

I V E C O • G R O U P

2022 Interim Report

for the first quarter 2022

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Also available at www.ivecogroup.com

Iveco Group N.V.

Corporate Seat: Amsterdam, the Netherlands

Principal Office and Business Address: Via Puglia 35, Turin, Italy

Share Capital: €3,454,589.70 (as of 31 March 2022)

Chamber of Commerce of the Netherlands: reg. no. 83102701

BOARD OF DIRECTORS AND AUDITOR

BOARD OF DIRECTORS

Chair

Suzanne Heywood

Chief Executive Officer

Gerrit Andreas Marx

Non-Executive 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^(a)

(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

(a) Member of the Board since 13 April 2022.

INDEPENDENT AUDITOR

Ernst & Young Accountants LLP

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.

Further information concerning factors, risks, and uncertainties that could materially affect Iveco Group's financial results is included in Iveco Group N.V. Report on Combined Financial Statements at 31 December 2021, prepared in accordance with EU-IFRS. Investors are expressly invited to refer to and consider the information on risks, factors, and uncertainties incorporated in the above-mentioned documents, in addition to the information presented here.

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").

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.

INTERIM MANAGEMENT REPORT

(Unaudited)

GENERAL

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). Unless otherwise indicated or the context otherwise requires, the terms "we", "us" and "our" refer to Iveco Group N.V. together with its subsidiaries.

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 ("the Demerger") 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.

Iveco Group reports quarterly and annual consolidated financial results 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") for European listing purposes and for Dutch law requirements. This Interim Report is prepared using the euro as the presentation currency. Iveco Group reports its operations under three 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 Commercial and Specialty Vehicles, and Powertrain, as well as corporate functions, are collectively referred to as "Industrial Activities".

Certain financial information in this report has been presented by geographic area. Our geographical 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;
- **North America:** United States, Canada and Mexico; and
- **Rest of World:** Continental Asia (including Turkey and Russia), Oceania and member countries of the Commonwealth of Independent States, the African continent, and Middle East.

This Interim Report is unaudited.

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.

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 we provide guidance for adjusted diluted EPS, we do 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 financial receivables from CNH Industrial deriving from financing activities and sale of trade receivables. 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 financial receivables from CNH Industrial, deriving from financing activities and sale of trade receivables.

RESULTS OF OPERATIONS

Introduction

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 our operations and financial results, we present the following commentary split by Industrial Activities and Financial Services. Industrial Activities represent the activities carried out by Commercial and Specialty Vehicles, and Powertrain, as well as the holding company Iveco Group N.V., that also provides centralized treasury services.

On 1 January 2022 the Demerger took legal effect. The 2021 figures presented in this Interim Report relate to activities transferred to Iveco Group N.V. and are derived from CNH Industrial consolidated financial statements for the first quarter of 2021 and for the year ended 31 December 2021.

Global Supply Chain Disruptions

Global supply chain continues to represent the main challenge for our operations, including raw material price increases and components availability (particularly semiconductors).

Russia-Ukraine conflict

The geopolitical situation and the Russia-Ukraine conflict escalated since the end of February 2022. Iveco Group has operations in both Russia and Ukraine, which have been suspended during the first quarter of 2022. During the quarter, Iveco Group recorded a negative after-tax impact of €51 million in connection with our operations in Russia and Ukraine, primarily due to the impairment of certain assets. 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. 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" of the Iveco Group N.V. Report on Combined Financial Statements at 31 December 2021 available on the Corporate website.

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.

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.

Three Months Ended 31 March 2022 compared to Three Months Ended 31 March 2021

Consolidated Results of Operations

(€ million)	Three months ended 31 March 2022				Three months ended 31 March 2021			
	Industrial Activities ⁽¹⁾	Financial Services	Elimination	Consolidated	Industrial Activities ⁽¹⁾	Financial Services	Eliminations	Consolidated
Net revenues	3,010	49	(11) ⁽²⁾	3,048	2,965	50	(17) ⁽²⁾	2,998
Cost of sales	2,622	40	(11) ⁽³⁾	2,651	2,544	21	(17) ⁽³⁾	2,548
Selling, general and administrative costs	207	15	—	222	165	15	—	180
Research and development costs	108	—	—	108	118	—	—	118
Result from investments	(3)	4	—	1	(1)	3	—	2
Gains/(losses) on disposal of investments	5	—	—	5	—	—	—	—
Restructuring costs	1	—	—	1	1	—	—	1
Other income/(expenses)	(31)	—	—	(31)	(21)	1	—	(20)
EBIT	43	(2)	—	41	115	18	—	133
Financial income/(expenses)	(34)	—	—	(34)	(34)	—	—	(34)
PROFIT/(LOSS) BEFORE TAXES	9	(2)	—	7	81	18	—	99
Income tax (expense) benefit	(23)	1	—	(22)	(26)	(6)	—	(32)
PROFIT/(LOSS) FOR THE PERIOD	(14)	(1)	—	(15)	55	12	—	67

(1) Industrial Activities represents the enterprise without Financial Services. Industrial Activities includes Commercial and Specialty Vehicles and Powertrain segments, as well as the holding company 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

Net revenues were €3,048 million in the three months ended 31 March 2022, an increase of 1.7% compared to the three months ended 31 March 2021. Net revenues of Industrial Activities were €3,010 million in the three months ended 31 March 2022, an increase of 1.5% compared to the three months ended 31 March 2021, mainly due to positive price realization and better mix.

Cost of sales

Cost of sales was €2,651 million for the three months ended 31 March 2022, compared with €2,548 million for the three months ended 31 March 2021. As a percentage of net revenues, cost of sales of Industrial Activities was 87.1% in the three months ended 31 March 2022, compared to 85.8% for the three months ended 31 March 2021, mainly due to higher material costs. In the three months ended 31 March 2022 cost of sales includes €43 million related to the impairment of certain assets in connection with our operations in Russia and Ukraine.

Selling, general and administrative costs

Selling, general and administrative costs were €222 million during the three months ended 31 March 2022 (7.3% of net revenues), up €42 million compared to the three months ended 31 March 2021 (6.0% of net revenues), primarily due to emerging corporate cost and the recognition of €10 million cost for the impairment of certain assets in connection with our operations in Russia and Ukraine.

Research and development costs

In the three months ended 31 March 2022, research and development costs were €108 million (€118 million in the three months ended 31 March 2021) and included all the research and development costs not recognized as assets in the period amounting to €53 million (€64 million in the three months ended 31 March 2021) and the amortization of capitalized development costs of €55 million (€54 million in the three months ended

31 March 2021). During the three months ended 31 March 2022, Iveco Group capitalized new expenditures for development costs for €59 million (€43 million in the three months ended 31 March 2021). The costs in both periods were primarily attributable to spending on engine development associated with emission requirements and continued investment in new products.

Result from investments

Result from investments was a net gain of €1 million in the three months ended 31 March 2022 (€2 million gain in the three months ended 31 March 2021).

Gains on disposal of investments

Gains on disposal of investments were €5 million in the three months ended 31 March 2022 (nil in the three months ended 31 March 2021).

Restructuring costs

Restructuring costs were €1 million for the three months ended 31 March 2022 and 2021.

Other income/(expenses)

Other expenses were €31 million for the three months ended 31 March 2022 compared to €20 million in the three months ended 31 March 2021. In both periods, this item primarily included legal costs and indirect taxes.

Financial income/(expenses)

Net financial expenses were €34 million in the three months ended 31 March 2022 and 2021.

Income tax (expense) benefit

(€ million)	Three months ended 31 March	
	2022	2021
Profit (loss) before taxes	7	99
Income tax (expense) benefit	(22)	(32)
Effective tax rate	314.3 %	32.3 %

Income tax expense for the three months ended 31 March 2022 was €22 million based on Iveco Group's income before taxes of €7 million, compared to tax expense of €32 million for the three months ended 31 March 2021, based on Iveco Group's income before taxes of €99 million in the period. The effective tax rates for the three months ended 31 March 2022 and 2021 were 314.3% and 32.3%, respectively. Excluding the pre-tax and corresponding tax impacts related to the costs for the impairment of certain assets in connection with our operations in Russia and Ukraine, the restructuring costs, separation costs related to the spin-off of Iveco Group business, impairment costs of certain assets held for sale, the valuation allowance on Russian deferred tax assets, as well as other minor discrete tax items, the effective tax rate was 38% in the three months ended 31 March 2022. Excluding the impacts of restructuring and other minor discrete tax items, the effective tax rate was 31% in the three months ended 31 March 2021.

Profit/(loss) for the period

Net loss was €15 million for the three months ended 31 March 2022 (profit of €67 million for the three months ended 31 March 2021) and included a negative after-tax impact of €51 million in connection with our operations in Russia and Ukraine, primarily for the impairment of certain assets, as well as €3 million after-tax separation costs related to the spin-off of the Iveco Group business.

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

The following tables summarize the reconciliation of Adjusted net profit (loss), a non-IFRS financial measure, to profit/(loss), the most comparable EU-IFRS financial measure, for the three months ended 31 March 2022 and 2021.

(€ million)	Three months ended 31 March	
	2022	2021
Profit/(loss)	(15)	67
Adjustments impacting Profit/(loss) before income tax (expense) benefit (a)	61	1
Adjustments impacting Income tax (expense) benefit (b)	(4)	1
Adjusted net profit/ (loss)	42	69
Adjusted net profit/ (loss) attributable to Iveco Group N.V.	40	57
Weighted average shares outstanding – diluted (million)	272	271
Adjusted diluted EPS (€)	0.15	0.21
Profit/ (loss) before taxes	7	99
Adjustments impacting Profit/(loss) before income tax (expense) benefit (a)	61	1
Adjusted profit/ (loss) before income tax (expense) benefit (A)	68	100
Income tax (expense) benefit	(22)	(32)
Adjustments impacting Income tax (expense) benefit (b)	(4)	1
Adjusted income tax (expense) benefit (B)	(26)	(31)
Adjusted Effective Tax Rate (Adjusted ETR) (C=B/A)	38 %	31 %
a) Adjustments impacting Profit/(loss) before income tax (expense) benefit		
Restructuring costs	1	1
Spin-off costs	4	—
Russia and Ukraine - impairment of certain assets	53	—
Impairment of certain assets held for sale	3	—
Total	61	1
b) Adjustments impacting Income tax (expense) benefit		
Tax effect of adjustments impacting income tax (expense) benefit	(6)	—
Valuation allowance on Russian deferred tax assets	3	—
Other	(1)	1
Total	(4)	1

Industrial Activities and Business Segment

The following tables show net revenues and Adjusted EBIT by segment. Also included is a discussion of results by Industrial Activities and each business segment.

Net revenues by segment

(€ million)	Three months ended 31 March		
	2022	2021	% change
Commercial and Specialty Vehicles	2,504	2,328	7.6
Powertrain	975	1,025	-4.9
Eliminations and Other	(469)	(388)	—
Total Net revenues of Industrial Activities	3,010	2,965	1.5
Financial Services	49	50	-2.0
Eliminations and Other	(11)	(17)	—
Total Net revenues	3,048	2,998	1.7

Adjusted EBIT by segment

(€ million)	Three months ended 31 March				
	2022	2021	Change	2022 Adjusted EBIT margin	2021 Adjusted EBIT margin
Commercial and Specialty Vehicles	93	59	34	3.7 %	2.5 %
Powertrain	45	89	-44	4.6 %	8.7 %
Unallocated items, eliminations and other	(56)	(32)	-24	—	—
Adjusted EBIT of Industrial Activities	82	116	-34	2.7 %	3.9 %
Financial Services	20	18	2	40.8 %	36.0 %
Eliminations and Other	—	—	—	—	—
Total Adjusted EBIT	102	134	-32	3.3 %	4.5 %

Net revenues of Industrial Activities were €3,010 million during the three months ended 31 March 2022, an increase of 1.5% compared to the three months ended 31 March 2021, mainly due to positive price realization and better mix.

Adjusted EBIT of Industrial Activities was €82 million during the three months ended 31 March 2022, compared to an adjusted EBIT of €116 million during the three months ended 31 March 2021, with a €34 million increase in Commercial and Specialty Vehicles. Powertrain Adjusted EBIT was €45 million (€89 million in the three months ended 31 March 2021).

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 the three months ended 31 March 2022 and 2021.

	Three months ended 31 March 2022						
(€ million)	Commercial and Specialty Vehicles	Powertrain	Unallocated items, elimination and other	Total Industrial Activities	Financial Services	Eliminations	Total
EBIT	61	45	(63)	43	(2)	—	41
Adjustments:							
Restructuring costs	1	—	—	1	—	—	1
Other discrete items ⁽¹⁾	31	—	7	38	22	—	60
Adjusted EBIT	93	45	(56)	82	20	—	102

(1) In the three months ended 31 March 2022, this item includes €53 million in connection with our operations in Russia and Ukraine, primarily due to the impairment of certain assets, €4 million separation costs related to the spin-off of the Iveco Group business, and €3 million related to the impairment of certain assets held for sale.

Three months ended 31 March 2021							
(€ million)	Commercial and Specialty Vehicles	Powertrain	Unallocated items, elimination and other	Total Industrial Activities	Financial Services	Eliminations	Total
EBIT	58	89	(32)	115	18	—	133
Adjustments:							
Restructuring costs	1	—	—	1	—	—	1
Adjusted EBIT	59	89	(32)	116	18	—	134

Industrial Activities Performance

Commercial and Specialty Vehicles

Net revenues

The following table shows Commercial and Specialty Vehicles' net revenues by geographic region for the three months ended 31 March 2022 compared to the three months ended 31 March 2021:

Commercial and Specialty Vehicles Net revenues – by geographic region:

(€ million)	Three months ended 31 March		
	2022	2021	% change
Europa	1,916	1,855	3.3
South America	287	158	81.6
North America	22	19	15.8
Rest of World	279	296	-5.7
Total	2,504	2,328	7.6

Commercial and Specialty Vehicles' net revenues were €2,504 million in the three months ended 31 March 2022, an increase of 7.6% compared to the three months ended 31 March 2021, primarily driven by positive price realization, increased volumes in light duty trucks and bus in Europe and in trucks in South America.

During the three months ended 31 March 2022, the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, decreased 13% compared to the same period in 2021. In Europe, the LCV market (GVW 3.5-7.49 tons) decreased 20% and the M&H truck market (GVW ≥7.5 tons) decreased 1%. In South America, new truck registrations (GVW ≥3.5 tons) increased 3% over the same period of 2021, with an increase of 3% in Brazil and in Argentina. In Rest of World, new truck registrations decreased by 5%.

In the three months ended 31 March 2022, trucks' estimated market share in the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, was 12.3%, up 1.6 percentage points ("p.p.") compared to the three months ended 31 March 2021. In the three months ended 31 March 2022, trucks' market share in South America was 12.7%, up 3.0 p.p. compared to the three months ended 31 March 2021.

In the three months ended 31 March 2022, Commercial and Specialty Vehicles delivered approximately 39,000 vehicles (including buses and specialty vehicles), representing a 7% increase compared to the same period of 2021. Further, volumes were up 10% in LCV and down 2% in M&H truck segments, and Commercial and Specialty Vehicles' deliveries increased 4% in Europe, 29% in South America, and 2% in Rest of World.

In the three months ended 31 March 2022, the ratio of orders received to units shipped and billed, or book-to-bill ratio, for the European truck market was 1.17. In the three months ended 31 March 2022, truck order intake in Europe decreased 37% compared to the three months ended 31 March 2021, with a decrease of 40% and 30% in LCV and in M&H, respectively.

Adjusted EBIT

Adjusted EBIT was €93 million in the three months ended 31 March 2022 (up €34 million compared to the three months ended 31 March 2021). The improvement was driven by positive price realization more than offsetting raw material cost increase, and positive volumes in light duty trucks and bus in Europe and in trucks in South America. Adjusted EBIT margin was 3.7% in the three months ended 31 March 2022 (2.5% in the three months ended 31 March 2021).

Powertrain

Net revenues

Powertrain's net revenues were €975 million in the three months ended 31 March 2022, a decrease of 4.9% compared to the three months ended 31 March 2021, due to lower volumes towards third parties. Sales to external customers accounted for 55% of total net revenues (64% in the three months ended 31 March 2021).

During the three months ended 31 March 2022, Powertrain sold approximately 122,500 engines, a decrease of 23% compared to the three months ended 31 March 2021. In terms of customers, 39% of engine units were supplied to Commercial and Specialty Vehicles and 61% to external customers. Additionally, Powertrain delivered approximately 18,200 transmissions, an increase of 6% compared to the three months ended 31 March 2021, and approximately 55,000 axles, an increase of 10% compared to the three months ended 31 March 2021.

Adjusted EBIT

Adjusted EBIT was €45 million for the three months ended 31 March 2022, down €44 million compared to the three months ended 31 March 2021. The decrease was mainly due to higher raw material costs, unfavorable volumes and higher freight costs, partially offset by positive price realization and lower quality costs. Adjusted EBIT margin was 4.6% in the three months ended 31 March 2022 (8.7% in the three months ended 31 March 2021).

Financial Services Performance

(€ million)	Three months ended 31 March		
	2022	2021	Change
Net revenues	49	50	-2.0%
Adjusted EBIT	20	18	2

Net revenues

Financial Services' net revenues totaled €49 million in the three months ended 31 March 2022, in line with the three months ended 31 March 2021.

Adjusted EBIT

Adjusted EBIT was €20 million in the three months ended 31 March 2022, an increase of €2 million compared to the three months ended 31 March 2021, primarily due to higher wholesale and retail portfolio from financing activities.

In the three months ended 31 March 2022, retail loan originations, including unconsolidated joint ventures, were €310 million, down €46 million compared to the three months ended 31 March 2021. The managed portfolio, including unconsolidated joint ventures, was €5,513 million at the end of the quarter (of which retail was 50% and wholesale 50%), up €374 million compared to 31 March 2021.

The receivable balance greater than 30 days past due as a percentage of portfolio was 3.6% (5.2% as of 31 March 2021).

CONDENSED STATEMENT OF FINANCIAL POSITION BY ACTIVITY

(€ million)	At 31 March 2022				At 31 December 2021			
	Industrial Activities ⁽¹⁾	Financial Services	Eliminations	Consolidated	Industrial Activities ⁽¹⁾	Financial Services	Eliminations	Consolidated
ASSETS								
Intangible assets	1,307	14	—	1,321	1,301	13	—	1,314
Property, plant and equipment	3,028	1	—	3,029	3,053	2	—	3,055
Investments and other non-current financial assets:	478	144	—	622	442	140	—	582
Investments accounted for using the equity method	186	132	—	318	182	128	—	310
Equity investments measured at fair value through other comprehensive income	248	—	—	248	224	—	—	224
Other investments and financial assets	44	12	—	56	36	12	—	48
Leased assets	23	35	—	58	24	34	—	58
Defined benefit plan assets	15	—	—	15	15	—	—	15
Deferred tax assets	627	82	(1) ⁽⁵⁾	708	569	78	(1) ⁽⁵⁾	646
Total Non-current assets	5,478	276	(1)	5,753	5,404	267	(1)	5,670
Inventories	3,176	1	—	3,177	2,650	1	—	2,651
Trade receivables	283	21	(11) ⁽³⁾	293	313	21	(16) ⁽³⁾	318
Receivables from financing activities	535	3,546	(1,108) ⁽³⁾	2,973	67	2,954	(112) ⁽³⁾	2,909
Current tax receivables	106	1	(10) ⁽⁴⁾	97	119	2	(11) ⁽⁴⁾	110
Other current receivables and financial assets	300	157	(25) ⁽²⁾	432	3,210	722	(30) ⁽²⁾	3,902
Prepaid expenses and other assets	46	5	—	51	42	5	—	47
Derivative assets	61	1	(3) ⁽⁶⁾	59	49	1	—	50
Cash and cash equivalents	1,572	166	—	1,738	726	171	—	897
Total Current assets	6,079	3,898	(1,157)	8,820	7,176	3,877	(169)	10,884
Assets held for sale	1	—	—	1	6	—	—	6
TOTAL ASSETS	11,558	4,174	(1,158)	14,574	12,586	4,144	(170)	16,560
EQUITY AND LIABILITIES								
Total Equity	1,638	723	—	2,361	1,571	740	—	2,311
Provisions:	1,796	91	—	1,887	1,834	97	—	1,931
Employee benefits	520	13	—	533	603	18	—	621
Other provisions	1,276	78	—	1,354	1,231	79	—	1,310
Debt:	1,346	3,280	(1,108) ⁽³⁾	3,518	2,661	3,236	(112) ⁽³⁾	5,785
Asset-backed financing	—	1,960	—	1,960	—	1,926	—	1,926
Other debt	1,346	1,320	(1,108) ⁽³⁾	1,558	2,661	1,310	(112) ⁽³⁾	3,859
Derivative liabilities	75	3	(3) ⁽⁶⁾	75	42	1	—	43
Trade payables	3,410	18	(10) ⁽³⁾	3,418	3,130	22	(19) ⁽³⁾	3,133
Tax liabilities	39	24	(12) ⁽⁴⁾	51	38	22	(11) ⁽⁴⁾	49
Deferred tax liabilities	37	1	(1) ⁽⁵⁾	37	11	1	(1) ⁽⁵⁾	11
Other current liabilities	3,217	34	(24) ⁽²⁾	3,227	3,299	25	(27) ⁽²⁾	3,297
Total Liabilities	9,920	3,451	(1,158)	12,213	11,015	3,404	(170)	14,249
TOTAL EQUITY AND LIABILITIES	11,558	4,174	(1,158)	14,574	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, as well as the holding company 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.

(6) This item includes the elimination of derivative assets/liabilities between Industrial Activities and Financial Services.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion of liquidity and capital resources principally focuses on our condensed consolidated statement of cash flows and our condensed consolidated statement of financial position. Our 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. Iveco Group, focusing on cash preservation and leveraging its good access to funding, continues to maintain solid financial strength and liquidity.

Cash Flow Analysis

The following table presents the cash flows from operating, investing and financing activities by activity for the three months ended 31 March 2022 and 2021:

		Three months ended 31 March							
		2022				2021			
(€ million)		Industrial Activities ⁽¹⁾	Financial Services	Eliminations	Consolidated	Industrial Activities ⁽¹⁾	Financial Services	Eliminations	Consolidated
A)	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	726	171	—	897	366	97	—	463
B)	CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:								
	Profit/(loss)	(14)	(1)	—	(15)	55	12	—	67
	Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)	139	—	—	139	134	—	—	134
	(Gains)/losses on disposal of property plant and equipment and intangible assets (net of vehicles sold under buy-back commitments)	(5)	—	—	(5)	—	—	—	—
	Other non-cash items	3	20	—	23	1	—	—	1
	Dividends received	21	—	(21) ⁽²⁾	—	2	—	(2) ⁽²⁾	—
	Change in provisions	(48)	(5)	—	(53)	2	(2)	—	—
	Change in deferred income taxes	(32)	(4)	—	(36)	11	4	—	15
	Change in items due to buy-back commitments (a)	(1)	4	—	3	(14)	2	—	(12)
	Change in operating lease items (b)	—	(7)	—	(7)	(2)	3	—	1
	Change in working capital	(127)	(23)	—	(150)	(403)	3	—	(400)
	TOTAL	(64)	(16)	(21)	(101)	(214)	22	(2)	(194)
C)	CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:								
	Investments in:								
	Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments and operating leases)	(96)	—	—	(96)	(73)	—	—	(73)
	Consolidated subsidiaries and other equity investments	(6)	—	—	(6)	(3)	—	5 ⁽³⁾	2
	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	2	(94)	—	(92)	(4)	204	—	200
	Change in other current financial assets	30	—	—	30	(89)	—	—	(89)
	Other changes	459	105	—	564	294	67	—	361
	TOTAL	403	11	—	414	125	271	5	401
D)	CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:								
	Net change in debt and derivative assets/liabilities	497	21	—	518	(26)	(279)	—	(305)
	Capital increase	—	—	—	—	—	5	(5) ⁽³⁾	—
	Dividends paid	—	(21)	21 ⁽²⁾	—	—	(2)	2 ⁽²⁾	—
	TOTAL	497	—	21	518	(26)	(276)	(3)	(305)
	Translation exchange differences	10	—	—	10	15	(1)	—	14
E)	TOTAL CHANGE IN CASH AND CASH EQUIVALENTS	846	(5)	—	841	(100)	16	—	(84)
F)	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,572	166	—	1,738	266	113	—	379

(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 buyback 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, as well as the holding company 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.

At 31 March 2022, we had cash and cash equivalents of €1,738 million, an increase of €841 million, or 93.8%, from €897 million at 31 December 2021, mainly due to the drawing of the €500 million syndicated term loan and to the settlement of almost all net financial receivables from CNH Industrial outstanding at 31 December 2021.

Cash and cash equivalents at 31 March 2022 included €64 million (€48 million at 31 December 2021) of restricted cash that was reserved principally for the servicing of securitization-related debt. At 31 March 2022, undrawn medium-term unsecured committed facilities were €1,613 million (€41 million at 31 December 2021) and other current financial assets were €25 million (€54 million at 31 December 2021). At 31 March 2022, the aggregate of Cash and cash equivalents, undrawn medium-term unsecured committed facilities and other current financial assets, which we consider to constitute our principal liquid assets (or "Available liquidity"⁽¹⁾), totaled €3,390 million (€1,436 million at 31 December 2021), which also included €14 million financial receivables from CNH Industrial deriving from financing activities and sale of trade receivables.

Net Cash from Operating Activities

Cash used by operating activities in the three months ended 31 March 2022 totaled €101 million and primarily comprised the following elements:

- €15 million loss;
- plus €139 million in non-cash charges for depreciation and amortization (net of commercial vehicles sold under buy-back commitments and operating leases);
- minus change in provisions of €53 million;
- less €150 million in change in working capital.

In the three months ended 31 March 2021, cash used by operating activities was €194 million primarily due to €400 million seasonal working capital absorption, partially offset by €67 million profit and €134 million in non-cash charges for depreciation and amortization.

Net Cash from Investing Activities

In the three months ended 31 March 2022, cash provided by investing activities was €414 million, primarily due to other changes of €564 million deriving from the change in receivables/payables from/to CNH Industrial, partially offset by investments in tangible and intangible assets of €96 million (including €59 million in capitalized development costs) and a net increase in receivables from financing activities of €92 million. Investments in tangible and intangible assets are net of investments in commercial vehicles for our 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.

In the three months ended 31 March 2021, cash provided by investing activities totaled €401 million due to a net decrease in receivables from financing activities of €200 million, mainly related to Financial Services receivable portfolio, and other changes of €361 million due to change in intersegment receivables/payables, partially offset by an increase in other current financial assets of €89 million and by expenditures on tangible and intangible assets of €73 million (including €43 million in capitalized development costs).

Net Cash from Financing Activities

In the three months ended 31 March 2022, cash provided by financing activities was €518 million, primarily due to the drawing of the €500 million syndicated term loan, compared to €305 million used in the three months ended 31 March 2021, primarily due to debt reduction, mainly related to Financial Services portfolio financing.

Consolidated Debt

Our consolidated Debt at 31 March 2022 and 31 December 2021, is as detailed in the following table:

(€ million)	At 31 March 2022			At 31 December 2021		
	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Total Debt	3,518	1,346	3,280	5,785	2,661	3,236

Iveco Group believes that Net Cash (Debt), a non-IFRS financial measure as defined in paragraph "Alternative performance measures (or "Non-IFRS financial measures")" of section "General" above, is a useful analytical metric for measuring our effective borrowing requirements. We provide a separate analysis of Net Cash (Debt) of Industrial Activities and Net Cash (Debt) of 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' businesses.

(1) a non-IFRS financial measure as defined in paragraph "Alternative performance measures (or "Non-IFRS financial measures")" of section "General" above.

The calculation of Net Cash (Debt) at 31 March 2022 and 31 December 2021 and the reconciliation of Total (Debt), the EU-IFRS financial measure that we believe to be most directly comparable, to Net Cash (Debt), are shown below:

(€ million)	At 31 March 2022			At 31 December 2021		
	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Third party (debt)	(3,262)	(750)	(2,512)	(2,709)	(220)	(2,489)
Intersegment notes payable ⁽¹⁾	—	(594)	(514)	—	(71)	(41)
(Debt) payable to CNH Industrial ⁽²⁾	(256)	(2)	(254)	(3,076)	(2,370)	(706)
Total (Debt)	(3,518)	(1,346)	(3,280)	(5,785)	(2,661)	(3,236)
Cash and cash equivalents	1,738	1,572	166	897	726	171
Intersegment financial receivables ⁽¹⁾	—	514	594	—	41	71
Financial receivables from CNH Industrial ⁽³⁾	44	14	30	3,520	2,896	624
Other current financial assets ⁽⁴⁾	25	25	—	54	54	—
Derivative assets ⁽⁵⁾	59	61	1	50	49	1
Derivative (liabilities) ⁽⁵⁾	(75)	(75)	(3)	(43)	(42)	(1)
Net Cash (Debt)⁽⁴⁾	(1,727)	765	(2,492)	(1,307)	1,063	(2,370)

(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 €594 million and €71 million as of 31 March 2022 and 31 December 2021, respectively. Total Debt of Financial Services includes Intersegment notes payable to Industrial Activities of €514 million and €41 million as of 31 March 2022 and 31 December 2021, respectively.

(2) At 31 March 2022, it includes payables related to purchase of receivables or collections with settlement in the following days; at 31 December 2021, it mainly included overdraft and advances/utilizations under cash management and/or cash pooling arrangements and loans granted by the CNH Industrial central treasury.

(3) At 31 March 2022, it includes receivables related to sales of receivables or collections with settlement in the following days; at 31 December 2021, it mainly referred to cash balances deposited with the CNH Industrial central treasury, including cash management and/or cash pooling arrangements.

(4) This item includes short-term deposits and investments towards high-credit rating counterparties.

(5) Derivative assets and Derivative liabilities include, respectively, the positive and negative fair values of derivative financial instruments.

(6) The net intersegment receivable/(payable) balance recorded by Financial Services relating to Industrial Activities was €80 million and €30 million as of 31 March 2022 and 31 December 2021, respectively.

Net Debt at 31 March 2022 increased by €420 million compared to 31 December 2021 mainly reflecting €166 million negative Free Cash Flow of Industrial Activities, and €141 million of cash out from the restructuring of the Chinese joint ventures performed in 2021.

The following table shows the change in Net Cash (Debt) of Industrial Activities for the three months ended 31 March 2022 and 2021:

(€ million)	Three months ended 31 March	
	2022	2021
Net Cash (Debt) of Industrial Activities at beginning of period	1,063	1,165
Adjusted EBIT of Industrial Activities	82	116
Depreciation and amortization	139	134
Depreciation of assets under operating leases and assets sold with buy-back commitments	58	56
Cash interest and taxes	(41)	(26)
Changes in provisions and similar ⁽¹⁾	(175)	(91)
Change in working capital	(127)	(403)
Operating cash flow of Industrial Activities	(64)	(214)
Investments in property, plant and equipment, and intangible assets ⁽²⁾	(96)	(73)
Other changes	(6)	(16)
Free Cash Flow of Industrial Activities	(166)	(303)
Capital increases and dividends	—	—
Currency translation differences and other	(132)	15
Change in Net Cash (Debt) of Industrial Activities	(298)	(288)
Net Cash (Debt) of Industrial Activities at end of period	765	877

(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.

Iveco Group believes that Free Cash Flow of Industrial Activities (a non-IFRS financial measure as defined in paragraph "Alternative performance measures (or "Non-IFRS financial measures")" of section "General" above) is a useful analytical metric for measuring the cash generation ability of our Industrial Activities. For the three months ended 31 March 2022, the Free Cash Flow of Industrial Activities was an absorption of €166 million, a €137 million improvement compared to the first quarter of 2021 due to lower seasonal working capital absorption, notwithstanding the impact of component shortages on inventory level.

The reconciliation of Free Cash Flow of Industrial Activities to Net cash provided by (used in) Operating Activities, the EU-IFRS financial measure that we believe to be most directly comparable, for the three months ended 31 March 2022 and 2021, is shown below:

(€ million)	Three months ended 31 March	
	2022	2021
Net cash provided by (used in) Operating Activities	(101)	(194)
Less: Cash flows from Operating Activities of Financial Services net of eliminations	37	(20)
Operating cash flow of Industrial Activities	(64)	(214)
Investments in property, plant and equipment, and intangible assets of Industrial Activities	(96)	(73)
Other changes ⁽¹⁾	(6)	(16)
Free Cash Flow of Industrial Activities	(166)	(303)

(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), 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.

With the purpose of further diversifying its funding structure, Iveco Group has established various commercial paper programs. IC Financial Services S.A. in Europe issued commercial paper under a program which had an amount of €63 million outstanding at 31 March 2022 (€73 million outstanding at 31 December 2021).

Iveco Group continues to closely monitor its liquidity and capital resources for any potential impact that the COVID-19 pandemic, the Russia-Ukraine conflict, and the supply chain issues 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 also in the context of the COVID-19 pandemic, the Russia-Ukraine conflict, and the supply chain issues.

2022 OUTLOOK^(*)

The Company expects global supply chain to continue to represent the main challenge for the year, including raw material price increases and components availability, with second quarter to be the quarter most severely impacted.

Based on current visibility, the Company is providing the following 2022 preliminary financial outlook:

- **Consolidated Adjusted EBIT** between €350 million and €370 million
- **Net revenues of Industrial Activities^(**)** flat to up 3% versus full year 2021
- **SG&A costs of Industrial Activities** lower than 6.5% of net revenues
- **Net cash of Industrial Activities** slightly up versus 31 December 2021.

(*) A significant escalation or expansion of economic disruption due to COVID-19 pandemic, Russia-Ukraine war and supply chain issues could have a material adverse effect on Iveco Group financial results.

(**) Including currency translation effects.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2022

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited)

(€ million)	Note	Three months ended 31 March	
		2022	2021
Net revenues	(1)	3,048	2,998
Cost of sales	(2)	2,651	2,548
Selling, general and administrative costs	(3)	222	180
Research and development costs	(4)	108	118
Result from investments:	(5)	1	2
Share of the profit/(loss) of investees accounted for using the equity method		1	2
Gains/(losses) on the disposal of investments		5	—
Restructuring costs	(6)	1	1
Other income/(expenses)	(7)	(31)	(20)
EBIT		41	133
Financial income/(expenses)	(8)	(34)	(34)
PROFIT/(LOSS) BEFORE TAXES		7	99
Income tax (expense) benefit	(9)	(22)	(32)
PROFIT/(LOSS) FOR THE PERIOD		(15)	67
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		(17)	55
Non-controlling interests		2	12

(in €)

BASIC EARNINGS/(LOSS) PER COMMON SHARE	(10)	(0.06)	0.20
DILUTED EARNINGS/(LOSS) PER COMMON SHARE	(10)	(0.06)	0.20

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(€ million)	Three months ended 31 March		
	Note	2022	2021
PROFIT/(LOSS) FOR THE PERIOD (A)		(15)	67
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on the remeasurement of defined benefit plans	(20)	—	—
Net change in fair value of equity investments measured at fair value through other comprehensive income	(20)	24	(14)
Tax effect of Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss	(20)	—	—
Total other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss, net of tax (B1)		24	(14)
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedging instruments	(20)	(26)	(3)
Exchange gains/(losses) on translating foreign operations	(20)	49	13
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(20)	—	—
Tax effect of Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	(20)	(1)	(1)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss, net of tax (B2)		22	9
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX (B) = (B1) + (B2)		46	(5)
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		31	62
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		26	44
Non-controlling interests		5	18

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(€ million)	Note	At 31 March 2022	At 31 December 2021
ASSETS			
Intangible assets	(11)	1,321	1,314
Property, plant and equipment	(12)	3,029	3,055
Investments and other non-current financial assets:	(13)	622	582
Investments accounted for using the equity method		318	310
Equity investments measured at fair value through other comprehensive income		248	224
Other investments and non-current financial assets		56	48
Leased assets	(14)	58	58
Defined benefit plan assets		15	15
Deferred tax assets		708	646
Total Non-current assets		5,753	5,670
Inventories	(15)	3,177	2,651
Trade receivables	(16)	293	318
Receivables from financing activities	(16)	2,973	2,909
Current tax receivables	(16)	97	110
Other current receivables and financial assets	(16)	432	3,902
Prepaid expenses and other assets		51	47
Derivative assets	(17)	59	50
Cash and cash equivalents	(18)	1,738	897
Total Current assets		8,820	10,884
Assets held for sale	(19)	1	6
TOTAL ASSETS		14,574	16,560

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(CONTINUED)

(€ million)	Note	At 31 March 2022	At 31 December 2021
EQUITY AND LIABILITIES			
Issued capital and reserves attributable to owners of the parent		2,335	2,289
Non-controlling interests		26	22
Total Equity	(20)	2,361	2,311
Provisions:		1,887	1,931
Employee benefits	(21)	533	621
Other provisions	(21)	1,354	1,310
Debt:	(22)	3,518	5,785
Asset-backed financing	(22)	1,960	1,926
Other debt	(22)	1,558	3,859
Derivative liabilities	(17)	75	43
Trade payables	(23)	3,418	3,133
Tax liabilities		51	49
Deferred tax liabilities		37	11
Other current liabilities	(24)	3,227	3,297
Total Liabilities		12,213	14,249
TOTAL EQUITY AND LIABILITIES		14,574	16,560

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(€ million)	Three months ended 31 March		
	Note	2022	2021
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(18)	897	463
B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:			
Profit/(loss) for the period		(15)	67
Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)		139	134
(Gains)/losses on disposal of non-current assets (net of vehicles sold under buy-back commitments)		(5)	—
Other non-cash items		23	1
Dividends received		—	—
Change in provisions		(53)	—
Change in deferred income taxes		(36)	15
Change in items due to buy-back commitments	(a)	3	(12)
Change in operating lease items	(b)	(7)	1
Change in working capital		(150)	(400)
TOTAL		(101)	(194)
C) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:			
Investments in:			
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments and operating leases)		(96)	(73)
Consolidated subsidiaries and other equity investments		(6)	2
Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)		14	—
Net change in receivables from financing activities		(92)	200
Change in other current financial assets		30	(89)
Other changes		564	361
TOTAL		414	401
D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Issuance of other medium-term borrowings (net of repayment)		4	(28)
Net change in other financial payables and derivative assets/liabilities		514	(277)
Dividends paid		—	—
TOTAL		518	(305)
Translation exchange differences		10	14
E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		841	(84)
F) CASH AND CASH EQUIVALENTS AT END OF PERIOD	(18)	1,738	379

(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 buyback 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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Attributable to the owners of the parent							
	Invested capital and retained earnings ⁽¹⁾	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
(€ million)								
AT 31 DECEMBER 2020	2,572	2	(256)	(190)	87	53	68	2,336
Total comprehensive income/(loss) for the period	55	(1)	4	—	(14)	—	18	62
AT 31 MARCH 2021	2,627	1	(252)	(190)	73	53	86	2,398

	Attributable to the owners of the parent										
	Invested capital and retained earnings ⁽¹⁾	Share capital	Capital reserves	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
(€ million)											
AT 31 DECEMBER 2021	2,653	—	—	—	5	(247)	(151)	(7)	36	22	2,311
Allocation of combined invested capital following the Demerger of CNH Industrial	(2,653)	3	2,294	356	—	—	—	—	—	—	—
Share-based compensation expense	—	—	4	—	—	—	—	—	—	—	4
Total comprehensive income/(loss) for the period	—	—	—	(17)	(26)	45	—	24	—	5	31
Other changes ⁽¹⁾	—	—	—	16	—	—	—	—	—	(1)	15
AT 31 MARCH 2022	—	3	2,298	355	(21)	(202)	(151)	17	36	26	2,361

(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 1 July 2018, Argentina's economy was considered to be hyperinflationary.

(*) During the years ended 31 December 2021 and 2020, Iveco Group did not comprise a separate parent company or group of entities. The amounts at 31 December 2021 and comparative data for the three months ended 31 March 2021 have been prepared in connection with the Demerger and have been derived from the consolidated financial statements and accounting records of CNH Industrial, on a combined basis. Therefore, it was not meaningful to present separately share capital or an analysis of reserves. Following the Demerger, the combined Invested capital and retained earnings have been allocated reflecting the impact of the Demerger.

NOTES

(Unaudited)

CORPORATE INFORMATION

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). Unless otherwise indicated or the context otherwise requires, the terms "we", "us" and "our" refer to Iveco Group N.V. together with its subsidiaries.

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 ("the Demerger") 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 (OEB) on 3 January 2022.

Iveco Group N.V. is a global automotive leader that, through its various businesses, designs, produces and sells trucks, commercial vehicles, buses and specialty vehicles, in addition to a broad portfolio of powertrain applications. In addition, Iveco Group's Financial Services segment offers a range of financial products and services to dealers and customers. See Note 26 "Segment reporting" for additional information on Iveco Group's segments.

METHOD OF PREPARATION OF COMPARATIVE DATA FOR 2021

Comparative data for the three months ended 31 March 2021 and at 31 December 2021 (in the following 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. The 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 was considered a "business combination involving entities or businesses under common control", it was outside the scope of application of IFRS 3 – *Business Combinations* and IFRIC 17 - *Distributions of Non-cash Assets to Owners*. Accordingly, assets and liabilities were accounted for at the carrying value in the accounting records of the transferring entity (i.e. CNH Industrial). The Combined Financial Statements were therefore prepared under the historical cost convention, modified as required for the measurement of financial instruments, as well as on a going concern basis.

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

- Where they did not correspond to a separate legal entity, assets and liabilities attributable to the Group's operations were identified and recognized in the Combined Financial Statements by adjusting equity.
- Income and expenses attributable to operations were 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. The Combined Financial Statements included 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 were included in those Combined Financial Statements as items relating to third parties.
- 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 were not transferred to the Iveco Group business. In these instances, the current and deferred taxes presented in the Combined Financial Statements for 2021 had 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 in the Invested capital and retained earnings 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.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Interim Condensed Consolidated Financial Statements at 31 March 2022 together with the notes thereto (the "Interim Condensed Consolidated Financial Statements") were authorized for issuance on 5 May 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").

The Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* applying the same accounting principles and policies used in the preparation of its Report on Combined Financial Statements at 31 December 2021, except as described in the following paragraph "New standards and amendments effective from 1 January 2022".

The financial statements are prepared under the historical cost convention, modified as required for the measurement of certain financial instruments, as well as on a going concern basis. Despite operating in a continuously difficult economic and financial environment negatively impacted by the continuing spread of the COVID-19 pandemic, the effects of the Russia-Ukraine conflict and the supply chain issues, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern, in view also of the measures already undertaken by the Group to preserve cash and contain costs, and to preserve its industrial and financial flexibility and its strong liquidity position.

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

Use of accounting estimates and management's assumptions

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

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

These Interim Condensed Consolidated Financial Statements include all updates of estimates and assumptions considered necessary by management to fairly state the Group's results of operations, financial position and cash flows. See section "Significant accounting policies", paragraph "Use of estimates", in the CNH Industrial Group pre-Demerger Consolidated Financial Statements at 31 December 2021 for a description of the significant estimates, judgments and assumptions at that date.

Iveco Group is exposed to operational financial risks such as credit risk, liquidity risk and market risk, mainly relating to exchange rates and interest rates. These Interim Condensed Consolidated Financial Statements do not include all the information and notes about financial risk management required in the preparation of annual financial statements. For a detailed description of this information see the "Risk factor" section and Note 30 "Information on financial risks" of Iveco Group Report on Combined Financial Statements at 31 December 2021 as well as those discussed in Note 16 "Current receivables and Other current financial assets" of these Interim Condensed Consolidated Financial Statements.

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*. Legal entities carrying out industrial activities and those carrying out financial services are both consolidated in the Group’s financial statements. The investment portfolios of Financial Services are included in current assets, as the investments will be realized in their normal operating cycle. Financial Services, though, obtains funds only partially from the market: the remainder is obtained from Iveco Group through its central treasury (included in Industrial Activities), which lend funds both to Industrial Activities and to Financial Services legal entities as the need arises. This Financial Services structure within the Group means that any attempt to separate current and non-current liabilities in the consolidated statement of financial position is not meaningful.

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

New standards and amendments effective from 1 January 2022

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. These amendments had no impact on these Interim Condensed Consolidated Financial Statements.

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 had no impact on these Interim Condensed Consolidated Financial Statements.

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 an illustrative example of reimbursement for leasehold improvements. These improvements had no impact on these Interim Condensed Consolidated Financial Statements.

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

See paragraph “Accounting standards, amendments and interpretations not yet applicable and not early adopted by the Group” of the section “Significant accounting policies” in the Notes to the Iveco Group’s Report on Combined Financial Statements as of 31 December 2021, for a description of other new standards not yet effective and not adopted as of 31 March 2022.

Global Supply Chain Disruptions

Global supply chain continues to represent the main challenge for our operations, including raw material price increases and components availability (particularly semiconductors).

Russia-Ukraine conflict

The geopolitical situation and the Russia-Ukraine conflict escalated since the end of February 2022. Iveco Group has operations in both Russia and Ukraine, which have been suspended during the first quarter of 2022. During the quarter, Iveco Group recorded a negative after-tax impact of €51 million in connection with our operations in Russia and Ukraine, primarily due to the impairment of certain assets. 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. 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” of the Iveco Group N.V. Report on Combined Financial Statements at 31 December 2021 available on the Corporate website.

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.

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.

BUSINESS COMBINATIONS

There were no significant business combinations in the three months ended 31 March 2022 and 2021.

COMPOSITION AND PRINCIPAL CHANGES

1. Net revenues

The following table summarizes Net revenues for the three months ended 31 March 2022 and 2021:

(€ million)	Three months ended 31 March	
	2022	2021
Commercial and Specialty Vehicles	2,504	2,328
Powertrain	975	1,025
Eliminations and Other	(469)	(388)
Total Industrial Activities	3,010	2,965
Financial Services	49	50
Eliminations and Other	(11)	(17)
Total Net revenues	3,048	2,998

The following table disaggregates Net revenues by major source for the three months ended 31 March 2022 and 2021:

(€ million)	Three months ended 31 March	
	2022	2021
Revenues from:		
Sales of goods	2,788	2,755
Rendering of services and other revenues	151	143
Rents and other income on assets sold with a buy-back commitment	71	67
Revenues from sales of goods and services	3,010	2,965
Finance and interest income	31	25
Rents and other income on operating lease	7	8
Total Net revenues	3,048	2,998

During the three months ended 31 March 2022 and 2021, revenues included €136 million and €126 million, respectively, relating to the reversal of contract liabilities outstanding at the beginning of each period. Refer to Note 24 "Other current liabilities" for additional details on contract liabilities.

As of 31 March 2022, 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 €2.1 billion (approximately €2.3 billion as of 31 December 2021). Iveco Group expects to recognize revenue on approximately 31% and 74% of the remaining performance obligations over the next 12 and 36 months, respectively (approximately 29% and 73%, respectively, as of 31 December 2021), with the remaining recognized thereafter.

2. Cost of sales

Cost of sales amounted to €2,651 million and €2,548 million in the three months ended 31 March 2022 and 2021, respectively. In the three months ended 31 March 2022, cost of sales includes €43 million related to the impairment of certain assets in connection with our operations in Russia and Ukraine.

3. Selling, general and administrative costs

Selling, general and administrative costs amounted to €222 million and €180 million in the three months ended 31 March 2022 and 2021, respectively. As a percentage of net revenues, Selling, general and administrative costs were 7.3% in the three months ended 31 March 2022, compared to 6.0% for the three months ended 31 March 2021 primarily due to emerging corporate cost and the recognition of €10 million cost for the impairment of certain assets in connection with our operations in Russia and Ukraine.

4. Research and development costs

In the three months ended 31 March 2022, research and development costs were €108 million (€118 million in the three months ended 31 March 2021) and included all the research and development costs not recognized as assets in the period amounting to €53 million (€64 million in the three months ended 31 March 2021), the amortization of capitalized development costs of €55 million (€54 million in the three months ended 31 March 2021). The costs in both periods were primarily attributable to spending on engine development associated with emission requirements and continued investment in new products. During the three months ended 31 March 2022, the Group capitalized new development costs of €59 million (€43 million in the three months ended 31 March 2021).

5. Result from investments

This item mainly includes Iveco Group's share in the net profit or loss of the investees accounted for using the equity method, as well as any impairment losses, reversal of impairment losses, accruals to the investment provision, and dividend income. In the three months ended 31 March 2022, Iveco Group's share in the net profit or loss of the investees accounted for using the equity method was a gain of €1 million (gain of €2 million in the three months ended 31 March 2021).

6. Restructuring costs

Iveco Group incurred restructuring costs of €1 million during the three months ended 31 March 2022 and 2021.

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.

This item amounted to other expenses of €31 million and €20 million in the three months ended 31 March 2022 and 2021, respectively. In both periods, this item primarily included legal costs and indirect taxes.

8. Financial income/(expenses)

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

(€ million)	Three months ended 31 March	
	2022	2021
Financial income (a)	9	7
Interest and other financial expenses (b)	30	24
Net (income) expenses from derivative financial instruments at fair value through profit or loss	(28)	(11)
Exchange rate differences from derivative financial instruments	15	(6)
Total net income/(expenses) and exchange differences from derivative financial instruments (c)	(13)	(17)
Net financial income/(expenses) (a) - (b) + (c)	(34)	(34)

Capitalized borrowing costs amounted to €2 million during the three months ended 31 March 2022 and 2021.

9. Income tax (expense) benefit

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

(€ million)	Three months ended 31 March	
	2022	2021
Current taxes	(30)	(18)
Deferred taxes	10	(14)
Taxes relating to prior periods	(2)	—
Total Income tax (expense) benefit	(22)	(32)

The effective tax rates for the three months ended 31 March 2022 and 2021 were 314.3% and 32.3%, respectively. The current period effective tax rate primarily reflects the impacts of assets impairment in connection with the Group's operations in Russia and Ukraine, unbenefited losses in certain jurisdictions, and certain other discrete tax items. The first quarter 2021 effective tax rate primarily reflects the jurisdictional mix of pre-tax results and net discrete tax charges.

As in all financial reporting periods, Iveco Group assessed the realizability of its deferred tax assets, which relate to multiple tax jurisdictions in all regions of the world. While no assessment changes occurred during the current period, with the exclusion of Russia and Ukraine full valuation allowance set up on deferred tax assets, it is possible that, within the next twelve months, assessment changes could occur and may have a material impact on Iveco Group's results of operations.

Iveco Group operates in many jurisdictions around the world and is routinely subject to income tax audits. 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.

10. Earnings per share

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 Iveco Group share-based payment awards are considered dilutive potential common shares.

For the three months ended 31 March 2021, the denominator for basic and diluted earnings (loss) per share is the number of common shares at the effective date of the Demerger, which was considered more representative of the expected average number of outstanding common shares after the Demerger.

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

		Three months ended 31 March	
		2022	2021
Basic:			
Profit/(loss) attributable to the owners of the parent	€ million	(17)	55
Weighted average common shares outstanding – basic	million	271	271
Basic earnings/(loss) per common share	€	(0.06)	0.20
Diluted:			
Profit/(loss) attributable to the owners of the parent	€ million	(17)	55
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	€	(0.06)	0.20

11. Intangible assets

Changes in the carrying amount of Intangible assets for the three months ended 31 March 2022 were as follows:

(€ million)	Carrying amount at 31 December 2021	Additions	Amortization	Foreign exchange effects and other changes	Carrying amount at 31 March 2022
Goodwill	70	—	—	—	70
Development costs	1,120	59	(55)	6	1,130
Other	124	5	(8)	—	121
Total Intangible assets	1,314	64	(63)	6	1,321

Goodwill is allocated to the segments as follows: Commercial and Specialty Vehicles for €53 million, Powertrain for €5 million and Financial Services for €12 million. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently if a triggering event occurs and impairment indicators are identified. Iveco Group performed its most recent annual impairment review as of 31 December 2021. The results of the impairment tests confirmed the absence of an impairment loss. During the three months ended 31 March 2022, no impairment indicators were identified.

12. Property, plant and equipment

Changes in the carrying amount of Property, plant and equipment for the three months ended 31 March 2022 were as follows:

(€ million)	Carrying amount at 31 December 2021	Additions	Depreciation	Impairment	Foreign exchange effects	Disposals and other changes	Carrying amount at 31 March 2022
Property, plant and equipment acquired	1,481	32	(60)	—	14	(4)	1,463
Right-of-use assets	198	8	(16)	—	1	4	195
Assets sold with a buy-back commitment	1,376	108	(57)	(5)	1	(52)	1,371
Total Property, plant and equipment	3,055	148	(133)	(5)	16	(52)	3,029

At 31 March 2022, right-of-use assets refer primarily to the following lease contracts: industrial buildings for €135 million (€133 million at 31 December 2021), plant, machinery and equipment for €16 million (€16 million at 31 December 2021), and other assets for €44 million (€49 million at 31 December 2021). For a description of the related lease liabilities, refer to Note 22 "Debt".

Short-term and low-value leases are not recorded in the statement of financial position; Iveco Group recognizes lease expense (€1 million in the three months ended 31 March 2022 and €2 million in the three months ended 31 March 2021) in the income statement for these leases on a straight-line basis over the lease term.

13. Investments and other non-current financial assets

Investments and other non-current financial assets at 31 March 2022 and 31 December 2021 consisted of the following:

(€ million)	At 31 March 2022	At 31 December 2021
Equity investments measured at fair value through other comprehensive income	248	224
Other investments	331	323
Total Investments	579	547
Non-current financial receivables and other non-current securities	43	35
Total Investments and other non-current financial assets	622	582

Equity investments measured at fair value through other comprehensive income include the fair value of the approximately 6.1% 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 March 2022 was \$10.71, determining a value of €248 million for the 25,661,448 shares held by Iveco Group through its fully-owned subsidiary Iveco S.p.A. During the three months ended 31 March 2022 and 2021, Iveco Group recorded in Other comprehensive income a

pre- and after-tax gain of €24 million and a pre- and after-tax loss of €14 million, respectively, from the remeasurement at fair value of the investment in Nikola Corporation.

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 pre-series production started in the fourth quarter of 2021.

Changes in Investments were as follows:

(€ million)	At 31 December 2021	Revaluations/ (Write-downs)	Acquisitions and capitalizations	Fair value remeasurements	Other changes	At 31 March 2022
Equity investments measured at fair value through other comprehensive income	224	—	—	24	—	248
Other investments	323	—	3	—	5	331
Total Investments	547	—	3	24	5	579

Other investments amounted to €331 million at 31 March 2022 (€323 million at 31 December 2021) and primarily included the following: SAIC IVECO Commercial Vehicle Investment Company Limited €170 million (€166 million at 31 December 2021) and CIFINS S.p.A €97 million. Following the Demerger occurred on 1 January 2022, CIFINS is owned 50.00% by Iveco Group and 50.00% by CNH Industrial, and it holds the 49.90% interest in CNH Industrial Capital Europe S.a.S. (€93 million at 31 December 2021).

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

14. Leased assets

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

Changes in the carrying amount of Leased assets for the three months ended 31 March 2022 were as follows:

(€ million)	Carrying amount at 31 December 2021	Additions	Depreciation	Foreign exchange effects	Disposals and other changes	Carrying amount at 31 March 2022
Leased assets	58	9	(7)	2	(4)	58

15. Inventories

At 31 March 2022 and 31 December 2021, Inventories consisted of the following:

(€ million)	At 31 March 2022	At 31 December 2021
Raw materials	668	657
Work-in-progress	388	453
Finished goods	2,121	1,541
Total Inventories	3,177	2,651

At 31 March 2022, 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 €35 million (€49 million at 31 December 2021).

16. Current receivables and Other current financial assets

A summary of Current receivables and Other current financial assets as of 31 March 2022 and 31 December 2021 is as follows:

(€ million)	At 31 March 2022	At 31 December 2021
Trade receivables	293	318
Receivables from financing activities	2,973	2,909
Current tax receivables	97	110
Other current receivables and financial assets:		
Other current receivables	407	3,848
Other current financial assets	25	54
Total Other current receivables and financial assets	432	3,902
Total Current receivables and Other current financial assets	3,795	7,239

The decrease in Other current receivables reflects the change in financial receivables between the Group and CNH Industrial, that were almost entirely settled in the first months following the Demerger.

Receivables from financing activities

A summary of Receivables from financing activities as of 31 March 2022 and 31 December 2021 is as follows:

(€ million)	At 31 March 2022	At 31 December 2021
Retail:		
Retail financing	15	10
Finance leases	55	60
Total Retail	70	70
Wholesale:		
Dealer financing	2,878	2,805
Total Wholesale	2,878	2,805
Other	25	34
Total Receivables from financing activities	2,973	2,909

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 vehicle 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 vehicle 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 vehicle 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 the three months ended 31 March 2022 and 2021 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 three months ended 31 March 2022 and 2021. 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 March 2022 and 31 December 2021 is as follows (all receivables are related to Europe region):

At 31 March 2022								
(€ million)	Total Current	31-60 Days Past Due	61-90 Days Past Due	Total Performing	Non-Performing	Total	Allowance	Total, net of allowance
Total Retail	121	1	—	122	40	162	(92)	70
Total Wholesale	2,929	4	3	2,936	59	2,995	(117)	2,878

At 31 December 2021								
(€ million)	Total Current	31-60 Days Past Due	61-90 Days Past Due	Total Performing	Non-Performing	Total	Allowance	Total, net of allowance
Total Retail	115	1	—	116	43	159	(89)	70
Total Wholesale	2,837	5	2	2,844	59	2,903	(98)	2,805

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

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 three months ended 31 March 2022 is as follows:

	Three months ended 31 March 2022							
	Retail				Wholesale			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
(€ million)								
Opening balance	3	—	86	89	8	—	90	98
Provision (benefit)	—	—	4	4	—	—	19	19
Charge-offs, net of recoveries	—	—	(1)	(1)	—	—	(1)	(1)
Transfers	—	—	—	—	—	—	—	—
Foreign currency translation and other	—	—	—	—	(1)	—	2	1
Ending balance	3	—	89	92	7	—	110	117
Receivables:								
Ending balance	44	—	26	70	2,790	6	82	2,878

At 31 March 2022, the change in allowance for credit losses mainly related to receivables from Russian counterparts that have been fully covered with allowance. This provision for credit losses has been included in cost of sales.

Allowance for credit losses activity for the three months ended 31 March 2021 and for the year ended 31 December 2021 is as follows:

	Three months ended 31 March 2021							
	Retail				Wholesale			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
(€ million)								
Opening balance	32	—	80	112	8	1	82	91
Provision (benefit)	—	—	(1)	(1)	—	—	2	2
Charge-offs, net of recoveries	—	—	(4)	(4)	—	—	(1)	(1)
Transfers	(29)	—	29	—	—	(1)	1	—
Foreign currency translation and other	—	—	—	—	—	—	—	—
Ending balance	3	—	104	107	8	—	84	92
Receivables:								
Ending balance	45	—	38	83	2,439	6	81	2,526

	Year ended 31 December 2021							
	Retail				Wholesale			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
(€ million)								
Opening balance	32	—	80	112	8	1	82	91
Provision (benefit)	—	—	(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

At 31 March 2021 and 31 December 2021, the allowance for credit losses included 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.

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 consolidated statement of financial position and recognizes a financial liability of the same amount under Asset-backed financing (see Note 22 “Debt”). The gains and losses arising from the transfer of these assets are only recognized when the assets are derecognized.

At 31 March 2022 and 31 December 2021, the carrying amounts of such restricted assets included in Receivables from financing activities are the following:

(€ million)	At 31 March 2022	At 31 December 2021
Restricted receivables:		
Retail financing and finance lease receivables	32	33
Wholesale receivables	1,962	1,926
Total restricted receivables	1,994	1,959

Iveco Group has discounted receivables and bills without recourse having due dates beyond 31 March 2022 amounting to €128 million (€254 million at 31 December 2021, with due dates beyond that date), which refer to trade receivables.

17. Derivative assets and Derivative liabilities

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

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

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

With regard to hedge accounting, Iveco Group continues to monitor significant developments in order to assess the potential future impacts of the COVID-19 pandemic, 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 condensed consolidated income statement in the line "Financial income/(expenses)" and was not significant for all periods presented. Fair value changes used as a basis to calculate hedge ineffectiveness were €-41 million for foreign exchange contracts in the three months ended 31 March 2022. 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 €22 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. The total notional amount of Iveco Group's foreign exchange derivatives was €2.5 billion at 31 March 2022 and €1.8 billion at 31 December 2021.

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 condensed consolidated 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.

All of Iveco Group's interest rate derivatives outstanding as of 31 March 2022 and 31 December 2021 are considered Level 2. The fair market value of these derivatives is calculated using market data input and can be compared to actively traded derivatives. The total notional amount of Iveco Group's interest rate derivatives was €250 million at 31 March 2022 and nil at 31 December 2021.

As a result of the reform and replacement of specific benchmark interest rates, uncertainty remains regarding the timing and exact nature of those changes. The Group does not expect any material impact deriving from the replacement of benchmark interest rate.

Financial statement impact of Iveco Group derivatives

The following table summarizes the gross impact of changes in the fair value of derivatives recognized in other comprehensive income and profit or loss during the three months ended 31 March 2022 and 2021:

(€ million)	Three months ended 31 March	
	2022	2021
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	(41)	(4)
Interest rate derivatives	10	1
Reclassified from other comprehensive income (effective portion):		
Foreign exchange derivatives - Net revenues	2	(1)
Foreign exchange derivatives - Cost of sales	(5)	3
Foreign exchange derivatives - Financial income/(expenses)	(2)	(2)
Interest rate derivatives - Cost of sales	—	—
Not designated as hedges		
Foreign exchange derivatives - Financial income/(expenses)	(31)	(5)

The fair values of Iveco Group's derivatives as of 31 March 2022 and 31 December 2021 in the condensed consolidated statement of financial position are recorded as follows:

(€ million)	At 31 March 2022		At 31 December 2021	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Derivatives designated as hedging instruments				
Fair value hedges:				
Interest rate derivatives	—	—	—	—
Total Fair value hedges	—	—	—	—
Cash flow hedges:				
Foreign exchange derivatives	49	(64)	43	(26)
Interest rate derivatives	3	—	—	—
Total Cash flow hedges	52	(64)	43	(26)
Total Derivatives designated as hedging instruments	52	(64)	43	(26)
Derivatives not designated as hedging instruments				
Foreign exchange derivatives	7	(11)	7	(17)
Interest rate derivatives	—	—	—	—
Total Derivatives not designated as hedging instruments	7	(11)	7	(17)
Derivative assets/(liabilities)	59	(75)	50	(43)

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

18. Cash and cash equivalents

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

At 31 March 2022, this item included €64 million (€48 million at 31 December 2021) of restricted cash which mainly includes bank deposits that may be used exclusively for the repayment of the debt relating to securitizations classified as Asset-backed financing.

At the same date, this item also included €73 million (€56 million at 31 December 2021) of money market securities and other cash equivalents.

19. Assets held for sale

Assets held for sale at 31 March 2022 and 31 December 2021 primarily included buildings.

20. Equity

Share capital

The Articles of Association of Iveco Group N.V. provide for authorized share capital of €8 million, divided into 400 million common shares and 400 million special voting shares to be held with associated common shares, each with a per share par value of €0.01. As of 31 March 2022, the Company's share capital was €3,454,589.70 million, fully paid-in, and consisted of 271,215,400 common shares and 74,243,570 special voting shares (74,217,406 special voting shares outstanding, net of 26,164 special voting shares held in treasury by the Company following the deregistration of qualifying common shares from the Loyalty Register), all with a par value of €0.01 each.

Policies and processes for managing capital

Following the Demerger and the consequent allotment of the Company's common shares and special voting shares to the shareholders of CNH Industrial N.V., the Company is required 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. The special voting shares do not carry any entitlement to the balance of the special capital reserve. The Board of Directors is authorized to resolve upon (i) any distribution out of the special capital reserve to pay up special voting shares or (ii) re-allocation of amounts to credit or debit the special capital reserve against or in favor of the share premium reserve.

The Company is required to maintain a separate dividend reserve for the special voting shares. The special voting shares shall not carry any entitlement to any other reserve of the Company. Any distribution out of the special voting shares dividend reserve or the partial or full release of such reserve will require a prior proposal from the Board of Directors and a subsequent resolution of the general meeting of holders of special voting shares.

From the profits, shown in the annual accounts as adopted, such amounts shall be reserved as the Board of Directors may determine.

The profits remaining thereafter shall first be applied to allocate and add to the special voting shares dividend reserve an amount equal to one percent (1%) of the aggregate nominal amount of all outstanding special voting shares. The calculation of the amount to be allocated and added to the special voting shares dividend reserve shall occur on a time-proportionate basis. If special voting shares are issued during the financial year to which the allocation and addition pertains, then the amount to be allocated and added to the special voting shares dividend reserve in respect of these newly issued special voting shares shall be calculated as from the date on which such special voting shares were issued until the last day of the financial year concerned. The special voting shares shall not carry any other entitlement to the profits.

Any profits remaining thereafter shall be at the disposal of the general meeting of shareholders for distribution of dividend on the common shares only subject to the provision that the distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted.

Furthermore, subject to the approval of the general meeting of shareholders and the Board of Directors having been designated as the body competent to pass a resolution for the issuance of shares in accordance with Article 5 of the Articles of Association, the Board of Directors may decide that a distribution shall be made in the form of shares or that shareholders shall be given the option to receive a distribution either in cash or in the form of shares.

Loyalty voting program

In order to reward long-term ownership of the Company's common shares and promote stability of its shareholder base, the Articles of Association of the Company provide for a loyalty-voting program that grants eligible long-term shareholders the equivalent of two votes for each the Company common share that they hold. This has been accomplished through the issuance of special voting shares.

A shareholder may at any time elect to participate in the loyalty voting program by requesting the registration of all or some of the common shares held by such shareholder in a separate register (the "Loyalty Register") of the Company. If such common shares have been registered in the Loyalty Register for an uninterrupted period of three years in the name of the same shareholder (including common shares that have been allotted upon Demerger and that have been registered in the Loyalty Register in the name of one and the same shareholder or its loyalty transferees for an uninterrupted period of at least three years, which period is shortened with the period for which the corresponding common shares held in CNH Industrial have been registered in the loyalty register of CNH Industrial N.V. prior to the Demerger, and continue to be so registered provided that a transfer of common shares to a loyalty transferee shall not be deemed to interrupt the three year period), such shares will become "Qualifying Common Shares" and the relevant shareholder will be entitled to receive one special voting share for each such Qualifying Common Share which can be retained only for so long as the shareholder retains the associated common share and registers it in the Loyalty Register.

Shareholders are not required to pay any amount to the Company in connection with the allocation of the special voting shares.

The common shares are freely transferable, while, special voting shares are transferable exclusively in limited circumstances and they are not listed on the Euronext Milan. In particular, at any time, a holder of common shares that are Qualifying Common Shares who wants to transfer such common shares other than in limited specified circumstances (e.g., transfers to affiliates or relatives through succession, donation or other transfers) must request a de-registration of such Qualifying Common Shares from the Loyalty Register. After de-registration from the Loyalty Register, such common shares no longer qualify as Qualifying Common Shares and, as a result, the holder of such common shares is required to transfer the special voting shares associated with the transferred common shares to the Company for no consideration.

The special voting shares have minimal economic entitlements as the purpose of the special voting shares is to grant long-term shareholders with an extra voting right by means of granting an additional special voting share, without granting such shareholders with any additional economic rights. However, as a matter of Dutch law, such special voting shares cannot be fully excluded from economic entitlements. Therefore, the Articles of Association provide that only a minimal dividend accrues to the special voting shares, which is not distributed, but allocated to a separate special dividend reserve. The impact of this special voting dividend reserve on the earnings per share of the common shares is not material.

Other comprehensive income/(loss)

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

(€ million)	Three months ended 31 March	
	2022	2021
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:		
Gains/(losses) on the remeasurement of defined benefit plans	—	—
Net change in fair value of equity investments measured at fair value through other comprehensive income ⁽¹⁾	24	(14)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss (A)	24	(14)
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedging instruments arising during the period	(31)	(3)
(Gains)/losses on cash flow hedging instruments reclassified to profit or loss	5	—
Gains/(losses) on cash flow hedging instruments	(26)	(3)
Exchange gains/(losses) on translating foreign operations arising during the period	49	13
Exchange (gains)/losses on translating foreign operations reclassified to profit or loss	—	—
Exchange gains/(losses) on translating foreign operations	49	13
Share of Other comprehensive income/(loss) of entities accounted for using the equity method arising during the period	—	—
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	—	—
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss (B)	23	10
Tax effect (C)	(1)	(1)
Total Other comprehensive income/(loss), net of tax (A) + (B) + (C)	46	(5)

(1) In the three months ended 31 March 2022 and 2021, Net change in fair value of equity investments at fair value through other comprehensive income includes the remeasurement at fair value of the investment in Nikola Corporation. Refer to Note 13 for additional information on this investment.

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

	Three months ended 31 March					
	2022			2021		
	Before tax amount	Tax (expense)/ benefit	Net-of-tax amount	Before tax amount	Tax (expense)/ benefit	Net-of-tax amount
(€ million)						
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:						
Gains/(losses) on the remeasurement of defined benefit plans	—	—	—	—	—	—
Net change in fair value of equity investments measured at fair value through other comprehensive income ⁽¹⁾	24	—	24	(14)	—	(14)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	24	—	24	(14)	—	(14)
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:						
Gains/(losses) on cash flow hedging instruments	(26)	—	(26)	(3)	—	(3)
Exchange gains/(losses) on translating foreign operations	49	(1)	48	13	(1)	12
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	—	—	—	—	—	—
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	23	(1)	22	10	(1)	9
Total Other comprehensive income/(loss)	47	(1)	46	(4)	(1)	(5)

(1) In the three months ended 31 March 2022 and 2021, Net change in fair value of equity investments at fair value through other comprehensive income includes the remeasurement at fair value of the investment in Nikola Corporation. Refer to Note 13 for additional information on this investment.

Share-based compensation

Iveco Group recognized total share-based compensation expense of €4 million and €3 million for the three months ended 31 March 2022 and 2021, respectively.

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. No incremental cost has been recognized as consequence of the conversion.

Under the 2021-2023 Long-Term Incentive Plan, 1.9 million of nonvested PSUs and 1.0 million of nonvested RSUs on CNH Industrial N.V.'s Shares related to Iveco Group key executive officers and select employees were outstanding at 31 December 2021. As a result of the Demerger, such nonvested PSUs and nonvested RSUs outstanding were converted to 3.0 million and 1.6 million awards, respectively, 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.

21. Provisions

A summary of Provisions at 31 March 2022 and 31 December 2021 is as follows:

(€ million)	At 31 March 2022	At 31 December 2021
Employee benefits	533	621
Other provisions:		
Warranty and technical assistance provision	421	407
Restructuring provision	37	38
Investment provision	5	5
Other risks:		
Commercial risks	239	205
Marketing and sales incentives programs	315	313
Legal proceedings and other disputes	93	91
Other reserves for risks and charges	244	251
Total Other risks	891	860
Total Other provisions	1,354	1,310
Total Provisions	1,887	1,931

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

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

22. Debt

An analysis of debt by nature is as follows:

(€ million)	At 31 March 2022	At 31 December 2021
Asset-backed financing	1,960	1,926
Other debt:		
Borrowings from banks	1,007	501
Payables represented by securities	63	74
Lease liabilities	196	200
Other	292	3,084
Total Other debt	1,558	3,859
Total Debt	3,518	5,785

Total Debt was €3,518 million at 31 March 2022, a decrease of €2,267 million compared to 31 December 2021 as a result of the reduction in financial payables to CNH Industrial outstanding at 31 December 2021, that were almost entirely settled in the first months following the Demerger, partially offset by the signing and the drawing of the €500 million syndicated term loan.

The item Asset-backed financing represents the financing received through both asset-backed commercial paper and factoring transactions which do not meet IFRS 9 derecognition requirements and are recognized as assets in the statement of financial position.

During the three months ended 31 March 2022, €16 million for the principal portion of Lease liabilities and €1 million for interest expenses related to lease liabilities were paid, respectively (€17 million and €1 million, respectively, were paid during the three months ended 31 March 2021).

The following table sets out a maturity analysis of Lease liabilities at 31 March 2022 and 31 December 2021:

(€ million)	At 31 March 2022	At 31 December 2021
Less than one year	59	61
One to two years	40	41
Two to three years	30	30
Three to four years	23	22
Four to five years	14	15
More than five years	48	46
Total undiscounted lease payments	214	215
Less: Interest	(18)	(15)
Total Lease liabilities	196	200

At 31 March 2022, 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 6.7 years and 2.5%, respectively (6.5 years and 2.3%, respectively, at 31 December 2021).

With the purpose of further diversifying its funding structure, Iveco Group has established various commercial paper programs. IC Financial Services S.A. in Europe issued commercial paper under a program which had an amount of €63 million outstanding at 31 March 2022 (€73 million outstanding at 31 December 2021).

23. Trade payables

Trade payables were €3,418 million at 31 March 2022 and increased by €285 million from the amount at 31 December 2021.

24. Other current liabilities

At 31 March 2022, Other current liabilities mainly included €1,005 million of amounts payable to customers relating to repurchase price on buy-back agreements (€1,012 million at 31 December 2021), and €1,270 million of contract liabilities (€1,270 million at 31 December 2021), of which €650 million for future rents related to buy-back agreements (€658 million at 31 December 2021). Other current liabilities also included accrued expenses and deferred income of €133 million (€118 million at 31 December 2021).

25. Commitments and contingencies

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

The outcome of any current or future proceedings, claims, or investigations cannot be predicted with certainty. Adverse decisions in 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, the Iveco Group recognizes specific provisions for this purpose.

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

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 €445 million and €452 million at 31 March 2022 and 31 December 2021, respectively.

26. Segment reporting

The segment information disclosed in these Interim Condensed Consolidated 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, as well as the holding company Iveco Group N.V., are collectively referred to as "Industrial Activities".

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

With reference to Industrial Activities' segments, the CODM assesses the segment performance and make decisions about resource allocation based upon Adjusted EBIT, which is deemed to more fully reflect Industrial Activities segments' profitability. With reference to Financial Services,

historically and through 2021, the CODM assessed the performance of the segment and made decisions about resource allocation on the basis of net income. Effective 1 January 2022, the CODM began to assess Financial Services segment performance and make decisions about resource allocation on the basis of Adjusted EBIT, which now Iveco Group believes more fully reflect segment profitability. 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.

The following table summarizes Adjusted EBIT by reportable segment:

(€ million)	Three months ended 31 March	
	2022	2021
Commercial and Specialty Vehicles	93	59
Powertrain	45	89
Unallocated items, eliminations and other	(56)	(32)
Adjusted EBIT of Industrial Activities	82	116
Financial Services	20	18
Eliminations and other	—	—
Total Adjusted EBIT	102	134

A reconciliation from Adjusted EBIT to Iveco Group's consolidated Profit/(loss) before taxes for the three months ended 31 March 2022 and 2021 is provided below:

(€ million)	Three months ended 31 March	
	2022	2021
Adjusted EBIT of Industrial Activities	82	116
Adjusted EBIT of Financial Services	20	18
Adjusted EBIT	102	134
Restructuring costs	(1)	(1)
Other discrete items ⁽¹⁾	(60)	—
Financial income/(expenses)	(34)	(34)
Profit/(loss) before taxes	7	99

(1) In the three months ended 31 March 2022, this item includes this item includes €53 million in connection with our operations in Russia and Ukraine, primarily due to the impairment of certain assets, €4 million separation costs related to the spin-off of the Iveco Group business, and €3 million related to the impairment of certain assets held for sale.

There are no segment assets reported to the CODM for assessing performance and allocating resources.

[Additional reportable segment information](#)

Net Revenues by reportable segment for the three months ended 31 March 2022 and 2021 are provided in Note 1.

27. Fair value measurement

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

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

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

Assets and liabilities measured at fair value on a recurring basis

The following table presents, for each of the fair value hierarchy levels, the assets and liabilities that are measured at fair value on a recurring basis at 31 March 2022 and 31 December 2021:

(€ million)	Note	At 31 March 2022				At 31 December 2021			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity investments measured at fair value through other comprehensive income	(13)	248	—	—	248	224	—	—	224
Other investments	(13)	—	—	13	13	—	—	13	13
Derivative assets	(17)	—	59	—	59	—	50	—	50
Total Assets		248	59	13	320	224	50	13	287
Derivative liabilities	(17)	—	(75)	—	(75)	—	(43)	—	(43)
Total Liabilities		—	(75)	—	(75)	—	(43)	—	(43)

The following table provides a reconciliation from the opening balance to the closing balance for fair value measurements categorized in Level 3 of fair value in the three months ended 31 March 2022 and 2021:

(€ million)	Three months ended 31 March 2022	Three months ended 31 March 2021
At 1 January	13	5
Acquisitions/(disposals)	—	(3)
Gains/(Losses) recognized in Other comprehensive income/(loss)	—	—
Transfer from Level 3 to Level 1	—	—
At 31 March	13	2

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

Assets and liabilities not measured at fair value

The estimated fair values for financial assets and liabilities that are not measured at fair value in the condensed statement of financial position at 31 March 2022 and 31 December 2021 are as follows:

(€ million)	Note	At 31 March 2022				
		Level 1	Level 2	Level 3	Total Fair Value	Carrying amount
Total Financial receivables from CNH Industrial	(16)	—	—	44	44	44
Retail financing	(16)	—	—	14	14	15
Dealer financing	(16)	—	—	2,875	2,875	2,878
Finance leases	(16)	—	—	55	55	55
Other receivables from financing activities	(16)	—	—	25	25	25
Total Receivables from financing activities		—	—	2,969	2,969	2,973
Asset-backed financing	(22)	—	1,961	—	1,961	1,960
Borrowings from banks	(22)	—	1,007	—	1,007	1,007
Payables represented by securities	(22)	—	63	—	63	63
Lease liabilities	(22)	—	—	196	196	196
Other debt ⁽¹⁾	(22)	—	36	256	292	292
Total Debt		—	3,067	452	3,519	3,518

(1) At 31 March 2022, Other debt includes €256 million of financial payables to CNH Industrial classified as Level 3.

					At 31 December 2021	
(€ million)	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying amount
Total Financial receivables from CNH Industrial	(16)	—	—	3,520	3,520	3,520
Retail financing	(16)	—	—	10	10	10
Dealer financing	(16)	—	—	2,802	2,802	2,805
Finance leases	(16)	—	—	59	59	60
Other receivables from financing activities	(16)	—	—	34	34	34
Total Receivables from financing activities		—	—	2,905	2,905	2,909
Asset-backed financing	(22)	—	1,927	—	1,927	1,926
Borrowings from banks	(22)	—	501	—	501	501
Payables represented by securities	(22)	—	74	—	74	74
Lease liabilities	(22)	—	—	200	200	200
Other debt ⁽¹⁾	(22)	—	8	3,076	3,084	3,084
Total Debt		—	2,510	3,276	5,786	5,785

(1) At 31 December 2021, Other debt included €3,076 million of financial payables to CNH Industrial classified as Level 3.

Receivables from financing activities

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

Debt

The fair value of Asset-backed financing, Borrowings from banks, Payable represented by securities and Other debt are included in the Level 2 and has been estimated based on discounted cash flows analysis using the current market interest rates at period-end adjusted for the Group non-performance risk over the remaining term of the financial liability.

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 condensed consolidated statement of financial position approximates their fair value, due to the short maturity of these items.

28. Related party transactions

In accordance with IAS 24 – *Related Party Disclosures*, Iveco Group's related parties are companies and persons capable of exercising control, joint control or significant influence over the Group. As of 31 March 2022 and 31 December 2021, related parties included Iveco Group's parent company 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.

As of 31 March 2022, based on public information available and in reference to Company's files, EXOR N.V. held 42.5% of Iveco Group's voting power and had the ability to significantly influence the decisions submitted to a vote of Iveco Group's shareholders, including approval of annual dividends, the election and removal of directors, mergers or other business combinations, the acquisition or disposition of assets, and issuances of equity and the incurrence of indebtedness. The percentage above has been calculated as the ratio of (i) the aggregate number of common shares and special voting shares owned by EXOR N.V. to (ii) the aggregate number of outstanding common shares and special voting shares of Iveco Group N.V. as of 31 March 2022.

In addition, Iveco Group engages in transactions with its unconsolidated subsidiaries, joint ventures, associates and other related parties on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved. The Company's Audit Committee reviews and evaluates all significant related party transactions.

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

EXOR N.V. is an investment holding company. As of 31 March 2022 and 31 December 2021, 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 three months ended 31 March 2022 and 2021.

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. After the Demerger, the Stellantis MSA has been duplicated at the same terms and conditions between Iveco Group and Stellantis. During the three months ended 31 March 2022 and 2021, Stellantis subsidiaries provided Iveco Group with administrative services such as accounting, maintenance of plant and equipment, security, and information systems under the terms and conditions of the Stellantis MSA and the applicable Opt-in letters.

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

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

(€ million)	Three months ended 31 March	
	2022	2021
Net revenues	6	169
Cost of sales	36	56
Selling, general and administrative costs	12	10

(€ million)	At 31 March 2022	At 31 December 2021
Trade receivables	3	3
Trade payables	39	46

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 post-Demerger, 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 these Interim Condensed Financial Statements as follows:

(€ million)	Three months ended 31 March	
	2022	2021
Net revenues	232	192
Cost of sales	1	4

(€ million)	At 31 March 2022	At 31 December 2021
Trade receivables	52	172
Receivables from financing activities	125	—
Financial receivables	44	3,520
Debt	256	3,076
Trade payables	10	71

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.

Financial Service Agreement: 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 €44 million in three months ended 31 March 2022 (€154 million in the comparable period of 2021) and trade receivables from joint ventures totaled €3 million at 31 March 2022 (€3 million at 31 December 2021).

At 31 March 2022 and 31 December 2021, Iveco Group had provided guarantees on commitments of its joint ventures for an amount of €170 million and €186 million, respectively, mainly related to IVECO - OTO MELARA Società Consortile a responsabilità limitata.

Transactions with associates

Iveco Group sells trucks and commercial vehicles and provides services to associates. In the three months ended 31 March 2022, revenues from associates totaled €32 million (€47 million in the comparable period of 2021) and cost of sales from associates totaled €4 million (€4 million in the comparable period of 2021). At 31 March 2022, receivables from associates amounted to €12 million (€11 million at 31 December 2021). Trade payables to associates amounted to €16 million at 31 March 2022 (€18 million at 31 December 2021). At 31 March 2022, Iveco Group had provided guarantees on commitments of its associates for an amount of €265 million related to CNH Industrial Capital Europe S.a.S. (€256 million at 31 December 2021).

Transactions with unconsolidated subsidiaries

In the three months ended 31 March 2022 and 2021, there were no material transactions with unconsolidated subsidiaries.

Compensation to Directors and Key Management

The fees of the Directors of Iveco Group N.V. for carrying out their respective functions, including those in other consolidated legal entities, and the notional compensation cost arising from stock grants awarded to certain Executive Directors and Officers, amounted to an expense of approximately €1 million in the three months ended 31 March 2022. As the Iveco Group has not had its separate Board of Directors during three months ended 31 March 2021, no compensation of the Board of Directors has been presented for that period.

The aggregate expense incurred for the compensation of Executives with strategic responsibilities of the Group amounted to approximately €3 million and €2 million in the three months ended 31 March 2022 and 2021, respectively. These amounts included the notional compensation cost for share-based payments.

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

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

	Three months ended 31 March 2022		At 31 December 2021	Three months ended 31 March 2021	
	Average	At 31 March		Average	At 31 March
U.S. dollar	1.122	1.110	1.133	1.205	1.173
Pound sterling	0.836	0.846	0.840	0.874	0.852
Swiss franc	1.036	1.027	1.033	1.091	1.107
Brazilian real	5.870	5.301	6.310	6.600	6.741
Polish Zloty	4.623	4.653	4.597	4.546	4.651
Czech Koruna	24.653	24.375	24.858	26.070	26.143
Argentine peso ⁽¹⁾	123.199	123.199	116.239	107.858	107.858

(1) From 1 July 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.

30. Subsequent events

Iveco Group has evaluated subsequent events through 5 May 2022, which is the date the condensed consolidated financial statements were authorized for issuance. No significant events have occurred.