Commercial and Specialty Vehicles recognized an impairment loss of €107 million in Inventories in connection with new actions identified in order to realize the asset portfolio of vehicles sold under buy-back commitments as a result of the significant deterioration of the used vehicle markets in which the segment operates and the consequent impact on truck residual values.

There were no inventories pledged as security at 31 December 2021 and 2020.

17. Current receivables and Other current financial assets

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

(€ million)	At 31 December 2021	At 31 December 2020
Trade receivables	318	444
Financial receivables from CNH Industrial	3,520	3,543
Receivables from financing activities	2,909	2,831
Current tax receivables	110	73
Other current receivables and financial assets:		
Other current receivables	328	217
Other current financial assets	54	136
Total Other current receivables and financial assets	382	353
Total Current receivables and Other current financial assets	**7,239**	**7,244**

An analysis of Current receivables and Other current financial assets by due date is as follows:

	At 31 December 2021				At 31 December 2020			
(€ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Trade receivables	318	—	—	**318**	443	1	—	**444**
Financial receivables from CNH Industrial	3,520	—	—	**3,520**	3,543	—	—	**3,543**
Receivables from financing activities	2,819	86	4	**2,909**	2,685	138	8	**2,831**
Current tax receivables	99	11	—	**110**	70	3	—	**73**
Other current receivables	304	14	10	**328**	201	6	10	**217**
Other current financial assets	54	—	—	**54**	136	—	—	**136**
Total Current receivables and Other current financial assets	**7,114**	**111**	**14**	**7,239**	**7,078**	**148**	**18**	**7,244**

Trade receivables

As of 31 December 2021 and 2020, Iveco Group had trade receivables of €318 million and €444 million, respectively. Trade receivables are shown net of allowances for doubtful accounts of €40 million and €30 million at 31 December 2021 and 2020, respectively. The allowances are determined using the simplified approach as permitted by IFRS 9 for trade receivables, consisting in the use of lifetime expected loss.

Changes in the allowances for doubtful accounts during 2021 and 2020, were as follows:

(€ million)	At 31 December 2021	At 31 December 2020
Opening balance	**30**	**37**
Provision	2	5
Use and other changes	8	(12)
Ending balance	**40**	**30**

The allowances at 31 December 2021 and 2020, have been determined using the following expected loss rates:

		At 31 December 2021					At 31 December 2020				
		Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total	Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total
Expected loss rate (in %)	%	6%	—%	—%	68%	11%	1%	—%	—%	78%	6%
Gross carrying amount	€ million	324	4	2	28	358	436	4	2	32	474
Allowances for doubtful accounts	€ million	(21)	—	—	(19)	(40)	(5)	—	—	(25)	(30)

Trade accounts have significant concentrations of credit risk in Commercial and Specialty Vehicles segment. There is not a disproportionate concentration of credit risk in any geographic region.

The Industrial Activities businesses sell a significant portion of their trade receivables to Financial Services and provide compensation to Financial Services at approximate market interest rates.

In 2021 and 2020, trade receivables for an amount of €8 million and €6 million, respectively, were written off by Iveco Group.

Charge-offs of principal amounts of trade 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.

Financial receivables from CNH Industrial

This item mainly refers to cash balances deposited with the CNH Industrial central treasury, including cash management and/or cash pooling arrangements. In the first months following the Demerger, almost all Financial Receivables between the Group and CNH Industrial were settled.

Receivables from financing activities

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

(€ million)	**At 31 December 2021**	**At 31 December 2020**
Retail:		
Retail financing	10	9
Finance leases	60	77
Total Retail	**70**	**86**
Wholesale:		
Dealer financing	2,805	2,720
Total Wholesale	**2,805**	**2,720**
Other	34	25
Total Receivables from financing activities	**2,909**	**2,831**

Iveco Group provides and administers financing for retail purchases of new and used 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 vary depending on prevailing market interest rates and 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 based on market interest rates. 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 dealer’s contract for such causes as change in ownership, closeout of the business, or default. There were no significant losses in 2021 and 2020 relating to the termination of dealer contracts.

Iveco Group assess and monitors the credit quality of its financing receivables based on whether a receivable is classified as Performing or Non-Performing. Financing receivables are considered past due if the required principal and interest payments have not yet been received as of the date such payments were due. Delinquency is reported on 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 years ended 31 December 2021 and 2020. Interest accrual is resumed if the receivable becomes contractually current and collections becomes probable. Previously suspended income is recognized at that time.

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

						At 31 December 2021
(€ million)	**Total Current**	**31-60 Days Past Due**	**61-90 Days Past Due**	**Total Performing**	**Non-Performing**	**Total**
Total Retail	70	—	—	**70**	—	**70**
Total Wholesale	2,805	—	—	**2,805**	—	**2,805**

						At 31 December 2020
(€ million)	**Total Current**	**31-60 Days Past Due**	**61-90 Days Past Due**	**Total Performing**	**Non-Performing**	**Total**
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.

Receivables from financing activities have significant concentrations of credit risk in the Commercial and Specialty Vehicles segment. On a geographic basis, there is not a disproportionate concentration of credit risk in any area. Iveco Group typically retains as collateral a security interest in the vehicles associated with retail notes, wholesale notes and finance leases.

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.

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 years ended 31 December 2021 and 2020 is as follows:

	Year Ended 31 December 2021							
	Retail				Wholesale			
(€ million)	**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**
Opening balance	**32**	**—**	**80**	**112**	**8**	**1**	**82**	**91**
Provision (benefit)	—	—	(2)	(2)	1	—	9	10
Charge-offs, net of recoveries	—	—	(21)	(21)	—	—	(9)	(9)
Transfers	(29)	—	29	—	(1)	(1)	2	—
Foreign currency translation and other	—	—	—	—	—	—	6	6
Ending balance	**3**	**—**	**86**	**89**	**8**	**—**	**90**	**98**
Receivables:								
Ending balance	**44**	**—**	**26**	**70**	**2,718**	**6**	**81**	**2,805**

	Year Ended 31 December 2020							
	Retail				Wholesale			
(€ million)	**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**
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 31 December 2021 and 2020, the allowance for credit losses includes a build of reserves due to the expectation of deteriorating credit conditions related to the COVID-19 pandemic. Iveco Group continues to monitor the situation and will update the macroeconomic factors and qualitative factors in future periods, as warranted. The provision for credit losses is included in cost of sales.

Finance lease receivables mainly relate to vehicles leased out under finance lease arrangements. The interest rate implicit in the lease is determined at the commencement of the lease for the whole lease term. The average interest rate implicit in total finance lease receivables varies depending on prevailing market interest rates.

The item may be analyzed as follows, stated gross of an allowance of €73 million at 31 December 2021 (€91 million at 31 December 2020):

(€ million)	**At 31 December 2021**	**At 31 December 2020**
Less than one year	43	65
One to two years	36	28
Two to three years	16	33
Three to four years	19	12
Four to five years	13	15
More than five years	6	15
Total Undiscounted receivables for future minimum lease payments	**133**	**168**
Unearned finance income	—	—
Present value of future minimum lease payments	**133**	**168**

Other current receivables

At 31 December 2021, Other current receivables mainly consisted of other tax receivables for VAT and other indirect taxes of €225 million (€103 million at 31 December 2020, and receivables from employees of €9 million (€8 million a 31 December 2020).

Other current financial assets

At 31 December 2021 and 2020, Other current financial assets primarily consist of current securities and short-term deposits and investments.

Refer to Note 30 “Information on financial risks” for additional information on the credit risk to which Iveco Group is exposed and the way it is managed by the Group.

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 through asset-backed financing. Asset-backed financing 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, 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 note of the asset-backed commercial paper by the seller implies its control in substance over the structured entity.

Furthermore, factoring transactions may be either with recourse or without recourse; 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 24 “Debt”). The gains and losses arising from the transfer of these assets are only recognized when the assets are derecognized.

At 31 December 2021 and 2020, the carrying amount of such transferred financial assets not derecognized (constituted entirely of Receivables from financing activities) and the related liability and the respective fair values were as follows:

(€ million)	**At 31 December 2021**	**At 31 December 2020**
Carrying amount of assets	1,959	2,343
Carrying amount of the related liabilities	(1,925)	(2,031)
Liabilities for which the counterparty has the right to obtain relief on the transferred assets:		
Fair value of the assets	1,959	2,343
Fair value of the liabilities	(1,926)	(2,031)
Net position	**33**	**312**

Other financial assets transferred also include the cash with a pre-determined use restricted to the repayment of the securitization debt.

Iveco Group has discounted receivables and bills without recourse having due dates beyond 31 December 2021 amounting to €254 million (€262 million at 31 December 2020, with due dates beyond that date), which refer to trade receivables.

18. 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 - *Financial Instruments*, 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.

Further description of the risk management exposures and strategies for interest rate and currency risk is presented in Note 30 "Information on financial risks", paragraph "Market risk" together with sensitivity analysis assessing the potential impact of changes in interest rates and foreign currencies.

In 2021, the COVID-19 pandemic significantly impacted the economic environment. 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, as well as of the ongoing supply chain disruptions and the Russia-Ukraine war, 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 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 combined income statement in the line "Financial income/(expenses)" and was not significant for all periods presented. 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 €-12 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 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.

Interest Rate Derivatives

Iveco Group has entered into interest rate derivatives (mainly swaps) 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:

- 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 combined income statement and its amount was insignificant for all periods presented.

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 for the years ended 31 December 2021 and 2020. All of Iveco Group's interest rate derivatives outstanding as of 31 December 2021 and 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.

Financial statement impact of Iveco Group derivatives

The following table summarizes the gross impact of changes in the fair value of derivatives had on other comprehensive income and profit or loss during the years ended 31 December 2021 and 2020:

(€ million)	2021	2020
Fair value hedges		
Interest rate derivatives— Financial income/(expenses)	—	—
Gains/(losses) on hedged items— Financial income/(expenses)	—	—
Cash flow hedges		
Recognized in Other comprehensive income (effective portion):		
Foreign exchange derivatives	8	30
Interest rate derivatives	—	—
Reclassified from other comprehensive income (effective portion):		
Foreign exchange contracts – Net revenues	3	(5)
Foreign exchange contracts – Cost of sales	(4)	11
Foreign exchange contracts – Financial income/(expenses)	2	6
Interest rate derivatives – Cost of sales	—	—
Other derivatives – Cost of sales	—	—
Not designated as hedges		
Foreign exchange contracts – Financial income/(expenses)	(41)	57

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

(€ million)	At 31 December 2021 Positive fair value	At 31 December 2021 Negative fair value	At 31 December 2020 Positive fair value	At 31 December 2020 Negative fair value
Derivatives designated as hedging instruments				
Fair value hedges:				
Interest rate derivatives	—	—	—	—
Total Fair value hedges	—	—	—	—
Cash flow hedges:				
Foreign exchange derivatives	43	(26)	20	(19)
Interest rate derivatives	—	—	—	—
Total Cash flow hedges	43	(26)	20	(19)
Total Derivatives designated as hedging instruments	**43**	**(26)**	**20**	**(19)**
Derivatives not designated as hedging instruments				
Foreign exchange derivatives	7	(17)	8	(8)
Interest rate derivatives	—	—	—	—
Total Derivatives not designated as hedging instruments	**7**	**(17)**	**8**	**(8)**
Derivative assets/(liabilities)	**50**	**(43)**	**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. The following table provides, for derivatives designated as hedging instruments, the detail of notional amounts and of the fair vale changes used as a basis to calculate hedge ineffectiveness, and for derivative not designated as hedging instruments, the detail of notional amounts:

(€ million)	At 31 December 2021 Notional amount	At 31 December 2021 Fair value changes used as a basis to calculate hedge ineffectiveness	At 31 December 2020 Notional amount	At 31 December 2020 Fair value changes used as a basis to calculate hedge ineffectiveness
Derivatives designated as hedging instruments				
Fair value hedges:	—	—	53	—
Interest rate derivatives	—	—	53	—
Total Fair value hedges	—	—	53	—
Cash flow hedges:				
Foreign exchange derivatives	1,129	(41)	1,237	6
Interest rate derivatives	—	—	—	—
Total Cash flow hedges	1,129	(41)	1,237	6
Total Derivatives designated as hedging instruments	**1,129**	**(41)**	**1,290**	**6**
Total Derivatives not designated as hedging instruments	693	n/a	11	n/a
Total Derivatives	**1,822**	**n/a**	**1,301**	**n/a**

The following table provides the effect of hedged items designated in fair value hedging relationships:

(€ million)	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amounts		At 31 December 2021 Fair value changes used as a basis to calculate hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
Fair value hedges:					
Interest rate risk	—	—	—	—	—

(€ million)	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amounts		At 31 December 2020 Fair value changes used as a basis to calculate hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
Fair value hedges:					
Interest rate risk	53	—	—	—	—

The following table provides the effects of hedged items designated in cash flow hedging relationships:

(€ million)	At 31 December 2021 Cash flow hedge reserve (continuing hedges)	Fair value changes used as a basis to calculate hedge ineffectiveness	At 31 December 2020 Cash flow hedge reserve (continuing hedges)	Fair value changes used as a basis to calculate hedge ineffectiveness
Cash flow hedges:				
Foreign exchange risk	7	24	(3)	6
Interest rate risk	—	—	(5)	—

The following table provides an analysis by due date of the notional amount of outstanding derivative financial instruments at 31 December 2021 and 2020:

(€ million)	due within one year	due between one and five years	due beyond five years	At 31 December 2021 Total
Currency risk	1,806	16	—	1,822
Interest rate risk	—	—	—	—
Total notional amount	**1,806**	**16**	**—**	**1,822**

(€ million)	due within one year	due between one and five years	due beyond five years	At 31 December 2020 Total
Currency risk	1,288	13		1,301
Interest rate risk	—	—		—
Total notional amount	**1,288**	**13**	**—**	**1,301**

19. Cash and cash equivalents

Cash and cash equivalents consist of:

(€ million)	At 31 December 2021	At 31 December 2020
Cash at banks	793	377
Restricted cash	48	45
Money market securities and other cash equivalents	56	41
Total Cash and cash equivalents	**897**	**463**

Amounts shown are readily convertible into cash and are subject to an insignificant risk of changes in value. Restricted cash mainly includes bank deposits that may be used exclusively for the repayment of the debt relating to securitization classified as Asset-backed financing.

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.

20. Assets held for sale

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

21. Invested Equity

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

The net invested equity of Iveco Group is represented by total Invested equity in the 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:

(€ million)	**2021**	**2020**
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:		
Gains/(losses) on the remeasurement of defined benefit plans	42	(12)
Net change in fair value of equity investments at fair value through other comprehensive income(1)	(95)	93
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss (A)	**(53)**	**81**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedging instruments arising during the period	8	30
(Gains)/losses on cash flow hedging instruments reclassified to profit or loss	(1)	(12)
Gains/(losses) on cash flow hedging instruments	7	18
Exchange gains/(losses) on translating foreign operations arising during the period	17	(110)
Exchange (gains)/losses on translating foreign operations reclassified to profit or loss	—	—
Exchange gains/(losses) on translating foreign operations	17	(110)
Share of Other comprehensive income/(loss) of entities accounted for using the equity method arising during the period	10	(2)
Reclassification adjustment for the share of Other comprehensive income/(loss) of entities accounted for using the equity method	(27)	—
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(17)	(2)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss (B)	**7**	**(94)**
Tax effect (C)	**(5)**	**(5)**
Total Other comprehensive income/(loss), net of tax (A) + (B) + (C)	**(51)**	**(18)**

(1) In the years ended 31 December 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 14 for additional information on this investment.

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

(€ million)	2021 Before tax amount	Tax (expense)/ benefit	Net-of-tax amount	2020 Before tax amount	Tax (expense)/ benefit	Net-of-tax amount
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:						
Gains/(losses) on the remeasurement of defined benefit plans	42	(2)	40	(12)	2	(10)
Net change in fair value of equity investments at fair value through other comprehensive income(1)	(95)	1	(94)	93	(2)	91
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	**(53)**	**(1)**	**(54)**	**81**	**—**	**81**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:						
Gains/(losses) on cash flow hedging instruments	7	(4)	3	18	(5)	13
Exchange gains/(losses) on translating foreign operations	17	—	17	(110)	—	(110)
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(17)	—	(17)	(2)	—	(2)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	**7**	**(4)**	**3**	**(94)**	**(5)**	**(99)**
Total Other comprehensive income/(loss)	**(46)**	**(5)**	**(51)**	**(13)**	**(5)**	**(18)**

(1) In the years ended 31 December 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 14 for additional information on this investment.

Share-based compensation

Iveco Group's key executive officers and select employees have historically participated in CNH Industrial's equity compensation plans (stock option plans and stock grants). Share-based compensation expense for the years ended 31 December 2021 and 2020 amounted to approximately €18 million, and €8 million, and has been allocated to the Iveco Group based on the awards and terms previously granted to Iveco Group's employees.

CNH Industrial's equity awards are governed by the CNH Industrial N.V. Equity Incentive Plan ("CNH Industrial EIP").

At the AGM held on 16 April 2014, CNH Industrial's shareholders approved the adoption of the CNH Industrial EIP, an umbrella program defining the terms and conditions for any subsequent long-term incentive program. The EIP allows grants of the following specific types of equity awards to any current or prospective executive director, officer, employee of, or service provider to, CNH Industrial: stock options, stock appreciation rights, restricted share units, restricted stock, performance shares or performance share units and other stock-based awards that are payable in cash, common shares or any combination thereof subject to the terms and conditions established by CNH Industrial's Compensation Committee.

In February 2020, CNH Industrial's Board of Directors approved the issuance of up to 50 million common shares under the EIP. At the AGM held on 16 April 2020, CNH Industrial's shareholders approved the issuance of up to 7 million common shares to executive directors under the 2021-2023 Long-Term Incentive Plan (described below) in accordance with and under the EIP.

As part of the Demerger, any awards outstanding under the CNH Industrial EIP, and held by directors, officers and other employees vesting in 2022 were accelerated in December 2021 and the related equity incentives were issued by CNH Industrial in CNH Industrial stock. As a result of the Demerger, remaining outstanding awards vesting in 2023 and 2024 were converted to the entity the participant is employed with post spin. As such, for Iveco Group employees, the underlying stock awards under the CNH Industrial EIP vesting in 2023 and 2024 were converted at the effective date of the Demerger, subject to its terms, to Common Shares of Iveco Group N.V. The conversion of the CNH Industrial EIP included appropriate adjustment mechanisms to ensure that the value of the unvested awards granted to all the beneficiaries under such plan remain unchanged pre and post demerger for employees in both Iveco Group and CNH Industrial.

Performance Share Units

2017-2019 Long-Term Incentive Plan
In December 2017, CNH Industrial canceled all Performance Share Units ("PSU's") issued in 2014, 2015 and 2016 and issued a grant of PSU's to key executive officers and select employees, with financial performance goals covering the three-year period from 1 January 2017 to 31 December 2019. The performance goal was a market condition with a payout schedule ranging from 0% to 130%. In 2019 and 2020, prorated share amounts covering performance through this same period were issued to select new employees entering the plan. In 2018 and 2019, 19 thousand and 167 thousand additional PSU's were granted to Iveco Group key executive officers and select employees. On 28 February 2020 all PSU's associated with these grants failed to meet their performance goals and were therefore forfeited. Iveco Group still incurred the expense associated with these awards but the awards themselves were never issued to their recipients.

2021-2023 Long-Term Incentive Plan
In February 2020, the Board of Directors of CNH Industrial approved the 2021-2023 Long-Term Incentive Plan under the EIP. Total PSUs earned will be determined by internal financial metrics which are considered performance vesting conditions. As such, compensation cost is accrued based on whether it is considered probable that the performance conditions will be satisfied.

In December 2020, CNH Industrial issued a new grant of PSUs to its key executive officers and select employees with the financial performance goals covering a three-year period culminating with a cliff vest date of 28 February 2024. In total 1.9 million PSUs were granted to Iveco Group key executive officers and select employees, of which 615 thousand awards were awarded to Iveco Group key executive officers. In 2021 an additional 17 thousand PSUs were granted to Iveco Group key executive officers and select employees.

The fair value of the 2020 and 2021 PSU award group was calculated by using the CNH Industrial stock price on the grant date adjusted for the present value of future dividends that would not be received during the vesting period. The weighted average fair value of the awards that were issued in 2020 and 2021 is $10.82 per share and $16.69 per share, respectively. The total number of shares that will eventually be issued may vary from the original estimate due to forfeiture or the level of achievement of the performance goals.

Under the 2021-2023 Long-Term Incentive Plan, 1.9 million of nonvested PSUs on CNH Industrial N.V.'s Shares related to Iveco Group key executive officers and select employees where outstanding at 31 December 2021.
As a result of the Demerger, those nonvested PSUs outstanding were converted to 3.0 million awards on Iveco Group N.V.'s Shares. As mentioned above, the conversion has been applied to ensure that the value of the unvested awards granted to all the beneficiaries under such plan remain unchanged post demerger for employees in both Iveco Group and CNH Industrial.

Restricted Share Units

2017-2019 Long-Term Incentive Plan
On 3 April 2019, 84 thousand RSUs were granted to Iveco Group key executive officers, with a weighted average fair value of $10.18 measured using the CNH Industrial stock price on the grant date adjusted for the present value of future dividends that would not be received during the vesting period. The grant cliff vested on 1 February 2021.

2021-2023 Long-Term Incentive Plan
On 4 December 2020, two separate RSU grants were issued to Iveco Group key executive officers and select employees. Under the first RSU grant, 513 thousand RSUs were issued to Iveco Group key executive officers and select employees with a weighted average fair value of $11.43. Iveco Group key executive officers accounted for 103 thousand of the RSUs granted with a weighted average fair value of $11.43. These awards vested on 31 December 2020.

Under the second RSU grant, 1.5 million RSUs were issued to Iveco Group key executive officers and select employees; these RSU are set to vest in three equal installments over a three-year period. The first tranche was set to vest on 30 April 2022. The second and third tranches are set to vest on 30 April 2023 and 30 April 2024, respectively. The weighted average fair value for the December 2020 three tranche award group are 11.23, $11.02, and $10.82, respectively. Iveco Group key executive officers accounted for 224 thousand of the awards granted. The shares granted to Iveco Group key executive officers follow the same vesting schedule and have a weighted average fair value of $11.23, $11.02, and $10.82, respectively.

During 2021, CNH Industrial issued an additional 19 thousand RSUs to Iveco Group select employees and key executive officers. Of the awards that were issued, 17 thousands are set to vest in three equal installments over a three year period. All three tranches consists of 5.7 thousands RSUs and were set to vest on 30 April 2022, 2023 and 2024. The weighted average fair value for these awards are $17.09 per share for the first tranche, $16.89 per share for the second tranche, and $16.69 per share for the third tranche. The remaining awards issued in 2021 had a cumulative weighted average fair value of $14.18.

In 2021, CNH Industrial, in anticipation of the Demerger, accelerated the vesting of awards with a vesting date of 30 April 2022 to 1 December 2021. As a result Iveco Group recorded €1 million of expense due to the acceleration of these awards. The weighted average fair value of the shares vested during 2021 was $11.29 per share.

Under the 2021-2023 Long-Term Incentive Plan, 1.0 million of nonvested RSUs on CNH Industrial N.V.'s Shares related to Iveco Group key executive officers and select employees where outstanding at 31 December 2021.

As a result of the Demerger, those nonvested RSUs outstanding were converted to 1.6 million awards on Iveco Group N.V.'s Shares. As mentioned above, the conversion has been applied to ensure that the value of the unvested awards granted to all the beneficiaries under such plan remain unchanged post demerger for employees in both Iveco Group and CNH Industrial.

22. Provisions for employee benefits

Iveco Group provides pension, healthcare, and insurance plans and other post-employment benefits to their employees and retirees, either directly or by contributing to independently administered funds. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country in which the Group operates, the benefits generally being based on the employees' remuneration and years of service. Iveco Group provides post-employment benefits under defined contribution and defined benefit plans.

In the case of defined contribution plans, Iveco Group makes contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. Once the contributions have been made, Iveco Group has no further payment obligations. Iveco Group recognizes the contribution cost when the employees have rendered their service and includes this cost by function in Cost of sales, Selling, general and administrative costs and Research and development costs. During the years ended 31 December 2021 and 2020, Iveco Group recorded expenses of approximately €259 million and €240 million, respectively, for its defined contribution plans, inclusive of social security contributions.

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions made by an entity, and sometimes by its employees, into an entity, or fund, that is legally separate from the employer from which the employee benefits are paid. Benefits are generally payable under these plans after the completion of employment. Defined benefit plans are classified by Iveco Group on the basis of the type of benefit provided as Pension plans and Other post-employment benefits.

Pension plans

Pension obligations primarily comprise the obligations of Iveco Group's pension plans in the U.K., Germany and Switzerland.

Under these plans, contributions are made to a separate fund (trust) that independently administers the plan assets. Iveco Group's funding policy is to contribute amounts to the plan equal to the amounts required to meet the minimum funding requirements pursuant to the laws of the applicable jurisdictions. The significant pension plans that we are required to fund are in the U.K. Iveco Group may also choose to make discretionary contributions in addition to the funding requirements. To the extent that a fund is overfunded, the Group is not required to make further contribution to the plan in respect of minimum performance requirements so long as the fund is in surplus.

Other post-employment benefits

Other post-employment benefits consist of obligations for Italian Employee Leaving Entitlements up to 31 December 2006, loyalty bonus in Italy and various other similar plans in France, Germany, and Belgium. Until 31 December 2006, Italian companies with more than 50 employees were required to accrue for benefits paid to employees upon them leaving Italian legal entities. The scheme has since changed to a defined contribution plan. The obligation on our combined balance sheet represents the residual reserve for years until 31 December 2006. Loyalty bonus is accrued for employees who have reached pre-defined service seniority and are generally settled when employees leave the company. These plans are not required to be funded and, therefore, have no plan assets. Other post-employment benefits also include plan obligations for healthcare and insurance plans granted to Iveco Group employees working in France.

Provisions for employee benefits at 31 December 2021 and 2020 are as follows:

(€ million)	**At 31 December 2021**	**At 31 December 2020**
Post-employment benefits:		
Pension plans	221	262
Other	205	209
Total Post-employment benefits	426	471
Other provisions for employees	131	79
Other long-term employee benefits	64	60
Total Provision for employee benefits	**621**	**610**
Defined benefit plan assets	15	1
Total Defined benefit plan assets	**15**	**1**

The item Other provisions for employees consists of the best estimate at the balance sheet date of short-term employee benefits payable by the Group within twelve months from the end of the period in which the employees render the related service.

The item Other long-term employee benefits consists of the Group's obligation for those benefits generally payable during employment on reaching a pre-defined level of seniority in the company or when a specified event occurs, and reflects the probability of payment and the length of time over which this will be made.

In 2021 and 2020 changes in Other provisions for employees and in Other long-term employee benefits are as follows:

(€ million)	**At 31 December 2020**	**Provision**	**Utilization**	**Change in the scope of consolidation and other changes**	**At 31 December 2021**
Other provisions for employees	79	155	(53)	(50)	131
Other long-term employee benefits	60	7	(3)	—	64
Total	**139**	**162**	**(56)**	**(50)**	**195**

(€ million)	**At 31 December 2019**	**Provision**	**Utilization**	**Change in the scope of consolidation and other changes**	**At 31 December 2020**
Other provisions for employees	59	76	(48)	(8)	79
Other long-term employee benefits	59	5	(5)	1	60
Total	**118**	**81**	**(53)**	**(7)**	**139**

The amounts recognized in the statement of financial position for pension plans at 31 December 2021 and 2020 are as follows:

(€ million)	Defined benefit obligation 2021	Defined benefit obligation 2020	Fair value of plan assets 2021	Fair value of plan assets 2020	Net defined benefit balance 2021	Net defined benefit balance 2020
Balance at the beginning of year	**551**	**539**	**290**	**274**	**261**	**265**
Current service cost	7	7	—	—	7	7
Interest expenses	3	4	—	—	3	4
Interest income	—	—	2	2	(2)	(2)
Past service cost	—	—	—	—	—	—
Other	—	—	—	—	—	—
Component of defined benefit cost recognized in the Combined Income Statement	**10**	**11**	**2**	**2**	**8**	**9**
Return on plan assets	—	—	16	22	(16)	(22)
Remeasurements	(32)	30	—	—	(32)	30
Remeasurements recognized in the Combined Statement of Comprehensive Income	**(32)**	**30**	**16**	**22**	**(48)**	**8**
Contribution by employer	—	—	8	10	(8)	(10)
Contribution by plan participants	2	2	2	2	—	—
Benefits paid	(22)	(22)	(12)	(12)	(10)	(10)
Settlement	—	—	—	—	—	—
Exchange rate differences	20	(11)	17	(8)	3	(3)
Other (1)	—	2	—	—	—	2
Balance at end of year	**529**	**551**	**323**	**290**	**206**	**261**
Thereof:						
U.K.	203	208	176	164	27	44
Germany	189	206	—	—	189	206
Switzerland	125	124	139	119	(14)	5
Other countries	12	13	8	7	4	6
Total	**529**	**551**	**323**	**290**	**206**	**261**
Thereof:						
Net defined benefit liability					**221**	**262**
Net defined benefit asset					**15**	**1**

(1) Mainly includes experience adjustments.

Other post-employment benefits at 31 December 2021 and 2020 do not have plan assets; therefore, the net liability at the end of each year considered corresponds to the defined benefit obligation at the same date.

The amounts recognized in the statement of financial position for other post-employment benefits at 31 December 2021 and 2020 are as follows:

(€ million)	Defined benefit obligation 2021	2020
Balance at the beginning of year	**209**	**214**
Current service cost	5	5
Interest expenses	—	—
Component of defined benefit cost recognized in the Combined Income Statement	**5**	**5**
Return on plan assets	—	—
Remeasurements	4	4
Remeasurements recognized in the Combined Statement of Comprehensive Income	**4**	**4**
Benefits paid	(17)	(11)
Other [1]	4	(3)
Balance at end of year	**205**	**209**
Thereof:		
Italy	136	138
France	65	67
Other countries	4	4
Net defined benefit liability	**205**	**209**

(1) Mainly includes experience adjustments.

The weighted average durations of post-employment benefits obligations are as follows:

	N° of years
Pension plans	15
Other post-employment benefits	10

Assumptions

The following significant assumptions were utilized in determining the funded status at 31 December 2021 and 2020, and the expense of Iveco Group's defined benefit plans for the years ended 31 December 2021 and 2020:

		Assumptions used to determine funded status at year-end
		At 31 December 2021
(in %)	**Pension plans**	**Other post-employment benefits**
Weighted-average discount rates	1.14	0.91
Weighted-average rate of compensation increase	1.95	2.07
		At 31 December 2020
(in %)	**Pension plans**	**Other post-employment benefits**
Weighted-average discount rates	0.72	0.43
Weighted-average rate of compensation increase	1.97	1.75

		Assumptions used to determine expense at year-end
		At 31 December 2021
(in %)	Pension plans	Other post-employment benefits
Weighted-average discount rates – current service cost	0.35	0.60
Weighted-average discount rates – interest cost	0.50	0.49
Weighted-average rate of compensation increase	1.97	1.75
		At 31 December 2020
(in %)	Pension plans	Other post-employment benefits
Weighted-average discount rates – current service cost	0.55	0.86
Weighted-average discount rates – interest cost	0.86	0.62
Weighted-average rate of compensation increase	2.56	1.79

Assumed discount rates are used in measurements of pension and other post-employment benefit obligations and net interest on the net defined benefit liability/asset. Iveco Group selects its assumed discount rates based on the consideration of equivalent yields on high-quality fixed income investments at the measurement date. The assumed discount rate is used to discount future benefit obligations back to today's euros. The discount rates are based on a benefit cash flow-matching approach and represent the rates at which the benefit obligations could effectively be settled as of the measurement date, 31 December. The benefit cash flow-matching approach involves analyzing Iveco Group's projected cash flows against a high-quality bond yield curve, mainly calculated using a wide population of AA-grade corporate bonds subject to minimum amounts outstanding and meeting other defined selection criteria.

Iveco Group reviews annually the mortality assumptions used in measurements of its pension, healthcare and other post-employment benefit obligations. Consideration is given to the assumptions used in the latest local funding valuations, and the latest tables applicable in each country.

Iveco Group uses the spot yield curve approach to estimate the service cost and net interest components by applying the specific spot rates along the yield curve used to determine the benefit obligations to relevant projected cash outflows.

Assumed discount rates have a significant effect on the amount recognized in the 2021 financial statements. A one percentage point change in the assumed discount rates would have the following effects:

(€ million)	One percentage point increase	One percentage point decrease
Effect on pension plans defined benefit obligation at 31 December 2021	(69)	89
Effect on other post-employment defined benefit obligation at 31 December 2021	(25)	29

Plan assets

The investment strategy for the plan assets depends on the features of the plan and on the maturity of the obligations. Typically, less mature plan benefit obligations are funded by using more equity securities as they are expected to achieve long-term growth exceeding the rate of inflation. More mature plan benefit obligations are funded using more fixed income securities as they are expected to produce current income with limited volatility. Risk management practices include the use of multiple asset classes and investment managers within each asset class for diversification purposes. Specific guidelines for each asset class and investment manager are implemented and monitored. Plan assets do not include treasury shares of the Company or properties occupied by Group companies.

The fair value of plan assets at 31 December 2021 and 2020 may be disaggregated by asset class and level as follows. Fair value levels presented below are described in the "Significant accounting policies – Fair value measurement" section of these Notes.

	Fair value of plan assets at 31 December 2021			
(€ million)	Total	Level 1	Level 2	Level 3
Other types of investments:				
Mutual funds(1)	178	—	178	—
Insurance contracts	143	—	—	143
Total Other types of investments	321	—	178	143
Cash	2	2	—	—
Total	**323**	**2**	**178**	**143**

(1) This category includes mutual funds, which primarily invest in equities and corporate bonds.

(€ million)	Fair value of plan assets at 31 December 2020 Total	Level 1	Level 2	Level 3
Other types of investments:				
Mutual funds[(1)]	165	—	165	—
Insurance contracts	123	—	—	123
Total Other types of investments	288	—	165	123
Cash	2	2	—	—
Total	**290**	**2**	**165**	**123**

(1) This category includes mutual funds, which primarily invest in equities and corporate bonds.

Contribution

Iveco Group expects to contribute approximately €2 million to its pension plans in 2022. The benefit expected to be paid from the benefit plans, which reflect expected future years of service, are as follows:

	Expected benefit payments						
(€ million)	2022	2023	2024	2025	2026	2027 to 2030	Total
Post-employment benefits:							
Pension plans	24	25	24	25	24	117	**239**
Other	15	10	11	12	12	72	**132**
Total Post-employment benefits	39	35	35	37	36	189	**371**
Other long-term employee benefits	5	5	5	6	5	26	**52**
Total	**44**	**40**	**40**	**43**	**41**	**215**	**423**

Potential outflows in the years after 2021 are subject to a number of uncertainties, including future asset performance and changes in assumptions.

23. Other provisions

Changes in Other provisions are as follows:

(€ million)	At 31 December 2020	Charge	Utilization	Release to income and other changes	At 31 December 2021
Warranty and technical assistance provision	398	314	(273)	(32)	407
Restructuring provision	41	1	(4)	—	38
Investment provision	12	—	—	(7)	5
Other risks	753	710	(524)	(79)	860
Total Other provisions	**1,204**	**1,025**	**(801)**	**(118)**	**1,310**

(€ million)	At 31 December 2019	Charge	Utilization	Release to income and other changes	At 31 December 2020
Warranty and technical assistance provision	439	295	(286)	(50)	398
Restructuring provision	35	12	—	(6)	41
Investment provision	10	—	—	2	12
Other risks	647	727	(486)	(135)	753
Total Other provisions	**1,131**	**1,034**	**(772)**	**(189)**	**1,204**

The warranty and technical assistance provision represents management's best estimate of commitments given by the Group for contractual, legal or constructive obligations arising from product warranties given for a specified period of time which begins at the date of delivery to the customer. This estimate has been calculated considering past experience and specific contractual terms. This provision also includes management's best estimate of the costs that are expected to be incurred in connection with product defects that could result in a larger recall of vehicles. This provision for risks is developed through an assessment of reported damages or returns on a case-by-case basis.

The provision for other risks represents the amounts set aside by the individual companies of the Group principally in connection with contractual and commercial risks and disputes. The more significant balances of this provision are as follows:

(€ million)	**At 31 December 2021**	**At 31 December 2020**
Commercial risks	205	305
Marketing and sales incentives programs	313	150
Legal proceedings and other disputes	91	33
Other reserves for risks and charges	251	265
Total Other risks	**860**	**753**

A description of these provisions follows:

- *Commercial risks* - this provision relates to risks arising in connection with the sale of products and services.
- *Marketing and sales incentives* programs - this provision relate to sales incentives that are offered on a contractual basis to the dealer networks and primarily given if the dealers achieve a specific cumulative level of sales transactions during the calendar year. This provision is estimated based on information available for the sales made by the dealers during the calendar year.
- *Legal proceedings and other disputes* - this provision represents management's best estimate of the liability to be recognized by the Group with regard to:
  - Legal proceedings arising in the ordinary course of business with dealers, customers, suppliers, or regulators (such as contractual, patent, or antitrust disputes).
  - Legal proceedings involving claims with active and former employees.
- *Other reserves for risks and charges* - this item includes all the other provisions for miscellaneous risks and charges accrued by the Group legal entities in connection with risks which cannot be specifically attributed to the previous provision categories.

None of these provisions is individually significant. Each Group company recognizes a provision for legal proceedings when it is deemed probable that the proceedings will result in an outflow of resources. In determining their best estimate of the probable liability, each Group company assesses its legal proceedings on a case-by-case basis to estimate the probable losses that typically arise from events of the type giving rise to the liability. Their estimate takes into account, as applicable, the views of legal counsel and other experts, the experience of the company and others in similar situations and the company's intentions with regard to further action in each proceeding. Iveco Group's consolidated provision combines the individual provisions established by each of the Group's companies.

24. Debt

An analysis of debt by nature and due date is as follows:

				At 31 December 2021
(€ million)	**Due within one year**	**Due between one and five years**	**Due beyond five years**	**Total**
Asset-backed financing	1,847	73	6	**1,926**
Debt payable to CNH Industrial	3,076	—	—	**3,076**
Other debt:				
Borrowings from banks	479	13	9	**501**
Payables represented by securities	74	—	—	**74**
Lease liabilities	58	101	41	**200**
Other	—	8	—	**8**
Total Other debt	611	122	50	**783**
Total Debt	**5,534**	**195**	**56**	**5,785**

(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
				At 31 December 2020
Asset-backed financing	2,031	—	—	2,031
Debt payable to CNH Industrial	2,563	—	—	2,563
Other debt:				
Borrowings from banks	388	—	—	388
Payables represented by securities	92	—	—	92
Lease liabilities	57	105	44	206
Other	17	16	—	33
Total Other debt	554	121	44	719
Total Debt	**5,148**	**121**	**44**	**5,313**

The item Asset-backed financing represents the financing received through both asset-backed commercial paper ("ABCP") and factoring transactions which do not meet IFRS 9 derecognition requirements and are recognized as assets in the statement of financial position.

Debt payable to CNH Industrial mainly includes overdraft and advances/utilizations under cash management and/or cash pooling arrangements and loans granted by the CNH Industrial central treasury. In the first months following the Demerger, almost all Financial Payables between the Group and CNH Industrial were settled.

In 2021, €69 million for the principal portion of Lease liabilities and €5 million for interest expenses related to lease liabilities were paid. In 2020, €65 million for the principal portion of Lease liabilities and €5 million for interest expenses related to lease liabilities were paid.

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

(€ million)	At 31 December 2021	At 31 December 2020
Less than one year	61	61
One to two years	41	44
Two to three years	30	30
Three to four years	22	23
Four to five years	15	17
More than five years	46	50
Total undiscounted lease payments	**215**	**225**
Less: Interest	(15)	(19)
Total Lease liabilities	**200**	**206**

At 31 December 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 6.5 years and 2.3%, respectively 6.8 years and 2.6% at 31 December 2020.

At 31 December 2021 and 2020, there was no debt secured with mortgages and other liens on assets of the Group, and the total carrying amount of assets acting as security for loans was not significant at 31 December 2021 and 2020. In addition, the Group's assets include current receivables and cash with a pre-determined use to settle asset-backed financing of €48 million at 31 December 2021 (€45 million at 31 December 2020).

25. Trade payables

An analysis by due date of trade payables is as follows:

(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
				At 31 December 2021
Trade payables	**3,130**	**2**	**1**	**3,133**

(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
				At 31 December 2020
Trade payables	**3,079**	**3**	**—**	**3,082**

26. Other current liabilities

An analysis of Other current liabilities is as follows:

(€ million)	At 31 December 2021	At 31 December 2020
Advances on buy-back agreements	1,012	1,105
Contract liabilities	1,270	1,118
Indirect tax payables	197	164
Accrued expenses and deferred income	118	94
Payables to personnel	154	112
Social security payables	84	75
Other	462	315
Total Other current liabilities	**3,297**	**2,983**

An analysis of Other current liabilities (excluding Accrued expenses and deferred income) by due date is as follows:

(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
				At 31 December 2021
Other current liabilities (excluding Accrued expenses and deferred income)	**1,869**	**1,247**	**63**	**3,179**

(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
				At 31 December 2020
Other current liabilities (excluding Accrued expenses and deferred income)	**1,606**	**1,212**	**71**	**2,889**

Contract liabilities primarily relate to extended warranties/maintenance and repair contracts, and transactions for the sale of vehicles with a buy-back commitment. Contract liabilities include €658 million at 31 December 2021 (€600 million at 31 December 2020) for future rents related to buy-back agreements. Changes in Contract liabilities for the years ended 31 December 2021 and 2020 are as follows:

(€ million)	At 31 December 2020	Additional amounts arising during the period	Amounts recognized within revenue	Translation differences and other changes	At 31 December 2021
Contract liabilities	**1,118**	**697**	**(553)**	**8**	**1,270**

(€ million)	At 31 December 2019	Additional amounts arising during the period	Amounts recognized within revenue	Translation differences and other changes	At 31 December 2020
Contract liabilities	**1,096**	**532**	**(528)**	**18**	**1,118**

Advances on buy-back agreements includes the repurchase value of the vehicle relating to new vehicles sold with the buy-back commitment from Commercial and Specialty Vehicles included in Property, plant and equipment, as described in section "Significant accounting policies".

27. 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 some 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. Contingent liabilities estimated by the Group, for which no provisions have been recognized since an outflow of resources is not considered probable at the present time, were not material at 31 December 2021 and 2020.

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 Combined Financial Statements, except for the following cases.

Other litigation and investigation

Follow on Damages Claims: in 2011 Iveco S.p.A. ("Iveco"), which, following the Demerger, is now part of Iveco Group N.V., 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 & Heavy trucks. On 19 July 2016, the Commission announced a settlement with CNH Industrial ("the Decision") including a settlement with Iveco. In particular, Iveco received a reduction in its fine for cooperating with the European Commission throughout the investigation, and received a fine of €494.6 million. Similar decisions were taken, by the Commission, with reference to the other competitors. Following the Decision, CNH Industrial N.V., Iveco and Iveco Magirus AG ("IMAG") have been named as defendants in proceedings across Europe and Israel. In particular, following the settlement decision by the European Commission, legal actions, class actions and other forms of legal redress for damages by direct and indirect truck customers have been filed or initiated in several jurisdictions. Damage claims could result in substantial liabilities for the Group as well as significant costs incurred for defense measures, which may have a material adverse effect on its operations and financial condition. The consummation of the Demerger will not allow CNH Industrial to be excluded from current and future follow-on proceedings originating from the Decision because under EU competition law a company cannot use corporate reorganizations to avoid liability for private damage claims. However, in the event one or more of these judicial proceedings would result in a decision against CNH Industrial ordering it to compensate such claimants as a result of the conduct that was the subject matter of the Decision, and Iveco and IMAG does not comply with such decisions, as a result of various intercompany arrangements, then CNH Industrial will ultimately have recourse against Iveco and IMAG for the reimbursement of the damages effectively paid to such claimants. 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, however, it may reassess the need to do in the future if the risk analysis in the most relevant proceedings suggested that chances to successfully defend the claims are reduced. In accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* (paragraph 92), no further information is disclosed so as not to prejudice the Group's position.

FPT Emissions Investigation: on 22 July 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. ("FPT"), which is now part of the Iveco Group N.V., installed in certain Ducato (a vehicle manufactured and distributed by Stellantis) and Iveco Daily vehicles. FPT is providing its full cooperation to properly address the requests received. FPT, other companies of Iveco Group, and in certain instances CNH Industrial and other 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. 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.

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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 €452 million and €489 million as of 31 December 2021 and 2020, respectively.

28. Segment reporting

The segment information disclosed in these 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 combustion engines, alternative propulsion systems, 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 brand dealers and distributors of the Group or directly by subsidiaries of the Group. In addition, Financial Services provides wholesale financing to brand dealers and distributors of the Group. 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 grants support to CNH Industrial, by providing financial services for their European brands, Dealers and customers under a vendor and service agreement, 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 is expected to assess the segment performance and make decisions about resource allocation based upon Adjusted EBIT, which is deemed to more fully reflect Industrial Activities segments' profitability. Adjusted EBIT of Industrial Activities is defined as EBIT before 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 nature and not reflective of on-going operational activities. With reference to Financial Services, the CODM is expected to assess the performance of the segment and make decisions about resource allocation on the basis of net income.

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

(€ million)	**2021**	**2020**
Commercial and Specialty Vehicles	254	(149)
Powertrain	208	195
Unallocated items, eliminations and other	(160)	(135)
Adjusted EBIT of Industrial Activities	**302**	**(89)**

A reconciliation from Adjusted EBIT of Industrial Activities to Iveco Group's combined Profit/(loss) before taxes for the years ended 31 December 2021 and 2020 is provided below:

(€ million)	**2021**	**2020**
Adjusted EBIT of Industrial Activities	**302**	**(89)**
Adjustments/reclassifications to convert from EBIT of Industrial Activities to Profit/(loss) before taxes:		
Restructuring costs	(36)	(32)
Other discrete items(1)	(45)	(270)
Financial income/(expenses)	(115)	(112)
Other adjustments(2)	74	15
Profit/(loss) before taxes	**180**	**(488)**

(1) In 2021, this item includes the pre- and after-tax gain of €8 million from the sale of the 30.1% interest in Naveco, as well as the positive impact of €11 million from the sale of investments by a joint venture accounted for under the equity method. In addition, this item also includes €43 million separation costs in connection with the spin-off of Iveco Group, and a loss of €21 million due to the valuation, at their recoverable amount, of certain assets classified as held for sale. In 2020, this item primarily includes asset optimization charges of €247 million, other asset impairment charges of €6 million, and €17 million negative impact from the costs recognized by a Chinese joint venture, accounted for under the equity method, for valuation allowances against deferred tax assets and restructuring actions.

(2) Primarily includes Financial Services results before taxes.

Net income of Financial Services for the years ended 31 December 2021 and 2020 is summarized as follows, together with a reconciliation to Iveco Group's combined Profit/(loss) before taxes for the same periods:

(€ million)	**2021**	**2020**
Net income of Financial Services (A)	**59**	**13**
Eliminations and other (B)(*)	17	(385)
Income tax (expense) benefit (C)	(104)	116
Profit/(loss) before taxes (D) = (A) + (B) - (C)	**180**	**(488)**

(*) Includes Net income of Industrial Activities

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

Additional reportable segment information

Net Revenues by reportable segment for the years ended 31 December 2021 and 2020 are provided in Note 1.

Depreciation and amortization by reportable segment for the years ended 31 December 2021 and 2020 are provided below:

(€ million)	**2021**	**2020**
Commercial and Specialty Vehicles	403	422
Powertrain	162	156
Unallocated items, eliminations and other	—	—
Total Industrial Activities	565	578
Financial Services	2	2
Total Depreciation and Amortization(*)	**567**	**580**

(*) Excluding depreciation of assets on operating lease and assets sold with buy-back commitment.

Expenditures for long-lived assets by operating segments for the years ended 31 December 2021 and 2020 are provided below:

(€ million)	**2021**	**2020**
Commercial and Specialty Vehicles	396	279
Powertrain	167	121
Unallocated items, eliminations and other	—	—
Total Industrial Activities	563	400
Financial Services	1	1
Total Expenditures for long-lived assets(*)	**564**	**401**

(*) Excluding vehicles sold under buy-back commitments and operating leases.

29. Information by geographical area

The Company has its principal office in Turin, Italy. Revenues earned in Italy from external customers were €2,582 million and €2,172 million in 2021 and 2020, respectively. Revenues earned in the rest of the world from external customers were €10,069 million and €8,239 million in 2021 and 2020, respectively. The following table highlights revenues earned from external customers in the rest of the world by destination:

(€ million)	2021	2020
France	1,925	1,652
Germany	1,345	1,146
China	369	536
Spain	630	452
Brazil	772	420
U.K.	511	379
South East and Japan Sub-region, excluding Pakistan	406	301
Poland	373	263
Czech Republic	265	243
Switzerland	191	232
Turkey, Caucasus and South Central Asia Sub-region	271	198
Austria	222	197
Belgium	194	179
Argentina	375	177
Australia and New Zealand	187	163
Netherlands	117	162
Russia	150	127
Portugal	92	126
Romania	185	116
Other	1,489	1,170
Total revenues from external customers in the rest of the world	**10,069**	**8,239**

Total non-current assets located in Italy, excluding financial assets, deferred tax assets, defined benefit assets and rights arising under insurance contracts, were €1,859 million and €1,812 million at 31 December 2021 and 2020, respectively, and the total of such assets located in the rest of the world totaled €3,115 million and €3,085 million at 31 December 2021 and 2020, respectively. The following highlights non-current assets by geographical area in the rest of the world:

(€ million)	2021	2020
France	848	853
Spain	646	704
Germany	545	532
United states	229	324
China	266	152
Brazil	99	88
Czech Republic	74	72
Switzerland	69	61
Belgium	62	59
U.K.	36	49
Portugal	30	39
Other	211	152
Total non-current assets in the rest of the world	**3,115**	**3,085**

In 2021 and 2020, no single external customer of Iveco Group accounted for 10 per cent or more of combined revenues.

30. Information on financial risks

We are exposed to the following financial risks connected with our operations:

- credit risk related to our financing activities;
- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;
- market risk (primarily exchange rates and interest rates).

We attempt to actively manage these risks.

The quantitative data reported in the following paragraphs does not have any predictive value. In particular, the sensitivity analysis on market risks does not reflect the complexity of the market or the reaction, which may result from any changes that are assumed to take place.

Credit risk

The Group's credit risk differs in relation to the activities carried out by the segments and sales markets in which we operate; in all cases, however, the risk is mitigated by the large number of counterparties and customers.

Financial assets are recognized in the statement of financial position net of write-downs for the risk that counterparties may be unable to fulfill their contractual obligations, determined on the basis of the available information as to the creditworthiness of the customer and historical data.

The maximum credit risk to which we were theoretically exposed at the reporting date is represented by the carrying amounts stated for financial assets in the statement of financial position and the nominal value of the guarantees provided on debt or commitments of third parties.

Dealers and final customers are generally subject to specific assessments of their creditworthiness under a detailed scoring system. In addition to carrying out this evaluation process, we may also obtain financial and non-financial guarantees for risks arising from credit granted for the sale of commercial vehicles. These guarantees are further secured, where possible, by retention of title clauses or specific guarantees on financed vehicle sales to the distribution network and on vehicles under finance leasing agreements.

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 they are 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.

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.

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.

Liquidity risk

We are exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The cash flows, funding requirements and liquidity of our subsidiaries are monitored on a centralized basis. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of our capital resources.

Additionally, as part of our activities, we regularly carry out funding operations on the various financial markets which may take on different technical forms and which are aimed at ensuring that it has an adequate level of current and future liquidity.

Measures taken to generate financial resources through operations and to maintain an adequate level of available liquidity are an important factor in ensuring normal operating conditions and addressing strategic challenges. We therefore plan to meet our requirements to settle liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans and making recourse to the bond market and other forms of funding.

The main factors that determine our liquidity situation are the funds generated by or used in operating and investing activities and the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

Iveco Group has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce the liquidity risk, as follows:

- centralizing the management of receipts and payments, where it may be economical in the context of the local statutory, currency and fiscal regulations of the countries in which we are present;
- maintaining an adequate level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence on the capital markets;
- obtaining adequate credit lines; and
- monitoring future liquidity on the basis of business planning.

Details as to the repayment structure of the Iveco Group's financial assets and liabilities are provided in Note 17 "Current Receivables and Other current financial assets" and in Note 24 "Debt". Details of the repayment structure of derivative financial instruments are provided in Note 18 "Derivative assets and Derivative liabilities".

Management believes that the funds currently available, together with the funds that will be generated from operating and financing activities, will enable Iveco Group to satisfy its requirements resulting from its investing activities and working capital needs and to fulfill its obligations to repay its debts at their natural due date.

Market risk

We operate in numerous markets worldwide and are exposed to market risks stemming from fluctuations in currency and interest rates.

The exposure to foreign currency risk arises both in connection with the geographical distribution of our industrial activities compared to the markets in which we sell our products, and in relation to the use of external borrowing denominated in foreign currencies.

The exposure to interest rate risk arises from the need to fund industrial and financial operating activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing our profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

We regularly assess our exposure to foreign currency and interest rate risk and manage those risks through the use of derivative financial instruments in accordance with our established risk management policies.

Our policy permits derivatives to be used only for managing the exposure to fluctuations in exchange and interest rates connected with future cash flows and assets and liabilities, and not for speculative purposes.

We utilize derivative financial instruments designated as fair value hedges, mainly to hedge:

- the currency risk on financial instruments denominated in foreign currency;
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly currency swaps, forward contracts, interest rate swaps and combined interest rate and currency financial instruments.

We use derivative financial instruments as cash flow hedges for the purpose of pre-determining:

- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a pre-defined mix of floating versus fixed rate funding structured loans.

The exchange rate exposure on forecasted commercial flows is hedged by currency swaps, forward contracts and currency options. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements.

Counterparties to these agreements are major and diverse financial institutions.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 18 "Derivative assets and Derivative liabilities".

Currency risk
We are exposed to risk resulting from changes in exchange rates, which can affect our earnings and invested equity.

Where one of our subsidiaries incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the profit/(loss) of that company. In 2021 the total net trade flows exposed to currency risk amounted to the equivalent of 9% of our revenue (12% in 2020).

The principal exchange rates to which we are exposed are the following:

- EUR/CZK, predominately in relation to the production of Commercial and Specialty Vehicles (Bus) in Czech Republic;
- EUR/GBP, predominately in relation to sales on the U.K. market;
- EUR/CHF, predominately in relation to sales on the Swiss market;
- EUR/PLN, predominately in relation to sales on the Polish market
- EUR/BRL, predominately in relation import on the Brazilian market
- USD/BRL, predominately in relation import on the Brazilian market

Trade flows exposed to changes in these exchange rates in 2021 made up approximately 65% of the exposure to currency risk from trade transactions.

It is the Group's policy to use derivative financial instruments to hedge a pre-determined percentage, on average between 55% and 85%, of the forecasted trading transaction exchange risk exposure for the coming 12 months with additional flexibility to reach 0% or 100% (including risk beyond that date where it is believed to be appropriate) and to hedge completely the exposure resulting from firm commitments.

Group's subsidiaries may hold trade receivables or payables denominated in a currency different from the subsidiary's functional currency. In addition, in a limited number of cases, subsidiaries may obtain financing or use funds in a currency different from their functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. It is our policy to hedge fully, whenever possible, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the subsidiary's functional currency.

Group's subsidiaries' may have functional currency different from the euro, which is the Group presentation currency. The income statements of those subsidiaries are converted into euros using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs and the results reported in euros.

The assets and liabilities of combined companies whose functional currency is different from the euro may acquire converted values in euros which differ as a function of the fluctuation in exchange rates. The effects of these changes are recognized directly in the Cumulative Translation Adjustments reserve, included in Other comprehensive income (see Note 21).

We monitor our principal exposure to translation exchange risk, although there was no specific hedging in place at 31 December 2021. There were no substantial changes in 2021 in the nature or structure of exposure to currency risk or in our hedging policies.

Sensitivity analysis
The potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, currency options, interest rate and currency swaps) at 31 December 2021 resulting from a hypothetical change of 10% in the exchange rates amounts to approximately €187 million (€299 million at 31 December 2020). The valuation model for currency options assumes that market volatility at year-end remains unchanged.

The underlying transactions (consisting of receivables, payables, and future trade flows) for which we put in place, as hedging transactions, the derivative financial instruments analyzed in the above mentioned sensitivity analysis, were not considered. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Interest rate risk
Our Industrial Activities make use of external funds obtained in the form of financing and invest in monetary and financial market instruments. In addition, we sell receivables. Changes in market interest rates can affect the cost of financing, including the sale of receivables, or the return on investments of funds, causing an impact on the level of net financial expenses incurred by us.

In addition, Financial Services provides loans (mainly to customers and dealers), financing themselves primarily using various forms of external borrowings or asset-backed financing (e.g., securitization of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing/funding obtained, changes in the current level of interest rates can affect our profit/(loss).

In order to mitigate these risks, we use interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements.

Interest rate benchmark reform

Certain existing benchmark InterBank Offered Rates (IBORs) will be reformed by the authority and gradually replaced with alternative benchmark rates. Despite the uncertainty around the timing and precise nature of these changes, the existing benchmark interest rates are still applied as reference rates.

Group Treasury is managing the Group's IBOR transition plan. The greatest change will be amendments to the contractual terms of the IBOR-referenced floating-rate debt and the corresponding update of the hedge designation.

In calculating the change in fair value attributable to the hedged risk of fixed-rate debt, the Group has made the following assumptions that reflect its current expectations:

- the floating-rate debt will move to SOFR at the beginning of July 2024 and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument;
- no other changes to the terms of the floating-rate debt are anticipated; and
- the Group does not expect any material impact deriving from the replacement of benchmark interest rate.

Sensitivity analysis

In assessing the potential impact of changes in interest rates, we separate fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by us consist of retail receivables, debt, ABCP, and other instruments.

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at 31 December 2021, resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately €1 million (€6 million at 31 December 2020).

Floating rate financial instruments consist principally of cash and cash equivalents, wholesale receivables, debt, and ABCPs. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

A hypothetical change of 10% in short-term interest rates at 31 December 2021, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately €5 million (€1 million at 31 December 2020).

This analysis is based on the assumption that there is a hypothetical change of 10% in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Other risks on derivative financial instruments

We have entered derivative contracts linked to commodity prices to hedge specific exposures on supply contracts.

Sensitivity analysis

In the event of a hypothetical change of 10% in the underlying raw materials prices, the potential loss in fair value of outstanding derivative financial instruments at 31 December 2021 linked to commodity prices would not have been significant (not significant at 31 December 2020).

31. Fair value measurement

Fair value levels presented below are described in the "Significant accounting policies – Fair value measurement" section of these Notes.

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 31 December 2021 and 2020:

					At 31 December 2021
(€ million)	Note	Level 1	Level 2	Level 3	Total
Equity investments measured at fair value through other comprehensive income	(14)	224	—	—	224
Other investments	(14)	—	—	13	13
Derivative assets	(18)	—	50	—	50
Total Assets		**224**	**50**	**13**	**287**
Derivative liabilities	(18)	—	43	—	43
Total Liabilities		**—**	**43**	**—**	**43**

(€ million)	Note	Level 1	Level 2	Level 3	Total
					At 31 December 2020
Equity investments measured at fair value through other comprehensive income	(14)	319	—	—	319
Derivative assets	(18)	—	28	—	28
Total Assets		**319**	**28**	**5**	**352**
Derivative liabilities	(18)	—	27	—	27
Total Liabilities		**—**	**27**	**—**	**27**

The following table provides a reconciliation from the opening balance to the closing balance for fair value measurements categorized in Level 3 in 2021 and 2020:

(€ million)	2021	2020
At 1 January	**5**	**96**
Acquisitions/(disposals)	8	129
Gains/(Losses) recognized in Other comprehensive income/(loss)	—	1,321
Transfer from Level 3 to Level 1	—	(1,541)
At 31 December	**13**	**5**

In 2020, Transfer from Level 3 included the investment in Nikola Corporation, reclassified to Level 1 upon the completion in June 2020 of its business combination with VectoIQ Acquisition Corp. and continued listing of the combined company's shares. Refer to Note 14 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 18 "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 statement of financial position at 31 December 2021 and 2020 are as follows:

(€ million)	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying amount
						At 31 December 2021
Total Financial receivables from CNH Industrial	(17)	**—**	**—**	**3,520**	**3,520**	**3,520**
Retail financing	(17)	—	—	10	10	**10**
Dealer financing	(17)	—	—	2,802	2,802	**2,805**
Finance leases	(17)	—	—	59	59	**60**
Other receivables from financing activities	(17)	—	—	34	34	**34**
Total Receivables from financing activities		**—**	**—**	**2,905**	**2,905**	**2,909**
Asset-backed financing	(24)	—	1,927	—	1,927	**1,926**
Debt payable to CNH Industrial		—	—	3,076	3,076	**3,076**
Borrowings from banks	(24)	—	501	—	501	**501**
Payables represented by securities	(24)	—	74	—	74	**74**
Lease liabilities	(24)	—	—	200	200	**200**
Other debt	(24)	—	8	—	8	**8**
Total Debt		**—**	**2,510**	**3,276**	**5,786**	**5,785**

(€ million)	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying amount
						At 31 December 2020
Total Financial receivables from CNH Industrial	(17)	**—**	**—**	**3,543**	**3,543**	**3,543**
Retail financing	(17)	—	—	10	10	**9**
Dealer financing	(17)	—	—	2,715	2,715	**2,720**
Finance leases	(17)	—	—	78	78	**77**
Other receivables from financing activities	(17)	—	—	25	25	**25**
Total Receivables from financing activities		**—**	**—**	**2,828**	**2,828**	**2,831**
Asset-backed financing	(24)	—	2,032	—	2,032	**2,031**
Debt payable to CNH Industrial		—	—	2,563	2,563	**2,563**
Borrowings from banks	(24)	—	389	—	389	**388**
Payables represented by securities	(24)	—	92	—	92	**92**
Lease liabilities	(24)	—	—	206	206	**206**
Other debt	(24)	—	33	—	33	**33**
Total Debt		**—**	**2,546**	**2,769**	**5,315**	**5,313**

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 year-end adjusted for the Group non-performance risk over the remaining term of the financial liability.

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

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 statement of financial position approximates their fair value, due to the short maturity of these items.

32. 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 31 December 2021 and 2020, related parties included EXOR N.V and its subsidiaries and affiliates, including CNH Industrial post-Demerger, Stellantis N.V. (formerly Fiat Chrysler Automobiles N.V. which, effective 16 January 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 31 December 2021 and 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 years ended 31 December 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 2021 and 2020, Stellantis subsidiaries provided Iveco Group with administrative services such as accounting, 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 has been 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 the Combined Financial Statements as follows:

(€ million)	**2021**	**2020**
Net revenues	351	524
Cost of sales	201	171
Selling, general and administrative costs	60	63

(€ million)	**At 31 December 2021**	**At 31 December 2020**
Trade receivables	3	6
Trade payables	46	51

Transactions with CNH Industrial

Historically, Iveco Group and CNH Industrial post-Demerger entered into transactions primarily of commercial nature and consisting in the sale of engines from Iveco Group to CNH Industrial, but also covering services in relation to general administrative and specific technical matters, provided by either Iveco Group to CNH Industrial and vice versa.

The transactions with CNH Industrial post-Demerger are reflected in the Combined Financial Statements as follows:

(€ million)	**2021**	**2020**
Net revenues	801	526
Cost of sales	17	25

(€ million)	**At 31 December 2021**	**At 31 December 2020**
Trade receivables	172	159
Financial receivables	3,520	3,543
Debt	3,076	2,563
Trade payables	71	61

Iveco Group and the CNH Industrial post-Demerger 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 diesel, CNG and LNG engines and provide post-sale services.

<u>Financial Service Agreement</u>: in relation to certain financial services activities carried out by either Iveco Group to CNH Industrial 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.

Net revenues from joint ventures totaled €398 million in 2021 (€603 million in 2020) and trade receivables from joint ventures totaled €3 million at 31 December 2021 (€125 million at 31 December 2020).

At 31 December 2021 and 2020, Iveco Group had provided guarantees on commitments of its joint ventures for an amount of €186 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 2021, revenues from associates totaled €190 million (€155 million in 2020). In 2021, cost of sales from associates totaled €15 million (€12 million in 2020). At 31 December 2021 receivables from associates amounted to €11 million (€11 million in 2020). Trade payables to associates amounted to €18 million at 31 December 2021 (€23 million at 31 December 2020). At 31 December 2021 and 2020, Iveco Group had provided guarantees on commitments of its associates for an amount of €256 million and €263 million related to CNH Industrial Capital Europe S.a.S.

Transactions with unconsolidated subsidiaries

In the years ended 31 December 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 during the periods presented, 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's key management was allocated to Iveco Group and recognized in the Combined Financial Statements for a total amount of €16 million in 2021 (€9 million in 2020). The allocation was determined using a key based on the number of employees.

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.

33. Explanatory notes to the statement of cash flows

The statement of cash flows sets out changes in cash and cash equivalents during the year. As required by IAS 7 - *Cash Flow Statements*, cash flows are separated into operating, investing and financing activities. The effects of changes in exchange rates on cash and cash equivalents are shown separately under the line item Translation exchange differences.

The Group presents supplemental discussion and disclosure regarding the statement of cash flows for the purpose of additional analysis. Items discussed below are reflected within the combined statement of cash flows either on an aggregate or net basis, and accordingly have been discussed further as set forth below.

The Cash flows for income tax payments net of refunds in 2021 amount to €92 million (€68 million in 2020).

Total interest of €36 million was paid and interest of €24 million was received in 2021 (interest of €78 million was paid and interest of €22 million was received in 2020, respectively).

Operating activities

Cash flows from/(used in) operating activities derive mainly from the Group's main revenue producing activities.

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

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.

The adjustment to exclude Other non-cash items of €11 million in 2021 (€99 million in 2020) includes an amount of €-18 million (€76 million in 2020) related to result from investments net of impairment losses on assets recognized during the year.

Changes in working capital for 2021 and 2020 are summarized as follows:

(€ million)	2021	2020
Change in trade receivables	115	(107)
Change in inventories	(496)	133
Change in trade payables	42	102
Change in other receivables/payables	(4)	59
Change in working capital	**(343)**	**187**

Investing activities

Cash flows from/(used in) investing activities represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures resulting in an asset recognized in the balance sheet are classified as investing activities in the statement of cash flows. In particular, Cash flows from/(used in) investing activities include net change in receivables from financing activities that may be analyzed as follows:

(€ million)	2021	2020
Change in dealer financing	(95)	191
Change in retail financing	—	—
Change in finance leases	18	23
Change in other receivables from financing activities	(40)	1
Net change in receivables from financing activities	**(117)**	**215**

Liquidity absorbed by the increase in receivables from financing activities in 2021 was primarily a result of increased financing activities.

Cash generated by “Other changes” of €581 million primarily included the net change in intersegment receivables/payables.

For consideration for the acquisition and disposal of subsidiaries and of other investments, refer to section "Business Combinations" above and to Note 14.

Financing activities

The net change in debt and derivative assets/liabilities mainly reflects changes in borrowings from banks and in asset-backed financing, together with changes in derivative assets and liabilities (consisting of derivative financial instruments measured at fair value at the balance sheet date, as discussed in Note 18 above).

Changes in 2021 and 2020 are summarized as follows:

(€ million)	2021	2020
Change in asset-backed financing	(106)	(102)
Change in borrowings from banks and other debt	(53)	(246)
Net change in debt	(159)	(348)
Net change in derivative assets and derivatives liabilities	8	(4)
Net change in debt and derivative assets/liabilities	**(151)**	**(352)**

Reconciliation of changes in liabilities arising from financing activities may be analyzed as follows:

(€ million)	2021	2020
Total Debt at beginning of year (1)	2,750	3,088
Derivative (assets)/liabilities at beginning of year	(1)	4
Total liabilities from financing activities at beginning of year	**2,749**	**3,092**
Cash flows	(88)	(399)
Other changes	41	56
Total liabilities from financing activities at end of year	**2,702**	**2,749**
Of which:		
Total Debt at end of year (1)	2,709	2,750
Derivative (assets)/liabilities at end of year	(7)	(1)

(1) Excluding Debt payable to CNH Industrial

34. Subsequent events

Iveco Group has evaluated subsequent events through 24 April 2022, which is the date the financial statements were authorized for issuance, and identified the following:

- On 4 January 2022, Iveco Group signed a €1.9 billion syndicated facility, which includes a €1.4 billion committed revolving credit facility with a 5-year tenor with two extension options of 1-year each (subject to the bank's approval), as well as a €0.5 billion committed term facility with a 12-months tenor, extendable for up to an additional 12 months at the Company's sole option.
- On 13 January 2022, Fitch Ratings assigned Iveco Group N.V. a final Long-Term Issuer Default Rating (IDR) of 'BBB-'. The outlook is stable.
- The geopolitical situation and the Russia-Ukraine conflict escalated since the end of February 2022, after the balance sheet date. Iveco Group has operations in both Russia and Ukraine, which have been suspended during the first quarter of 2022. While Russia and Ukraine do not constitute a material portion of the Group business, a significant escalation or expansion of economic disruption could have a material adverse effect on Iveco Group results of operations. As of the date of this Report, the Group estimates a negative impact of approximately €50 million, net of tax effect, on its income statement, primarily due to the impairment of certain assets. However, due to the volatile and uncertain geopolitical situation, the Group cannot exclude that a reassessment of such estimate could be required in the next quarters. The Group is closely monitoring the impact of the Russia-Ukraine conflict on its employees and all aspects of its business, the Group's results of operations, financial condition and cash flows. Iveco Group immediately focused on the safety and well-being of its employees, in order to support them and their families and understand how helping its dealers, suppliers, and other stakeholders in the areas of the conflict.

  The increased risk resulting from the Russia-Ukraine conflict is described in section "Risk Factors - Global economic conditions impact the Group's businesses".

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

These 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 are controlled by the Company following the Demerger. The Combined Financial Statements are presented as if the entities controlled directly or indirectly by CNH Industrial until the Demerger and that are controlled by the Company afterwards, together with other assets and liabilities, had been combined for all periods presented.

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

Name of legal entity	Country of Incorporation	Percentage Interest Held
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE		
2 H Energy S.A.S.	France	100.00%
Afin Bulgaria EAD	Bulgaria	100.00%
Afin Slovakia S.R.O.	Slovack Republic	99.98%
Amce-Automotive Manufacturing Co.Ethiopia	Ethiopia	70.00%
Astra Veicoli Industriali S.p.A.	Italy	100.00%
Blitz S19-499 GmbH	Germany	94.00%
CNH Industrial Argentina S.A.	Argentina	100.00%
CNH Industrial Capital Limited	United Kingdom	100.00%
CNH Industrial Finance France S.A.	France	100.00%
CNH Industrial Financial Services A/S	Denmark	100.00%

Name of legal entity	Country of Incorporation	Percentage Interest Held
CNH Industrial SA (Pty) Ltd.	South Africa	100.00%
Dolphin N2 Limited	United Kingdom	100.00%
Effe Grundbesitz GmbH	Germany	83.77%
Fiat Powertrain Technologies (Chongqing) Co., Ltd.	People's Rep.of China	100.00%
Fiat Powertrain Technologies Management (Shanghai) Co. Ltd.	People's Rep.of China	100.00%
Fiat Powertrain Technologies of North America, Inc.	U.S.A.	100.00%
FPT - Powertrain Technologies France SAS	France	100.00%
FPT INDUSTRIAL BRASIL LTDA.	Brazil	100.00%
FPT Industrial S.p.A.	Italy	100.00%
FPT Motorenforschung AG	Switzerland	100.00%
Heuliez Bus S.A.S.	France	100.00%
IAV-Industrie-Anlagen-Verpachtung GmbH	Germany	88.42%
IC Financial Services S.A.	France	100.00%
IDV USA INC.	U.S.A.	100.00%
Iveco (China) Commercial Vehicle Sales Co. Ltd	People's Rep.of China	100.00%
Iveco (Schweiz) AG	Switzerland	100.00%
Iveco Arac Sanayi VE Ticaret A.S.	Turkey	100.00%
IVECO ARGENTINA S.A.	Argentina	100.00%
Iveco Austria GmbH	Austria	100.00%
Iveco Bayern GmbH	Germany	94.00%
Iveco Belgium N.V.	Belgium	100.00%
Iveco Capital Services S.R.L.	Romenia	100.00%
Iveco Capital Solutions S.p.A.	Italy	100.00%
Iveco Czech Republic A.S.	Czech Republic	98.84%
Iveco Danmark A/S	Denmark	100.00%
IVECO DEFENCE VEHICLES ROMANIA S.R.L.	Romenia	100.00%
Iveco Defence Vehicles S.p.A.	Italy	100.00%
Iveco Espana S.L.	Spain	100.00%
Iveco Est Sas	France	100.00%
Iveco Finland OY	Finland	100.00%
IVECO FRANCE SAS	France	100.00%
IVECO Group Korea LLC	South Korea	100.00%
Iveco Group N.V.	Netherlands	100.00%
Iveco Holdings Limited	United Kingdom	100.00%
Iveco Investitions GmbH	Germany	93.08%
Iveco L.V.I. S.a.s.	France	100.00%
Iveco Limited	United Kingdom	100.00%
Iveco Magirus AG	Germany	94.00%
Iveco Magirus Fire Fighting GmbH	Germany	84.63%
Iveco Nederland B.V.	Netherlands	100.00%
Iveco Nord Nutzfahrzeuge GmbH	Germany	94.00%
Iveco Nord SAS	France	100.00%
Iveco Nord-Ost Nutzfahrzeuge GmbH	Germany	94.00%
Iveco Norge A.S.	Norway	100.00%
Iveco Otomotiv Ticaret A.S.	Turkey	100.00%
Iveco Participations s.a.s.	France	100.00%
Iveco Pension Trustee Ltd	United Kingdom	100.00%

Name of legal entity	Country of Incorporation	Percentage Interest Held
Iveco Poland Sp. z o.o.	Poland	100.00%
Iveco Portugal-Comercio de Veiculos Industriais S.A.	Portugal	100.00%
Iveco Provence s.a.s.	France	100.00%
Iveco Retail Limited	United Kingdom	100.00%
Iveco Romania S.r.l.	Romenia	100.00%
Iveco S.p.A.	Italy	100.00%
Iveco Slovakia, s.r.o.	Slovack Republic	98.84%
Iveco South Africa Works (Pty) Ltd	South Africa	60.00%
Iveco Sud-West Nutzfahrzeuge GmbH	Germany	94.00%
Iveco Sweden A.B.	Sweden	100.00%
Iveco Truck Centrum s.r.o.	Czech Republic	100.00%
Iveco Truck Services S.R.L.	Romenia	100.00%
Iveco Trucks Australia Limited	Australia	100.00%
Iveco Ukraine LLC	Ukraine	100.00%
Iveco West Nutzfahrzeuge GmbH	Germany	94.00%
MAGIRUS CAMIVA S.a.s. (societè par actions simplifièe)	France	84.63%
Magirus GmbH	Germany	84.43%
Magirus Italia S.r.l.	Italy	100.00%
Magirus Lohr GmbH	Austria	84.43%
Mediterranea de Camiones S.L.	Spain	100.00%
New Business Netherlands Holding B.V.	Netherlands	100.00%
Officine Brennero S.p.A.	Italy	100.00%
ON-HIGHWAY BRASIL LTDA.	Brazil	100.00%
OOO Iveco Russia	Russia	100.00%
Potenza Technology Holdings Limited	United Kingdom	100.00%
Potenza Technology Limited	United Kingdom	100.00%
SAIC Fiat Powertrain Hongyan Co. Ltd.	People's Rep.of China	60.00%
Seddon Atkinson Vehicles Ltd	United Kingdom	100.00%
Société Charolaise de Participations SAS	France	100.00%
Société de Diffusion de Vehicules Industriels-SDVI S.A.S.	France	100.00%
Transolver Service S.A.	Spain	100.00%
Transolver Services S.A.S.	France	100.00%
UAB Iveco Capital Baltic	Lithuania	100.00%
Zona Franca Alari Sepauto S.A.	Spain	51.87%
JOINTLY-CONTROLLED ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		
CIFINS S.p.A.[1]	Italy	50.00%
IVECO - OTO MELARA Società Consortile a responsabilità limitata	Italy	50.00%
Iveco Orecchia S.p.A.	Italy	50.00%
Nikola Iveco Europe GmbH	Germany	50.00%
SAIC IVECO Commercial Vehicle Investment Company Limited	People's Rep.of China	50.00%
SUBSIDIARIES VALUED AT COST		
Altra S.p.A.	Italy	100.00%
CNH INDUSTRIAL VENEZUELA, C.A.	Venezuela	100.00%
ITALWATT S.r.l.	Italy	70.00%
Iveco Group Switzerland SA	Switzerland	100.00%

Name of legal entity	Country of Incorporation	Percentage Interest Held
ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD		
CNH Industrial Capital Europe S.a.S.(2)	France	24.95%
IVECO-AMT Ltd.	Russia	33.33%
Transolver Finance Establecimiento Financiero de Credito S.A.	Spain	49.00%
ASSOCIATED COMPANIES VALUED AT COST		
Sotra S.A.	Ivory Coast	39.80%
Trucks & Bus Company	Libya	25.00%
OTHER COMPANIES VALUED AT FVTPL		
Naveco (Nanjing IVECO Motor Co.) Ltd.	People's Rep.of China	19.90%

(1) After the Demerger CIFINS S.p.A. is owned 50.00% by Iveco Group and 50.00% by CNH Industrial.
(2) This percentage represents the interest held by Iveco Group through its 50% interest in CIFINS S.p.A.

24 April 2022

The Board of Directors

Suzanne Heywood

Gerrit Andreas Marx

Lorenzo Simonelli

Tufan Erginbilgic

Essimari Kairisto

Linda Knoll

Alessandro Nasi

Olof Persson

Benoît Ribadeau-Dumas

Iveco Group N.V.

Combined financial statements as at December 31, 2021

Independent auditor's report

To the Board of Directors of
Iveco Group N.V.

Report on the audit of the combined financial statements

Opinion

We have audited the combined financial statements of Iveco Group N.V. and its subsidiaries (the "Group"), which comprise the combined statement of financial position as at December 31, 2021 and the combined income statement, combined statement of comprehensive income, cash flows and changes in invested equity for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies (collectively referred to as the "Combined Financial Statements").

In our opinion, the Combined Financial Statements give a true and fair view of the combined financial position of the Group as at December 31, 2021 and of its combined financial performance and its combined cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Combined Financial Statements section of our report. We are independent of the Iveco Group N.V. in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the combined financial statements in Italy, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The Combined Financial Statements were prepared on a voluntary basis in order to present the combined historical results of operations, financial position and cash flows of the Iveco Group Business structure that is now controlled by Iveco Group N.V. following the demerger of CNH Industrial N.V. occurred on January 1, 2022.

Responsibilities of management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the Combined Financial Statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the Combined Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Combined Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Combined Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Combined Financial Statements, including the disclosures, and whether the Combined Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Combined Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with management (those charged with governance) regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Turin, April 24, 2022

EY S.p.A.

Roberto Grossi

(Auditor)