IVECO • GROUP

Interim Report

for the quarter ended 31 March 2023

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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 2023)

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

BOARD OF DIRECTORS AND AUDITOR

BOARD OF DIRECTORS

Executive Directors

Suzanne Heywood - Chairperson

Gerrit Andreas Marx - Chief Executive Officer

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(1)

(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

INDEPENDENT AUDITOR

Deloitte Accountants B.V.

Disclaimer

All statements other than statements of historical fact contained in this report, 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 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 the Company's 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 Russia-Ukraine war and the global COVID-19 pandemic and the actions taken or contemplated by governmental authorities or others in connection with the war and/or 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; the many interrelated factors that affect consumer confidence and worldwide demand for capital goods and capital goods-related products, including demand uncertainty caused by the carry-over effects of COVID-19 and the Russia-Ukraine war; general economic conditions in each of our markets, including the significant economic uncertainty and volatility caused by COVID-19 and the Russia-Ukraine war; travel bans, border closures, other free movement restrictions, and the introduction of social distancing measures in our facilities, that 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 or acts of war 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 Report on Financial Statements at 31 December 2022, 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 document, in addition to the information presented here.

Forward-looking statements are based upon assumptions relating to the factors described in this report, 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. Except as may be required by applicable rules, Iveco Group expressly disclaims any intention to provide, update or revise any forward-looking statements in this report 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 under applicable regulations.

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, which upon incorporation was 100% owned by CNH Industrial N.V. ("CNH Industrial" and together with its subsidiaries the "CNH Industrial Group"), 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 proposes 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, minibuses, city-buses, intercity buses and coaches under the IVECO BUS (previously Iveco Irisbus) and HEULIEZ brands, large-scale heavy-duty quarry and construction vehicles under the ASTRA brand, firefighting vehicles under the MAGIRUS brand, and vehicles for civil defense and peace-keeping missions under the IDV 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 Türkiye 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 Income/(Loss):* is defined as profit/(loss) for the period, less restructuring costs and non-recurring items, after tax.
- *Adjusted Diluted EPS:* is computed by dividing Adjusted Net Income (Loss) attributable to Iveco Group N.V. by a weighted-average number of Common Shares outstanding during the period that takes into consideration potential Common Shares outstanding deriving from the Iveco Group share-based payment awards, when inclusion is not anti-dilutive. When Iveco Group provides guidance for adjusted diluted EPS, the Group does not provide guidance on an earnings per share basis because the IFRS measure will include potentially significant items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end.
- *Adjusted Income Taxes:* is defined as income taxes less the tax effect of restructuring expenses and non-recurring items, and non-recurring tax charges or benefits.
- *Adjusted Effective Tax Rate (Adjusted ETR):* is computed by dividing a) adjusted income taxes by b) profit (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.

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 first quarter, Iveco Group recorded a negative after-tax impact of €51 million in connection with its operations in Russia and Ukraine, primarily due to the impairment of certain assets and EU sanctions preventing further commercial activities with Russian legal entities and individuals. On 20 July 2022, the Company executed a dissolution agreement with the Russian JV, IVECO AMT, also formally presenting its withdrawal from the legal entity. Accordingly, the Iveco Group stake (33.3%) was returned to IVECO AMT. 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.

Three months ended 31 March 2023 compared to three months ended 31 March 2022

Consolidated Results of Operations

	Three months ended 31 March 2023				Three months ended 31 March 2022			
(€ million)	Industrial Activities[1]	Financial Services	Elimination	Consolidated	Industrial Activities[1]	Financial Services	Eliminations	Consolidated
Net revenues	3,328	99	(28) [2]	3,399	3,010	49	(11) [2]	3,048
Cost of sales	2,825	54	(28) [3]	2,851	2,622	40	(11) [3]	2,651
Selling, general and administrative costs	208	21	—	229	207	15	—	222
Research and development costs	125	—	—	125	108	—	—	108
Result from investments	(9)	4	—	(5)	(3)	4	—	1
Gains/(losses) on disposal of investments	—	—	—	—	5	—	—	5
Restructuring costs	2	—	—	2	1	—	—	1
Other income/(expenses)	(86)	7	—	(79)	(31)	—	—	(31)
EBIT	**73**	**35**	**—**	**108**	**43**	**(2)**	**—**	**41**
Financial income/ (expenses)	(74)	—	—	(74)	(34)	—	—	(34)
PROFIT/(LOSS) BEFORE TAXES	**(1)**	**35**	**—**	**34**	**9**	**(2)**	**—**	**7**
Income tax (expense) benefit	(15)	(9)	—	(24)	(23)	1	—	(22)
PROFIT/(LOSS) FOR THE PERIOD	**(16)**	**26**	**—**	**10**	**(14)**	**(1)**	**—**	**(15)**

(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 €3,399 million in the three months ended 31 March 2023, an increase of 11.5% compared to the three months ended 31 March 2022. Net revenues of Industrial Activities were €3,328 million in the three months ended 31 March 2023, an increase of 10.6% compared to the three months ended 31 March 2022, mainly due to positive price realisation and higher volumes.

Cost of sales

Cost of sales was €2,851 million for the three months ended 31 March 2023, compared with €2,651 million for the three months ended 31 March 2022. As a percentage of net revenues, cost of sales of Industrial Activities was 84.9% in the three months ended 31 March 2023, compared to 87.1% for the three months ended 31 March 2022. In the first quarter of 2022, cost of sales included €43 million related to the impairment of certain assets in connection with Group operations in Russia and Ukraine.

Selling, general and administrative costs

Selling, general and administrative costs were €229 million during the three months ended 31 March 2023 (6.7% of net revenues, compared with 7.3% of net revenues in the three months ended 31 March 2022).

Research and development costs

In the three months ended 31 March 2023, research and development costs were €125 million (€108 million in the three months ended 31 March 2022) and included all the research and development costs not recognized as assets in the period amounting to €73 million (€53 million in the three months ended 31 March 2022) and the amortization of capitalized development costs of €52 million (€55 million in the three months ended 31 March 2022). During the three months ended 31 March 2023, Iveco Group capitalized new expenditures for development costs for €95 million (€59 million in the three months ended 31 March 2022). 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 loss of €5 million in the three months ended 31 March 2023 compared to a net gain of €1 million in the three months ended 31 March 2022.

Gains/(losses) on disposal of investments

The balance of this item was nil in the three months ended 31 March 2023 (net gain of €5 million in the three months ended 31 March 2022).

Restructuring costs

Restructuring costs were €2 million for the three months ended 31 March 2023 and €1 million in the three months ended 31 March 2022.

Other income/(expenses)

Other expenses were €79 million for the three months ended 31 March 2023 compared to €31 million in the three months ended 31 March 2022. In the three months ended 31 March 2023, this item primarily included the negative impact of €43 million from the agreed acquisition of full ownership of Nikola Iveco Europe GmbH (refer to the Interim Condensed Consolidated Financial Statements at 31 March 2023, Note 30 "Subsequent events" for details). In both periods, this item included legal costs, indirect taxes, and separation costs related to the spin-off of the Iveco Group business.

Financial income/(expenses)

Net financial expenses were €74 million in the three months ended 31 March 2023, compared to €34 million in the three months ended 31 March 2022. The increase was primarily attributable to higher interest rates and the impact of hyperinflation accounting in Argentina and Türkiye.

Income tax (expense) benefit

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Profit (loss) before taxes	34	7
Income tax (expense) benefit	(24)	(22)
Effective tax rate	**70.6 %**	**314.3 %**

Income tax expense for the three months ended 31 March 2023 was €24 million based on profit before taxes of €34 million, compared to tax expense of €22 million for the three months ended 31 March 2022, based on profit before taxes of €7 million in the period. The effective tax rates for the three months ended 31 March 2023 and 2022 were 70.6% and 314.3%, respectively. Excluding the negative impact of €44 million from the agreed acquisition of full ownership of Nikola Iveco Europe GmbH, €7 million cost related to certain claims arising from the EU Commission's 2016 antitrust settlement decision, the cost related to the spin-off of the Iveco Group business, as well as the restructuring costs, the effective tax rate was 28% in the three months ended 31 March 2023. Excluding the impacts related to the costs for the impairment of certain assets in connection with our operations in Russia and Ukraine, the restructuring costs, the separation costs related to the spin-off, impairment costs of certain assets held for sale, the valuation allowance on Russian deferred tax assets, as well as other minor items, the effective tax rate was 38% in the in the three months ended 31 March 2022.

Profit/(loss) for the period

Net profit was €10 million for the three months ended 31 March 2023 compared to a net loss of €15 million for the three months ended 31 March 2022, primarily due to profitability improvements across the segments.

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 2023 and 2022.

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Profit /(loss)	**10**	**(15)**
Adjustments impacting Profit/ (loss) before income tax (expense) benefit (a)	54	61
Adjustments impacting Income tax (expense) benefit (b)	(1)	(4)
Adjusted net Profit/ (loss)	**63**	**42**
Adjusted net Profit/ (loss) attributable to Iveco Group N.V.	59	40
Weighted average shares outstanding – diluted (million)	275	272
Adjusted diluted EPS (€)	**0.21**	**0.15**
Profit/ (loss) before income tax (expense) benefit	**34**	**7**
Adjustments impacting Profit/ (loss) before income tax (expense) benefit (a)	54	61
Adjusted Profit/ (loss) before income tax (expense) benefit (A)	**88**	**68**
Income tax (expense) benefit	**(24)**	**(22)**
Adjustments impacting Income tax (expense) benefit (b)	(1)	(4)
Adjusted Income tax (expense) benefit (B)	**(25)**	**(26)**
Adjusted Effective Tax Rate (Adjusted ETR) (C=B/A)	**28 %**	**38 %**
a) Adjustments impacting Profit/(loss) before income tax (expense) benefit		
Restructuring costs	2	1
Spin-off costs	2	4
Agreed acquisition of full ownership of Nikola Iveco Europe GmbH	43	—
Costs related to certain claims arising from the EU Commission's 2016 antitrust settlement	7	—
Russia and Ukraine - impairment of certain assets	—	53
Impairment of certain assets held for sale	—	3
Total	**54**	**61**
b) Adjustments impacting Income tax (expense) benefit		
Tax effect of adjustments impacting Profit/(loss) before income tax (expense) benefit	(1)	(6)
Valuation allowance on Russian deferred tax assets	—	3
Other	—	(1)
Total	**(1)**	**(4)**

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

	Three months ended 31 March		
(€ million)	**2023**	**2022**	**% change**
Commercial and Specialty Vehicles	2,805	2,504	12.0
Powertrain	1,113	975	14.2
Eliminations and Other	(590)	(469)	—
Total Net revenues of Industrial Activities	**3,328**	**3,010**	**10.6**
Financial Services	99	49	102.0
Eliminations and Other	(28)	(11)	—
Total Net revenues	**3,399**	**3,048**	**11.5**

Adjusted EBIT by segment

	Three months ended 31 March				
(€ million)	**2023**	**2022**	**Change**	**2023 Adjusted EBIT margin**	**2022 Adjusted EBIT margin**
Commercial and Specialty Vehicles	127	93	34	4.5 %	3.7 %
Powertrain	61	45	16	5.5 %	4.6 %
Unallocated items, eliminations and other	(54)	(56)	2	—	—
Adjusted EBIT of Industrial Activities	**134**	**82**	**52**	**4.0 %**	**2.7 %**
Financial Services	28	20	8	28.3 %	40.8 %
Eliminations and Other	—	—	—	—	—
Total Adjusted EBIT	**162**	**102**	**60**	**4.8 %**	**3.3 %**

Net revenues of Industrial Activities were €3,328 million during the three months ended 31 March 2023, an increase of 10.6% compared to the three months ended 31 March 2022, mainly due to positive price realisation and higher volumes.

Adjusted EBIT of Industrial Activities was €134 million during the three months ended 31 March 2023, compared to €82 million during the three months ended 31 March 2022. The increase was primarily attributable to positive price realisation, higher volumes and better mix more than offsetting higher raw material and energy costs.

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 2023 and 2022.

	Three months ended 31 March 2023						
(€ million)	**Commercial and Specialty Vehicles**	**Powertrain**	**Unallocated items, elimination and other**	**Total Industrial Activities**	**Financial Services**	**Eliminations**	**Total**
EBIT	**125**	**61**	**(113)**	**73**	**35**	**—**	**108**
Adjustments:							
Restructuring costs	2	—	—	2	—	—	2
Other discrete items[1]	—	—	59	59	(7)	—	52
Adjusted EBIT	**127**	**61**	**(54)**	**134**	**28**	**—**	**162**

(1) In the three months ended 31 March 2023, this item mainly includes €43 million from the agreed acquisition of full ownership of Nikola Iveco Europe GmbH.

	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 mainly included €53 million in connection with our operations in Russia and Ukraine, primarily due to the impairment of certain assets.

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 2023 compared to the three months ended 31 March 2022:

Commercial and Specialty Vehicles Net revenues – by geographic region:

	Three months ended 31 March		
(€ million)	**2023**	**2022**	**% change**
Europa	2,157	1,916	12.6
South America	324	287	12.9
North America	30	22	36.4
Rest of World	294	279	5.4
Total	**2,805**	**2,504**	**12.0**

Commercial and Specialty Vehicles' net revenues were €2,805 million in the three months ended 31 March 2023, an increase of 12.0% compared to the three months ended 31 March 2022, primarily driven by positive price realisation in Truck and increased volume in Bus.

During the three months ended 31 March 2023, the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, increase 13% compared to the same period in 2022. In Europe, the light commercial vehicles ("LCV") market (GVW 3.5-7.49 tons) increased 8% and the medium and heavy-duty ("M&H") truck market (GVW ≥7.5 tons) increased 20%. In South America, new truck registrations (GVW ≥3.5 tons) decreased 1% in the three months ended 31 March 2023 compared to the same period of 2022, with a decrease of 2% in Brazil and an increase of 6% in Argentina. In Rest of World, new truck registrations increased by 1%. Bus registration increased 11% in Europe and 54% in South America.

In the three months ended 31 March 2023, trucks' estimated market share in the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, was 11.7%, down 0.6 p.p. compared to the three months ended 31 March 2022. In the three months ended 31 March 2023, trucks' market share in South America was 12.3%, down 0.4 p.p. compared to the three months ended 31 March 2022.

In the three months ended 31 March 2023, Commercial and Specialty Vehicles delivered approximately 34,800 vehicles (including buses and specialty vehicles), representing an 11% decrease compared to the same period of 2022. Further, volumes were down 25% in LCV and up 43% in M&H truck segments. Commercial and Specialty Vehicles' deliveries decreased 9% in Europe, 14% in South America and 17% in Rest of World, respectively.

Order intake remained solid, above pre-COVID 19 levels, with 30 weeks of production already sold for LCV and 28 and 30 weeks for M&H respectively. Worldwide truck book-to-bill was 1.15 at the end of the first quarter 2023. In Bus, order intake was up 52% on a worldwide basis versus the first quarter 2022. In Europe, bus orders were up 38%, and electric bus orders more than doubled.

Adjusted EBIT

Adjusted EBIT was €127 million in the three months ended 31 March 2023 (up €34 million compared to the three months ended 31 March 2022), driven by positive price realisation and higher volumes, partially offset by higher product costs mainly due to increased raw material and energy costs. Adjusted EBIT margin was 4.5% in the three months ended 31 March 2023 (3.7% in the three months ended 31 March 2022).

Powertrain

Net revenues

Powertrain's net revenues were €1,113 million in the three months ended 31 March 2023, an increase of 14.2% compared to the three months ended 31 March 2022, mainly driven by higher volumes. Sales to external customers accounted for 50% of total net revenues (55% in the three months ended 31 March 2022).

During the three months ended 31 March 2023, Powertrain sold approximately 123,100 engines, flat compared to the three months ended 31 March 2022. In terms of customers, 41% of engine units were supplied to Commercial and Specialty Vehicles and 59% to external customers. Additionally, Powertrain delivered approximately 16,100 transmissions, a decrease of 11% compared to the three months ended 31 March 2022, and approximately 61,300 axles (of which 300 E-axles and 300 batteries), an increase of 11% compared to the three months ended 31 March 2022.

Adjusted EBIT

Adjusted EBIT was €61 million for the three months ended 31 March 2023, up €16 million compared to the three months ended 31 March 2022 mainly due to positive price realisation and higher volumes, more than offsetting increased raw material and energy costs. Adjusted EBIT margin was 5.5% in the three months ended 31 March 2023 (4.6% in the three months ended 31 March 2022).

Financial Services Performance

	Three months ended 31 March		
(€ million)	**2023**	**2022**	**Change**
Net revenues	99	49	102.0%
Adjusted EBIT	28	20	8

Net revenues

Financial Services' net revenues totaled €99 million in the three months ended 31 March 2023, more than doubled compared to the three months ended 31 March 2022, mainly due to higher base rates and higher receivables portfolio.

Adjusted EBIT

Adjusted EBIT was €28 million in the three months ended 31 March 2023, an increase of €8 million compared to the three months ended 31 March 2022, primarily due to higher receivables portfolio and better collection performances on managed receivables.

In the three months ended 31 March 2023, retail loan originations, including unconsolidated joint ventures, were €316 million, up €6 million compared to the three months ended 31 March 2022. The Iveco Group managed portfolio, including unconsolidated joint ventures, was €6,522 million as of 31 March 2023 (of which retail was 43% and wholesale 57%), up €1,009 million compared to 31 March 2022.

At 31 March 2023, the receivables balance greater than 30 days past due as a percentage of receivables was 2.5% (3.6% as of 31 March 2022).

CONDENSED STATEMENT OF FINANCIAL POSITION BY ACTIVITY

	At 31 March 2023				At 31 December 2022			
(€ million)	Industrial Activities[1]	Financial Services	Eliminations	Consolidated	Industrial Activities[1]	Financial Services	Eliminations	Consolidated
ASSETS								
Intangible assets	1,588	15	—	1,603	1,496	15	—	1,511
Property, plant and equipment	3,009	1	—	3,010	3,096	1	—	3,097
Investments and other non-current financial assets:	67	156	—	223	84	153	—	237
Investments accounted for using the equity method	16	144	—	160	10	140	—	150
Equity investments measured at fair value through other comprehensive income	39	—	—	39	62	—	—	62
Other investments and financial assets	12	12	—	24	12	13	—	25
Leased assets	16	50	—	66	19	51	—	70
Deferred tax assets	700	75	(81) [5]	694	622	78	—	700
Total Non-current assets	**5,380**	**297**	**(81)**	**5,596**	**5,317**	**298**	**—**	**5,615**
Inventories	3,604	1	—	3,605	2,838	—	—	2,838
Trade receivables	338	21	(10) [3]	349	334	18	(11) [3]	341
Receivables from financing activities	617	4,479	(1,094) [3]	4,002	772	4,758	(1,152) [3]	4,378
Current tax receivables	116	3	(28) [4]	91	120	5	(30) [4]	95
Other current receivables and financial assets	266	131	(19) [2]	378	267	92	(20) [2]	339
Prepaid expenses and other assets	52	9	—	61	58	10	—	68
Derivative assets	43	1	(3) [6]	41	51	2	(3) [6]	50
Cash and cash equivalents	1,693	165	—	1,858	2,100	188	—	2,288
Total Current assets	**6,729**	**4,810**	**(1,154)**	**10,385**	**6,540**	**5,073**	**(1,216)**	**10,397**
Assets held for sale	73	—	—	73	1	—	—	1
TOTAL ASSETS	**12,182**	**5,107**	**(1,235)**	**16,054**	**11,858**	**5,371**	**(1,216)**	**16,013**
EQUITY AND LIABILITIES								
Total Equity	**1,607**	**778**	**—**	**2,385**	**1,623**	**768**	**—**	**2,391**
Provisions:	1,953	108	—	2,061	2,000	108	—	2,108
Employee benefits	412	11	—	423	495	15	—	510
Other provisions	1,541	97	—	1,638	1,505	93	—	1,598
Debt:	1,240	4,142	(1,094) [3]	4,288	1,173	4,412	(1,152) [3]	4,433
Asset-backed financing	—	3,066	—	3,066	—	3,149	—	3,149
Other debt	1,240	1,076	(1,094) [3]	1,222	1,173	1,263	(1,152) [3]	1,284
Derivative liabilities	46	2	(3) [6]	45	47	2	(3) [6]	46
Trade payables	3,907	24	(6) [3]	3,925	3,660	32	(2) [3]	3,690
Tax liabilities	97	25	(32) [4]	90	113	22	(28) [4]	107
Deferred tax liabilities	105	2	(81) [5]	26	25	—	— [5]	25
Other current liabilities	3,155	26	(19) [2]	3,162	3,217	27	(31) [2]	3,213
Liabilities held for sale	72	—	—	72	—	—	—	—
Total Liabilities	**10,575**	**4,329**	**(1,235)**	**13,669**	**10,235**	**4,603**	**(1,216)**	**13,622**
TOTAL EQUITY AND LIABILITIES	**12,182**	**5,107**	**(1,235)**	**16,054**	**11,858**	**5,371**	**(1,216)**	**16,013**

(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 primarily focuses on our condensed consolidated statement of cash flows and our condensed consolidated statement of financial position. The Group's operations are capital intensive and subject to seasonal variations in financing requirements for dealer receivables and dealer and company inventories. Whenever necessary, funds from operating activities are supplemented from external sources. 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 2023 and 2022:

			Three months ended 31 March								
			2023				2022				
	(€ 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**		**2,100**	**188**	**—**	**2,288**	**726**	**171**	**—**	**897**
B)	**CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:**									
	Profit/(loss) for the period		(16)	26	—	10	(14)	(1)	—	(15)
	Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)		137	—	—	137	139	—	—	139
	(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		9	(5)	—	4	3	20	—	23
	Dividends received		21	—	(21) [2]	—	21	—	(21) [2]	—
	Change in provisions		(27)	—	—	(27)	(48)	(5)	—	(53)
	Change in deferred income taxes		(2)	5	—	3	(32)	(4)	—	(36)
	Change in items due to buy-back commitments	(a)	(32)	1	—	(31)	(1)	4	—	3
	Change in operating lease items	(b)	(2)	(4)	—	(6)	—	(7)	—	(7)
	Change in working capital		(546)	(48)	—	(594)	(127)	(23)	—	(150)
	TOTAL		**(458)**	**(25)**	**(21)**	**(504)**	**(64)**	**(16)**	**(21)**	**(101)**
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)		(147)	—	—	(147)	(96)	—	—	(96)
	Consolidated subsidiaries and other equity investments		(10)	—	—	(10)	(6)	—	—	(6)
	Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)		1	—	—	1	14	—	—	14
	Net change in receivables from financing activities		(3)	289	—	286	2	(94)	—	(92)
	Change in other current financial assets		5	—	—	5	30	—	—	30
	Other changes		305	(185)	—	120	459	105	—	564
	TOTAL		**151**	**104**	**—**	**255**	**403**	**11**	**—**	**414**
D)	**CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:**									
	Net change in debt and derivative assets/liabilities		(35)	(82)	—	(117)	497	21	—	518
	Dividends paid		—	(21)	21 [2]	—	—	(21)	21 [2]	—
	TOTAL		**(35)**	**(103)**	**21**	**(117)**	**497**	**—**	**21**	**518**
	Translation exchange differences		(44)	1	—	(43)	10	—	—	10
E)	**TOTAL CHANGE IN CASH AND CASH EQUIVALENTS**		**(386)**	**(23)**	**—**	**(409)**	**846**	**(5)**	**—**	**841**
F)	**CASH AND CASH EQUIVALENTS AT END OF THE PERIOD[*]**		**1,714**	**165**	**—**	**1,879**	**1,572**	**166**	**—**	**1,738**

(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.

(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 dividend from Financial Services to Industrial Activities.

(*) At 31 March 2023, it includes €21 million classified as "Assets held for sale" in the Condensed Consolidated Statement of Financial Position.

At 31 March 2023, the Group had cash and cash equivalents of €1,879 million, including €21 million classified as “Assets held for sale” in the Condensed Consolidated Statement of Financial Position. The decrease of €409 million, or -17.9%, from €2,288 million at 31 December 2022, was mainly due to Free Cash Flow absorption in the period, partially offset by the change of net receivables/payables from/to CNH Industrial.

Cash and cash equivalents at 31 March 2023 included €77 million (€83 million at 31 December 2022) of restricted cash that was reserved primarily for the servicing of securitization-related debt. At 31 March 2023, undrawn medium-term unsecured committed facilities were €2,051 million (€2,000 million at 31 December 2022) and other current financial assets were €20 million (€26 million at 31 December 2022).

At 31 March 2023, the aggregate of cash and cash equivalents, undrawn medium-term unsecured committed facilities and other current financial assets, which the Group consider to constitute the Group's principal liquid assets (or "Available liquidity"[(1)]), totaled €3,980 million (€4,364 million at 31 December 2022), which also included €30 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 2023 totaled €504 million and primarily comprised the following elements:

- change in working capital which absorbed €594 million;
- plus €137 million in non-cash charges for depreciation and amortization (net of commercial vehicles sold under buy-back commitments and operating leases);
- plus €10 million profit;

In the three months ended 31 March 2022, cash used by operating activities was €101 million, primarily due to €150 million seasonal working capital absorption and €15 million loss, partially offset by €139 million non-cash charges for depreciation and amortization.

Net Cash from Investing Activities

In the three months ended 31 March 2023, cash provided by investing activities was €255 million, primarily due to a net decrease in receivables from financing activities of €286 million and other changes of €120 million, mainly deriving from the change in receivables/payables from/to CNH Industrial, partially offset by investments in tangible and intangible assets of €147 million (including €95 million in capitalized development costs). Investments in tangible and intangible assets are net of investments in commercial vehicles for the Group's long-term rental operations and of investments relating to vehicles sold under buy-back commitments, which are reflected in cash flows relating to operating activities.

In the three months ended 31 March 2022, cash provided by investing activities totaled €414 million primarily due to other changes of €564 million deriving from the change in receivables/payables from/to CNH Industrial, partially offset by expenditures on 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.

Net Cash from Financing Activities

In the three months ended 31 March 2023, cash used by financing activities was €117 million primarily due to asset-backed financing reduction, compared to €518 million provided in the three months ended 31 March 2022, primarily deriving from drawing the €500 million syndicated term loan.

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

Consolidated Debt

Our consolidated Debt at 31 March 2023 and 31 December 2022 is as detailed in the following table:

	At 31 March 2023			At 31 December 2022		
(€ million)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Total Debt	**4,288**	**1,240**	**4,142**	**4,433**	**1,173**	**4,412**

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.

The calculation of Net Cash (Debt) at 31 March 2023 and 31 December 2022, 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:

	At 31 March 2023			At 31 December 2022		
(€ million)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Third party (debt)	(4,061)	(726)	(3,335)	(4,156)	(739)	(3,417)
Intersegment notes (payable)(1)	—	(512)	(582)	—	(432)	(720)
(Debt) payable to CNH Industrial(2)	(227)	(2)	(225)	(277)	(2)	(275)
Total (Debt)	**(4,288)**	**(1,240)**	**(4,142)**	**(4,433)**	**(1,173)**	**(4,412)**
Cash and cash equivalents(*)	1,879	1,714	165	2,288	2,100	188
Intersegment financial receivables(1)	—	582	512	—	720	432
Financial receivables from CNH Industrial(3)	54	30	24	146	50	96
Other current financial assets(4)	20	20	—	26	26	—
Derivative assets(5)	41	43	1	50	51	2
Derivative (liabilities)(5)	(45)	(46)	(2)	(46)	(47)	(2)
Net Cash (Debt)(6)	**(2,339)**	**1,103**	**(3,442)**	**(1,969)**	**1,727**	**(3,696)**

(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 €512 million and €432 million as of 31 March 2023 and 31 December 2022, respectively. Total Debt of Financial Services includes Intersegment notes payable to Industrial Activities of €582 million and €720 million as of 31 March 2023 and 31 December 2022, respectively.

(2) This item includes payables related to purchases of receivables or collections with settlement in the following days.

(3) This item includes receivables related to sales of receivables or collections with settlement in the following days.

(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 €-70 million and €-288 million as of 31 March 2023 and 31 December 2022, respectively.

(*) At 31 March 2023, it includes €21 million classified as "Assets held for sale" in the Condensed Consolidated Statement of Financial Position.

Net Debt at 31 March 2023 increased by €370 million compared to 31 December 2022 mainly reflecting €593 million negative Free Cash Flow of Industrial Activities partially offset by a decrease of Financial Services' third party debt driven by the portfolio seasonality.

The following table shows the change in Net Cash (Debt) of Industrial Activities for the three months ended 31 March 2023 and 2022:

(€ million)	Three months ended 31 March 2023	2022
Net Cash (Debt) of Industrial Activities at beginning of period	**1,727**	**1,063**
Adjusted EBIT of Industrial Activities	134	82
Depreciation and amortization	137	139
Depreciation of assets under operating leases and assets sold with buy-back commitments	57	58
Cash interest and taxes	(28)	(41)
Changes in provisions and similar[1]	(212)	(175)
Change in working capital	(546)	(127)
Operating cash flow of Industrial Activities	**(458)**	**(64)**
Investments in property, plant and equipment, and intangible assets[2]	(147)	(96)
Other changes	12	(6)
Free Cash Flow of Industrial Activities	**(593)**	**(166)**
Capital increases and dividends	—	—
Currency translation differences and other	(31)	(132)
Change in Net Cash (Debt) of Industrial Activities	**(624)**	**(298)**
Net Cash (Debt) of Industrial Activities at end of period	**1,103**	**765**

(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 2023, the Free Cash Flow of Industrial Activities was negative for €593 million, €427 million lower compared to the three months ended 31 March 2022 primarily due to the impact on inventory level deriving from high demand, as well as component shortage and supply chain issues.

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 2023 and 2022, is shown below:

(€ million)	Three months ended 31 March 2023	2022
Net cash provided by (used in) Operating Activities	**(504)**	**(101)**
Less: Cash flows from Operating Activities of Financial Services net of eliminations	46	37
Operating cash flow of Industrial Activities	**(458)**	**(64)**
Investments in property, plant and equipment, and intangible assets of Industrial Activities	(147)	(96)
Other changes[1]	12	(6)
Free Cash Flow of Industrial Activities	**(593)**	**(166)**

(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, these non-IFRS financial measures 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 a commercial paper program. IC Financial Services S.A. in Europe issued commercial paper under a program which had an amount of €66 million outstanding at 31 March 2023 and 31 December 2022.

Iveco Group continues to closely monitor its liquidity and capital resources for any potential impact that the challenging environment in which it operates, including the COVID-19 pandemic, Russia-Ukraine conflict, supply chain issues, cost and availability of energy, raw material cost increases and components availability, 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 that challenging environment.

2023 FINANCIAL GUIDANCE (*)

Based on current industry outlook, solid price realisation, strong order backlogs and still no signs of unusual levels of order cancellations, Iveco Group is updating upward its full year 2023 preliminary financial guidance as follows:

- **Consolidated Adjusted EBIT** increased between €600 million and €640 million
- **Net revenues of Industrial Activities**(**) increased up between 3% and 5% versus full year 2022
- **Adjusted EBIT of Industrial Activities** increased at between €510 million and €550 million
- **SG&A costs of Industrial Activities** confirmed at **~** 6% of net revenues
- **Net cash of Industrial Activities**(***) at **~** €2.0 billion
- **Investments of Industrial Activities**(****) now forecasted up **~** 15% versus full year 2022.

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

(**) Including currency translation effects.

(***) Including transactions already communicated and related impacts (excluding any share buy-back or additional extraordinary transactions)

(****) Investments in property, plant and equipment, and intangible assets (excluding assets sold under buy-back commitments and assets under operating leases).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited)

		Three months ended 31 March	
(€ million)	Note	**2023**	**2022**
Net revenues	(1)	3,399	3,048
Cost of sales	(2)	2,851	2,651
Selling, general and administrative costs	(3)	229	222
Research and development costs	(4)	125	108
Result from investments:	(5)	(5)	1
Share of the profit/(loss) of investees accounted for using the equity method		(5)	1
Gains/(losses) on the disposal of investments		—	5
Restructuring costs	(6)	2	1
Other income/(expenses)	(7)	(79)	(31)
EBIT		**108**	**41**
Financial income/(expenses)	(8)	(74)	(34)
PROFIT/(LOSS) BEFORE TAXES		**34**	**7**
Income tax (expense) benefit	(9)	(24)	(22)
PROFIT/(LOSS) FOR THE PERIOD		**10**	**(15)**

PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		6	(17)
Non-controlling interests		4	2

(in €)			
BASIC EARNINGS/(LOSS) PER COMMON SHARE	(10)	**0.02**	**(0.06)**
DILUTED EARNINGS/(LOSS) PER COMMON SHARE	(10)	**0.02**	**(0.06)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

		Three months ended 31 March	
(€ million)	Note	**2023**	**2022**
PROFIT/(LOSS) FOR THE PERIOD (A)		**10**	**(15)**
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:			
Net change in fair value of equity investments measured at fair value through other comprehensive income	(20)	(23)	24
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)		**(23)**	**24**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedging instruments	(20)	(1)	(26)
Exchange gains/(losses) on translating foreign operations	(20)	(43)	49
Tax effect of Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	(20)	—	(1)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss, net of tax (B2)		**(44)**	**22**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX (B) = (B1) + (B2)		**(67)**	**46**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**(57)**	**31**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		(63)	26
Non-controlling interests		6	5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(€ million)	Note	At 31 March 2023	At 31 December 2022
ASSETS			
Intangible assets	(11)	1,603	1,511
Property, plant and equipment	(12)	3,010	3,097
Investments and other non-current financial assets:	(13)	223	237
Investments accounted for using the equity method		160	150
Equity investments measured at fair value through other comprehensive income		39	62
Other investments and non-current financial assets		24	25
Leased assets	(14)	66	70
Deferred tax assets		694	700
Total Non-current assets		**5,596**	**5,615**
Inventories	(15)	3,605	2,838
Trade receivables	(16)	349	341
Receivables from financing activities	(16)	4,002	4,378
Current tax receivables	(16)	91	95
Other current receivables and financial assets	(16)	378	339
Prepaid expenses and other assets		61	68
Derivative assets	(17)	41	50
Cash and cash equivalents	(18)	1,858	2,288
Total Current assets		**10,385**	**10,397**
Assets held for sale	(19)	73	1
TOTAL ASSETS		**16,054**	**16,013**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(CONTINUED)

(€ million)	Note	At 31 March 2023	At 31 December 2022
EQUITY AND LIABILITIES			
Issued capital and reserves attributable to owners of the parent		2,327	2,354
Non-controlling interests		58	37
Total Equity	(20)	**2,385**	**2,391**
Provisions:		2,061	2,108
Employee benefits	(21)	423	510
Other provisions	(21)	1,638	1,598
Debt:	(22)	4,288	4,433
Asset-backed financing	(22)	3,066	3,149
Other debt	(22)	1,222	1,284
Derivative liabilities	(17)	45	46
Trade payables	(23)	3,925	3,690
Tax liabilities		90	107
Deferred tax liabilities		26	25
Other current liabilities	(24)	3,162	3,213
Liabilities held for sale		72	—
Total Liabilities		**13,669**	**13,622**
TOTAL EQUITY AND LIABILITIES		**16,054**	**16,013**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

		Three months ended 31 March	
(€ million)	Note	**2023**	**2022**
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(18)	**2,288**	**897**
B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:			
Profit/(loss) for the period		10	(15)
Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)		137	139
(Gains)/losses on disposal of non-current assets (net of vehicles sold under buy-back commitments)		—	(5)
Other non-cash items		4	23
Dividends received		—	—
Change in provisions		(27)	(53)
Change in deferred income taxes		3	(36)
Change in items due to buy-back commitments	(a)	(31)	3
Change in operating lease items	(b)	(6)	(7)
Change in working capital		(594)	(150)
TOTAL		**(504)**	**(101)**
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)		(147)	(96)
Consolidated subsidiaries and other equity investments		(10)	(6)
Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)		1	14
Net change in receivables from financing activities		286	(92)
Change in other current financial assets		5	30
Other changes		120	564
TOTAL		**255**	**414**
D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Issuance of other medium-term borrowings (net of repayment)		(16)	4
Net change in other financial payables and derivative assets/liabilities		(101)	514
TOTAL		**(117)**	**518**
Translation exchange differences		(43)	10
E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**(409)**	**841**
F) CASH AND CASH EQUIVALENTS AT END OF PERIOD	(18)	**1,879**	**1,738**

(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.
(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)

(€ million)							Attributable to the owners of the parent				
	Invested capital and retained earnings (*)	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
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**

(€ million)						Attributable to the owners of the parent				
	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
AT 31 DECEMBER 2022	**3**	**2,311**	**566**	**(3)**	**(255)**	**(89)**	**(179)**	**—**	**37**	**2,391**
Share-based compensation expense	—	—	3	—	—	—	—	—	—	**3**
Total comprehensive income/(loss) for the period	—	—	6	(1)	(45)	—	(23)	—	6	**(57)**
Other changes(1)	—	—	33	—	—	—	—	—	15	**48**
AT 31 MARCH 2023	**3**	**2,311**	**608**	**(4)**	**(300)**	**(89)**	**(202)**	**—**	**58**	**2,385**

(1) Other changes of "Earnings reserves" primarily 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. Furthermore, as of 30 June 2022, the Company applied the hyperinflationary accounting in Türkiye, with effect from 1 January 2022.

(*) During the year ended 31 December 2021, Iveco Group did not comprise a separate parent company or group of entities. The amounts at 31 December 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 earnings reserves 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, which upon incorporation was 100% owned by CNH Industrial N.V. ("CNH Industrial" and together with its subsidiaries the "CNH Industrial Group"), 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 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.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Interim Condensed Consolidated Financial Statements at 31 March 2023 together with the notes thereto (the "Interim Condensed Consolidated Financial Statements") were authorized for issuance on 17 May 2023 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 Iveco Group Consolidated Financial Statements at 31 December 2022, available on the Company's website, except as described in the following paragraph "New standards and amendments effective from 1 January 2023".

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 effects of the supply chain issues, energy and inflation costs, and the Russia-Ukraine conflict, 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 supply chain issues, raw material price increases, cost and availability of energy, and components availability, and Russia-Ukraine conflict, 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 Iveco Group Consolidated Financial Statements at 31 December 2022 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. Iveco Group believes that the risks and uncertainties identified are in line with the main risks and uncertainties to which the Group is exposed and that were presented in its Annual Report at 31 December 2022. For a detailed description of this information see the "Risk factors" section and Note 30 "Information on financial risks" of Iveco Group Consolidated Financial Statements at 31 December 2022. Those risks and uncertainties should be read in conjunction with this Interim Report, including its notes and disclosures. Additional risks and uncertainties not currently known or that are currently judged to be immaterial may also materially affect the Group's business, financial condition or operating results.

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 2023

- On 12 February 2021 the IASB issued the *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*, requiring to disclose the material accounting policy information rather than the significant accounting policies. Furthermore, the amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective from 1 January 2023. These amendments had no impact on these Interim Condensed Consolidated Financial Statements.
- On 12 February 2021 the IASB issued the *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*. The amendments clarify how to distinguish changes in accounting policies (generally also applied retrospectively to past transactions and other past events) from changes in accounting estimates (applied prospectively only to future transactions and other future events). These amendments are effective from 1 January 2023. These amendments had no impact on these Interim Condensed Consolidated Financial Statements.
- On 7 May 2021 the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*, which specifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments clarify that no exemption applies on such transactions and that companies are required to recognize deferred tax when they recognize the related assets or liabilities for the first time. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. These amendments 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 Consolidated Financial Statements at 31 December 2022, for a description of other new standards not yet effective and not adopted as of 31 March 2023.

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 first quarter, Iveco Group recorded a negative after-tax impact of €51 million in connection with its operations in Russia and Ukraine, primarily due to the impairment of certain assets and EU sanctions preventing further commercial activities with Russian legal entities and individuals. On 20 July 2022, the Company executed a dissolution agreement with the Russian JV, IVECO AMT, also formally presenting its withdrawal from the legal entity. Accordingly, the Iveco Group stake (33.3%) was returned to IVECO AMT. 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.

BUSINESS COMBINATIONS

In the first quarter of 2023, IDV, the brand of Iveco Group specialised in defence and civil protection equipment, acquired a controlling stake in MIRA UGV, the Uncrewed Ground Vehicle division of HORIBA MIRA, a global provider of automotive engineering, research and test services, headquartered in the U.K. for a total consideration of £41.5 million (approximately €47 million), of which £26.6 million already paid. The initial accounting for this business combination is still in progress, as such, in compliance with IFRS 3, we reported in our financial statements at 31 March 2023 some provisional amounts, including the recognition of €25 million goodwill. During the measurement period, usually not exceeding one year from the acquisition date, the Group will retrospectively adjust the provisional amounts recognised to reflect any new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

COMPOSITION AND PRINCIPAL CHANGES

1. Net revenues

The following table summarizes Net revenues for the three months ended 31 March 2023 and 2022:

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Commercial and Specialty Vehicles	2,805	2,504
Powertrain	1,113	975
Eliminations and Other	(590)	(469)
Total Industrial Activities	**3,328**	**3,010**
Financial Services	**99**	**49**
Eliminations and Other	(28)	(11)
Total Net revenues	**3,399**	**3,048**

The following table disaggregates Net revenues by major source for the three months ended 31 March 2023 and 2022:

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Revenues from:		
Sales of goods	3,111	2,788
Rendering of services and other revenues	147	151
Rents and other income on assets sold with a buy-back commitment	70	71
Revenues from sales of goods and services	**3,328**	**3,010**
Finance and interest income	63	31
Rents and other income on operating lease	8	7
Total Net revenues	**3,399**	**3,048**

During the three months ended 31 March 2023 and 2022, revenues included €130 million and €136 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 2023, 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 €1.9 billion (approximately €2.2 billion as of 31 December 2022). Iveco Group expects to recognize revenue on approximately 31% and 75% of the remaining performance obligations over the next 12 and 36 months, respectively (approximately 32% and 76%, respectively, as of 31 December 2022), with the remaining recognized thereafter.

2. Cost of sales

Cost of sales amounted to €2,851 million in the three months ended 31 March 2023 compared to €2,651 million in the three months ended 31 March 2022 which included €43 million related to the impairment of certain assets in connection with Group operations in Russia and Ukraine.

3. Selling, general and administrative costs

Selling, general and administrative costs amounted to €229 million and €222 million in the three months ended 31 March 2023 and 2022, respectively. As a percentage of net revenues, Selling, general and administrative costs were 6.7% in the three months ended 31 March 2023, compared to 7.3% for the three months ended 31 March 2022.

4. Research and development costs

In the three months ended 31 March 2023, research and development costs were €125 million (€108 million in the three months ended 31 March 2022) and included all the research and development costs not recognized as assets in the period amounting to €73 million (€53 million in the three months ended 31 March 2022) and the amortization of capitalized development costs of €52 million (€55 million in the three months ended 31 March 2022). During the three months ended 31 March 2023, the Group capitalized new development costs of €95 million (€59 million in the three months ended 31 March 2022). The costs in both periods were primarily attributable to spending on engine development associated with emission requirements and continued investment in new products.

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 2023, Iveco Group's share in the net profit or loss of the investees accounted for using the equity method was a loss of €5 million (gain of €1 million in the three months ended 31 March 2022).

6. Restructuring costs

Iveco Group incurred restructuring costs of €2 million during the three months ended 31 March 2023 (€1 million during the three months ended 31 March 2022).

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 €79 million and €31 million in the three months ended 31 March 2023 and 2022, respectively. In the three months ended 31 March 2023, this item primarily included the negative impact of €43 million from the agreed acquisition of full ownership of Nikola Iveco Europe GmbH (refer to Note 30 "Subsequent events" for details). In both periods, this item included legal costs, indirect taxes, and separation costs related to the spin-off of the Iveco Group business.

8. Financial income/(expenses)

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

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Financial income (a)	**33**	**9**
Interest and other financial expenses (b)	**66**	**30**
Net income/(expenses) from derivative financial instruments	(6)	(28)
Exchange rate differences and other	(35)	15
Total net income/(expenses) from derivative financial instruments, exchange rate differences and other (c)	**(41)**	**(13)**
Net financial income/(expenses) (a) - (b) + (c)	**(74)**	**(34)**

Capitalized borrowing costs amounted to €3 million and €2 million during the three months ended 31 March 2023 and 2022.

9. Income tax (expense) benefit

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

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Current taxes	(39)	(30)
Deferred taxes	15	10
Taxes relating to prior periods	—	(2)
Total Income tax (expense) benefit	**(24)**	**(22)**

The effective tax rates for the three months ended 31 March 2023 and 2022 were 70.6% and 314.3%, respectively. The effective tax rate for the three months ended 31 March 2023 primarily reflects the negative impact of €44 million from the agreed acquisition of full ownership of Nikola Iveco Europe GmbH, €7 million cost related to certain claims arising from the EU Commission's 2016 antitrust settlement decision, the cost related to the spin-off of the Iveco Group business, as well as the restructuring costs, the different tax rates applied in the jurisdictions where the Group operates, unbenefited losses in certain jurisdictions, and some other discrete tax items. The effective tax rate for the three months ended 31 March 2022 primarily reflected 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.

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, 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 share units and performance share units deriving from the Iveco Group share-based payment awards are considered dilutive potential common shares.

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

		Three months ended 31 March	
		2023	2022
Basic:			
Profit/(loss) attributable to the owners of the parent	€ million	6	(17)
Weighted average Common Shares outstanding – basic	million	271	271
Basic earnings/(loss) per common share	€	**0.02**	**(0.06)**

Diluted:			
Profit/(loss) attributable to the owners of the parent	€ million	6	(17)
Weighted average Common Shares outstanding – basic	million	271	271
Effect of dilutive potential Common Shares (when dilutive):			
Share compensation plans	million	4	—
Weighted average Common Shares outstanding – diluted	million	275	271
Diluted earnings/(loss) per common share	€	**0.02**	**(0.06)**

11. Intangible assets

Changes in the carrying amount of Intangible assets for the three months ended 31 March 2023 were as follows:

(€ million)	Carrying amount at 31 December 2022	Additions	Amortization	Foreign exchange effects and other changes	Carrying amount at 31 March 2023
Goodwill	69	25	—	—	94
Development costs	1,284	95	(52)	—	1,327
Other	158	8	(9)	25	182
Total Intangible assets	**1,511**	**128**	**(61)**	**25**	**1,603**

Increases in Goodwill refer to acquisitions discussed in section "Business combinations" above.

Goodwill is allocated to the segments as follows: Commercial and Specialty Vehicles for €78 million, Powertrain for €4 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 2022. The results of the impairment tests confirmed the absence of an impairment loss. During the three months ended 31 March 2023, 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 2023 were as follows:

(€ million)	Carrying amount at 31 December 2022	Additions	Depreciation	Impairment	Foreign exchange effects	Transfer to assets held for sale	Disposals and other changes	Carrying amount at 31 March 2023
Property, plant and equipment acquired	1,559	44	(61)	—	(5)	(3)	20	1,554
Right-of-use assets	183	13	(15)	—	(1)	(4)	1	177
Assets sold with a buy-back commitment	1,355	83	(55)	(5)	(1)	(19)	(79)	1,279
Total Property, plant and equipment	**3,097**	**140**	**(131)**	**(5)**	**(7)**	**(26)**	**(58)**	**3,010**

At 31 March 2023, right-of-use assets refer primarily to the following lease contracts: industrial buildings for €120 million (€127 million at 31 December 2022), plant, machinery and equipment for €17 million (€16 million at 31 December 2022), and other assets for €40 million (€40 million at 31 December 2022). 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 (€3 million in the three months ended 31 March 2023 and €1 million in the three months ended 31 March 2022) 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 2023 and 31 December 2022 consisted of the following:

(€ million)	**At 31 March 2023**	**At 31 December 2022**
Equity investments measured at fair value through other comprehensive income	39	62
Other investments	170	161
Total Investments	209	223
Non-current financial receivables and other non-current securities	14	14
Total Investments and other non-current financial assets	**223**	**237**

Equity investments measured at fair value through other comprehensive income mainly include the €28 million fair value of the approximately 4% 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 three months ended 31 March 2023 and 2022, Iveco Group recorded in Other comprehensive income a pre- and after-tax loss of €23 million and a pre- and after-tax gain of €24 million, respectively, from the remeasurement at fair value of the investment in Nikola.

At 31 March 2023, Equity investments measured at fair value through other comprehensive income also included a minor investment in a non-listed company in India considered strategic in nature.

Changes in Investments were as follows:

(€ million)	**At 31 December 2022**	**Revaluations/ (Write-downs)**	**Acquisitions and capitalizations**	**Fair value remeasurements**	**Other changes**	**At 31 March 2023**
Equity investments measured at fair value through other comprehensive income	62	—	1	(23)	(1)	39
Other investments	161	—	21	—	(12)	170
Total Investments	**223**	**—**	**22**	**(23)**	**(13)**	**209**

Other investments amounted to €170 million at 31 March 2023 (€161 million at 31 December 2022) and primarily included for €107 million (€104 million at 31 December 2022) CIFINS S.p.A., legal entity jointly held by Iveco Group and CNH Industrial, which holds 49.9% of CNH Capital Europe S.a.S., a joint venture with the BNP Paribas Group providing financing solutions to customers of both Iveco Group and CNH Industrial Group in several European countries. Other changes includes the impact on the item "Other investments" deriving from the agreed acquisition of full ownership of Nikola Iveco Europe GmbH, which before the agreement was accounted for under the equity method.

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 2023 were as follows:

(€ million)	**Carrying amount at 31 December 2022**	**Additions**	**Depreciation**	**Foreign exchange effects**	**Disposals and other changes**	**Carrying amount at 31 March 2023**
Leased assets	**70**	13	(7)	(1)	(9)	**66**

15. Inventories

At 31 March 2023 and 31 December 2022, Inventories consisted of the following:

(€ million)	At 31 March 2023	At 31 December 2022
Raw materials	704	649
Finished goods and work-in-progress	2,901	2,189
Total Inventories	**3,605**	**2,838**

At 31 March 2023, Inventories were up €767 million compared to 31 December 2022, reflecting solid seasonal delivery levels in the last quarter of the year. At 31 March 2023, 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 €13 million (€11 million at 31 December 2022).

16. Current receivables and Other current financial assets

A summary of Current receivables and Other current financial assets as of 31 March 2023 and 31 December 2022 is as follows:

(€ million)	At 31 March 2023	At 31 December 2022
Trade receivables	349	341
Receivables from financing activities	4,002	4,378
Current tax receivables	91	95
Other current receivables and financial assets:		
Other current receivables	358	313
Other current financial assets	20	26
Total Other current receivables and financial assets	378	339
Total Current receivables and Other current financial assets	**4,820**	**5,153**

Receivables from financing activities

A summary of Receivables from financing activities as of 31 March 2023 and 31 December 2022 is as follows:

(€ million)	At 31 March 2023	At 31 December 2022
Retail:		
Retail financing	18	10
Finance leases	54	57
Total Retail	72	67
Wholesale:		
Dealer financing	3,864	4,156
Total Wholesale	3,864	4,156
Other	66	155
Total Receivables from financing activities	**4,002**	**4,378**

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, distributors and end customers and, to a lesser extent, the financing of dealer operations. Under the standard terms of the wholesale receivable agreements, 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 obliged 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 2023 and 2022 relating to the termination of dealer contracts.

Iveco Group assesses 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. Interest accrual is resumed if the receivable becomes contractually current and collections becomes probable.

The aging of Receivables from financing activities as of 31 March 2023 and 31 December 2022 is as follows (receivables are primarily related to Europe region):

								At 31 March 2023
(€ 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	100	—	—	**100**	26	**126**	(54)	**72**
Total Wholesale	3,917	6	4	**3,927**	62	**3,989**	(125)	**3,864**

								At 31 December 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	102	—	1	**103**	26	**129**	(62)	**67**
Total Wholesale	4,204	7	5	**4,216**	60	**4,276**	(120)	**4,156**

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 judgement.

Allowance for credit losses activity for the three months ended 31 March 2023 is as follows:

	Three months ended 31 March 2023							
	Retail				Wholesale			
(€ million)	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Opening balance	**2**	**—**	**60**	**62**	**25**	**—**	**95**	**120**
Provision (benefit)	1	—	(9)	(8)	2	—	3	5
Charge-offs, net of recoveries	—	—	—	—	—	—	—	—
Transfers	—	—	—	—	—	—	—	—
Foreign currency translation and other	—	—	—	—	—	—	—	—
Ending balance	**3**	**—**	**51**	**54**	**27**	**—**	**98**	**125**
Receivables:								
Ending balance	**56**	**—**	**16**	**72**	**3,833**	**6**	**25**	**3,864**

At 31 March 2023, the change in allowance for credit losses is 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 2022 and for the year ended 31 December 2022 is as follows:

	Three months ended 31 March 2022							
	Retail				Wholesale			
(€ million)	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Opening balance	**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**

(€ million)	Year ended 31 December 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
Opening balance	**3**	**—**	**86**	**89**	**8**	**—**	**90**	**98**
Provision (benefit)	(1)	—	(8)	(9)	17	—	19	36
Charge-offs, net of recoveries	—	—	(18)	(18)	—	—	(16)	(16)
Transfers	—	—	—	—	—	—	—	—
Foreign currency translation and other	—	—	—	—	—	—	2	2
Ending balance	**2**	**—**	**60**	**62**	**25**	**—**	**95**	**120**
Receivables:								
Ending balance	**13**	**—**	**54**	**67**	**4,111**	**4**	**41**	**4,156**

At 31 March 2022 the change in allowance for credit losses is mainly related to receivables from Russian counterparts that have been fully covered with allowances, while overall, for the year ended 31 December 2022, the change in allowance is mainly related to the write-offs registered over the period.

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 securitization 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 2023 and 31 December 2022, the carrying amounts of such restricted assets included in Receivables from financing activities are the following:

(€ million)	At 31 March 2023	At 31 December 2022
Restricted receivables:		
Retail financing and finance lease receivables	20	21
Wholesale receivables	3,631	3,840
Total restricted receivables	**3,651**	**3,861**

Iveco Group has discounted receivables and bills without recourse having due dates beyond 31 March 2023 amounting to €172 million (€183 million at 31 December 2022, 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 ongoing supply chain disruptions, cost and availability of energy, and components availability, 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. 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 €-9 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 €2.1 billion at 31 March 2023 and €3.3 billion at 31 December 2022.

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 2023 and 31 December 2022 are considered Level 2. The fair market value of these derivatives is calculated using market data input and can be compared to actively traded derivatives. The total notional amount of Iveco Group's interest rate derivatives was nil at 31 March 2023 and at 31 December 2022.

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 2023 and 2022:

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Cash flow hedges		
Recognized in Other comprehensive income (effective portion):		
Foreign exchange derivatives	(8)	(41)
Interest rate derivatives	—	10
Reclassified from other comprehensive income (effective portion):		
Foreign exchange derivatives - Net revenues	4	2
Foreign exchange derivatives - Cost of sales	(14)	(5)
Foreign exchange derivatives - Financial income/(expenses)	3	(2)
Interest rate derivatives - Cost of sales	—	—
Not designated as hedges		
Foreign exchange derivatives - Financial income/(expenses)	(14)	(5)

The fair values of Iveco Group's derivatives as of 31 March 2023 and 31 December 2022 in the condensed consolidated statement of financial position are recorded as follows:

	At 31 March 2023		At 31 December 2022	
(€ million)	**Positive fair value**	**Negative fair value**	**Positive fair value**	**Negative fair value**
Derivatives designated as hedging instruments				
Cash flow hedges:				
Foreign exchange derivatives	27	(29)	34	(32)
Total Cash flow hedges	27	(29)	34	(32)
Total Derivatives designated as hedging instruments	**27**	**(29)**	**34**	**(32)**
Derivatives not designated as hedging instruments				
Foreign exchange derivatives	14	(16)	16	(14)
Total Derivatives not designated as hedging instruments	**14**	**(16)**	**16**	**(14)**
Derivative assets/(liabilities)	**41**	**(45)**	**50**	**(46)**

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 2023, this item included €77 million (€83 million at 31 December 2022) 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 €99 million (€173 million at 31 December 2022) of money market securities and other cash equivalents.

19. Assets and liabilities held for sale

On 30 March 2023, Iveco Group announced the signing of a letter of intent for the transfer to Hedin Mobility Group AB of its distribution and retail commercial operations in Sweden, Norway, Finland, and Denmark. Specifically, the Group intends to transfer its commercial activities for light, medium and heavy trucks, including retail minibuses but excluding all other assets relating to bus activities, financial services, and other Group businesses. Subject to regulatory approval, the transaction is expected to be completed by the end of 2023 and the relevant operations have been classified as a disposal group held for sale and presented separately in the condensed consolidated statement of financial position. The major classes of assets and liabilities comprising the operations classified as held for sale at 31 March 2023 are Property, plant and equipment (€26 million), Cash and cash equivalents (€21 million), Inventories (€19 million), Provisions (€12 million), Other current liabilities (€52 million) and Trade payables (€4 million).

There are no cumulative income or expenses included in other comprehensive income relating to the disposal group.

In addition to the above, Assets held for sale at 31 March 2023 and 31 December 2022 also included certain 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 having a per share par value of one euro cent (€0.01). As of 31 March 2023, the Company's share capital was €3,454,589.70, fully paid-in, and consisted of 271,215,400 Common Shares and 74,243,570 Special Voting Shares (74,171,625 Special Voting Shares outstanding, net of 71,945 Special Voting Shares surrendered to the Company following the de-registration of the corresponding Qualifying Common Shares from the Loyalty Register and which are held as treasury shares by the Company).

Policies and processes for managing capital

Pursuant to the Articles of Association, 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.

On 2 March 2023 the Board of Directors decided to not propose any dividend distribution to the Company's shareholders.

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.

The Company shall only have power to make distributions to shareholders and other persons entitled to distributable profits to the extent the Company's equity exceeds the sum of the paid-up portion of the share capital and the reserves that must be maintained in accordance with provision of law. No distribution of profits may be made to the Company itself for shares that the Company holds in its own share capital.

The Board of Directors has the power to declare one or more interim dividends, provided that the requirements of the Article 21 paragraph 5 of the Articles of Association are duly observed as evidenced by an interim statement of assets and liabilities as referred to in Article 2:105 paragraph 4 of the Dutch Civil Code and provided further that the policy of the Company on additions to reserves and dividends is duly observed. The provisions of the Article 21 paragraphs 2 and 3 of the Articles of Association shall apply mutatis mutandis.

The Board of Directors may determine that dividends or interim dividends, as the case may be, shall be paid, in whole or in part, from the Company's share premium reserve or from any other reserve, provided that payments from reserves may only be made to the shareholders that are entitled to the relevant reserve upon the dissolution of the Company.

Dividends and other distributions of profit shall be made payable in the manner and at such date(s) - within four weeks after declaration thereof - and notice thereof shall be given, as the general meeting of shareholders, or in the case of interim dividends, the Board of Directors shall determine, provided, however, that the Board of Directors shall have the right to determine that each payment of annual dividends in respect of shares be deferred for a period not exceeding five consecutive annual periods. Dividends and other distributions of profit, which have not been collected within five years and one day after the same have become payable, shall become the property of the Company.

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. 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), 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 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. For further details, see paragraphs "Loyalty voting program" of the Corporate Governance section of the Iveco Group's Annual Report at 31 December 2022.

Other comprehensive income/(loss)

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

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity investments measured at fair value through other comprehensive income[(1)]	(23)	24
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss (A)	**(23)**	**24**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedging instruments arising during the period	(8)	(31)
(Gains)/losses on cash flow hedging instruments reclassified to profit or loss	7	5
Gains/(losses) on cash flow hedging instruments	(1)	(26)
Exchange gains/(losses) on translating foreign operations arising during the period	(26)	49
Exchange (gains)/losses on translating foreign operations reclassified to profit or loss	—	—
Exchange gains/(losses) on translating foreign operations	(43)	49
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss (B)	**(44)**	**23**
Tax effect (C)	**—**	**(1)**
Total Other comprehensive income/(loss), net of tax (A) + (B) + (C)	**(67)**	**46**

(1) In the three months ended 31 March 2023 and 2022, 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					
	2023			2022		
(€ million)	**Before tax amount**	**Tax (expense)/ benefit**	**Net-of-tax amount**	**Before tax amount**	**Tax (expense)/ benefit**	**Net-of-tax amount**
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:						
Net change in fair value of equity investments measured at fair value through other comprehensive income[(1)]	(23)	—	(23)	24	—	24
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	**(23)**	**—**	**(23)**	**24**	**—**	**24**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:						
Gains/(losses) on cash flow hedging instruments	(1)	—	(1)	(26)	—	(26)
Exchange gains/(losses) on translating foreign operations	(43)	—	(43)	49	(1)	48
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	**(44)**	**—**	**(44)**	**23**	**(1)**	**22**
Total Other comprehensive income/(loss)	**(67)**	**—**	**(67)**	**47**	**(1)**	**46**

(1) In the three months ended 31 March 2023 and 2022, 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 €3 million and €4 million for the three months ended 31 March 2023 and 2022, respectively.

21. Provisions

A summary of Provisions at 31 March 2023 and 31 December 2022 is as follows:

(€ million)	**At 31 March 2023**	**At 31 December 2022**
Employee benefits	423	510
Other provisions:		
Warranty and technical assistance provision	431	430
Restructuring provision	32	35
Investment provision	5	5
Other risks:		
Commercial risks	423	384
Marketing and sales incentives programs	383	368
Legal proceedings and other disputes	64	91
Other reserves for risks and charges	300	285
Total Other risks	1,170	1,128
Total Other provisions	1,638	1,598
Total Provisions	**2,061**	**2,108**

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, the 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 2023**	**At 31 December 2022**
Asset-backed financing	3,066	3,149
Other debt:		
Borrowings from banks	720	721
Payables represented by securities	66	66
Lease liabilities	179	185
Other	257	312
Total Other debt	1,222	1,284
Total Debt	**4,288**	**4,433**

Total Debt was €4,288 million at 31 March 2023, a decrease of €145 million compared to 31 December 2022, primarily as a result of a decrease of Financial Services' third party debt driven by the portfolio seasonality and lower financial payables to CNH Industrial.

The item Asset-backed financing represents the financing received through both asset-backed securitization 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 2023, €16 million for the principal portion of Lease liabilities and €2 million for interest expenses related to lease liabilities were paid, respectively (€16 million and €1 million, respectively, were paid during the three months ended 31 March 2022).

The following table sets out a maturity analysis of Lease liabilities at 31 March 2023 and 31 December 2022:

(€ million)	**At 31 March 2023**	**At 31 December 2022**
Less than one year	56	57
One to two years	40	41
Two to three years	30	30
Three to four years	19	21
Four to five years	12	13
More than five years	45	46
Total undiscounted lease payments	**202**	**208**
Less: Interest	(23)	(23)
Total Lease liabilities	**179**	**185**

At 31 March 2023, 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 6.3 years and 3.0%, respectively (6.3 years and 2.8%, respectively, at 31 December 2022).

With the purpose of further diversifying its funding structure, Iveco Group has established a commercial paper program. IC Financial Services S.A. in Europe issued commercial paper under a program which had an amount of €66 million outstanding at 31 March 2023 and 31 December 2022.

23. Trade payables

Trade payables were €3,925 million at 31 March 2023 and increased by €235 million from the amount at 31 December 2022.

24. Other current liabilities

At 31 March 2023, Other current liabilities mainly included €920 million of amounts payable to customers relating to the repurchase price on buy-back agreements (€995 million at 31 December 2022), and €1,255 million of contract liabilities (€1,280 million at 31 December 2022), of which €594 million for future rents related to buy-back agreements (€619 million at 31 December 2022). Other current liabilities also included accrued expenses and deferred income of €146 million (€137 million at 31 December 2022).

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, regulatory and contractual issues, competition law, anti-corruption and other investigations, 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, 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. and Iveco Magirus AG (together "Iveco"), which, following the Demerger, are 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, Iveco S.p.A. and Iveco Magirus AG ("IMAG") have been named as defendants in many proceedings across Europe and Israel. These damage claims could result in substantial liabilities for the Group as well as incurring in significant defense costs, which may have a material adverse effect on its operations and financial condition. The extent and outcome of these claims, in the absence of any final judgement, cannot be reliably predicted at this time and, therefore, the Group did not recognize any specific provision for these claims. In the first quarter of 2023, Iveco Group recognized a cost of €7 million related to certain claims for which it was possible to make an estimate. This current position will be reassessed from time to time and updated as necessary. 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.

Commitments and guarantees

Iveco Group provided guarantees on the debt or commitments of third parties and performance guarantees, mainly in the interest of an associate providing financing solutions to customers and a joint venture related to commercial commitments of defense vehicles, totaling €409 million at 31 March 2023 and at 31 December 2022.

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, minibuses, city-buses, intercity buses and coaches under the IVECO BUS (previously Iveco Irisbus) and HEULIEZ brands, large-scale heavy-duty quarry and construction vehicles under the ASTRA brand, firefighting vehicles under the MAGIRUS brand, and vehicles for civil defense and peace-keeping missions under the IDV 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 by 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.

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 and Financial Services segments' 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 2023	2022
Commercial and Specialty Vehicles	127	93
Powertrain	61	45
Unallocated items, eliminations and other	(54)	(56)
Adjusted EBIT of Industrial Activities	134	82
Financial Services	28	20
Eliminations and other	—	—
Total Adjusted EBIT	**162**	**102**

A reconciliation from Adjusted EBIT to Iveco Group's consolidated Profit/(loss) before taxes for the three months ended 31 March 2023 and 2022 is provided below:

(€ million)	Three months ended 31 March 2023	2022
Adjusted EBIT of Industrial Activities	134	82
Adjusted EBIT of Financial Services	28	20
Adjusted EBIT	**162**	**102**
Restructuring costs	(2)	(1)
Other discrete items(1)	(52)	(60)
Financial income/(expenses)	(74)	(34)
Profit/(loss) before taxes	**34**	**7**

(1) In the three months ended 31 March 2023, this item mainly includes €43 million from the agreed acquisition of full ownership of Nikola Iveco Europe GmbH. In the three months ended 31 March 2022, this item mainly included €53 million in connection with our Russian and Ukrainian operations, primarily due to the impairment of certain assets.

There are no segment assets or liabilities 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 2023 and 2022 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 2023 and 31 December 2022:

		At 31 March 2023				At 31 December 2022			
(€ million)	Note	**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)	28	—	11	**39**	52	—	10	**62**
Other investments	(13)	—	—	11	**11**	—	—	11	**11**
Derivative assets	(17)	—	41	—	**41**	—	50	—	**50**
Total Assets		**28**	**41**	**22**	**91**	**52**	**50**	**21**	**123**
Derivative liabilities	(17)	—	(45)	—	**(45)**	—	(46)	—	**(46)**
Total Liabilities		**—**	**(45)**	**—**	**(45)**	**—**	**(46)**	**—**	**(46)**

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 2023 and 2022:

(€ million)	**Three months ended 31 March 2023**	**Three months ended 31 March 2022**
At 1 January	**21**	**13**
Acquisitions/(disposals)	1	—
Gains/(Losses) recognized in Other comprehensive income/(loss)	—	—
Transfer from Level 3 to Level 1	—	—
Other changes	—	—
At 31 March	**22**	**13**

A 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 2023 and 31 December 2022 are as follows:

		At 31 March 2023				
(€ million)	Note	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Carrying amount**
Total Financial receivables from CNH Industrial	(16)	**—**	**—**	**54**	**54**	**54**
Retail financing	(16)	—	—	18	**18**	**18**
Dealer financing	(16)	—	—	3,862	**3,862**	**3,864**
Finance leases	(16)	—	—	49	**49**	**54**
Other receivables from financing activities	(16)	—	—	66	**66**	**66**
Total Receivables from financing activities		**—**	**—**	**3,995**	**3,995**	**4,002**
Asset-backed financing	(22)	—	3,066	—	**3,066**	**3,066**
Borrowings from banks	(22)	—	715	—	**715**	**720**
Payables represented by securities	(22)	—	66	—	**66**	**66**
Lease liabilities	(22)	—	—	179	**179**	**179**
Other debt(1)	(22)	—	30	227	**257**	**257**
Total Debt		**—**	**3,877**	**406**	**4,283**	**4,288**

(1) At 31 March 2023, Other debt includes €227 million of financial payables to CNH Industrial classified as Level 3.

					At 31 December 2022	
(€ million)	Note	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Carrying amount**
Total Financial receivables from CNH Industrial	(16)	**—**	**—**	**146**	**146**	**146**
Retail financing	(16)	—	—	10	**10**	**10**
Dealer financing	(16)	—	—	4,154	**4,154**	**4,156**
Finance leases	(16)	—	—	54	**54**	**57**
Other receivables from financing activities	(16)	—	—	154	**154**	**155**
Total Receivables from financing activities		**—**	**—**	**4,372**	**4,372**	**4,378**
Asset-backed financing	(22)	—	3,149	—	**3,149**	**3,149**
Borrowings from banks	(22)	—	711	—	**711**	**721**
Payables represented by securities	(22)	—	66	—	**66**	**66**
Lease liabilities	(22)	—	—	185	**185**	**185**
Other debt(1)	(22)	—	35	277	**312**	**312**
Total Debt		**—**	**3,961**	**462**	**4,423**	**4,433**

(1) At 31 December 2022, Other debt included €277 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 2023 and 31 December 2022, related parties included Iveco Group's parent company Exor N.V. and its subsidiaries and affiliates, including CNH Industrial, 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 2023, 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 2023.

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

Iveco Group did not enter into any significant transactions with Exor N.V. during the three months ended 31 March 2023 and 2022.

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 2023 and 2022, 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:

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Net revenues	4	6
Cost of sales	49	36
Selling, general and administrative costs	12	12

(€ million)	**At 31 March 2023**	**At 31 December 2022**
Trade receivables	3	4
Trade payables	42	40

Transactions with CNH Industrial

Iveco Group and CNH Industrial 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 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, 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 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.

The transactions with CNH Industrial are reflected in these Interim Condensed Financial Statements as follows:

	Three months ended 31 March	
(€ million)	**2023**	**2022**
Net revenues	260	232
Cost of sales	1	1

(€ million)	**At 31 March 2023**	**At 31 December 2022**
Trade receivables	38	34
Financial receivables	54	146
Debt	227	277
Trade payables	10	15

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 €52 million in three months ended 31 March 2023 (€44 million in the comparable period of 2022) and trade receivables from joint ventures totaled €14 million at 31 March 2023 (€14 million at 31 December 2022).

At 31 March 2023 and 31 December 2022, Iveco Group had provided guarantees on commitments of its joint ventures for an amount of €161 million and €161 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 2023, revenues from associates totaled €7 million (€32 million in the comparable period of 2022) and cost of sales from associates totaled €4 million (€4 million in the comparable period of 2022). At 31 March 2023, receivables from associates amounted to €11 million (€12 million at 31 December 2022). Trade payables to associates amounted to €18 million at 31 March 2023 (€13 million at 31 December 2022). At 31 March 2023, Iveco Group had provided guarantees on commitments of its associates for an amount of €245 million related to CNH Industrial Capital Europe S.a.S. (€244 million at 31 December 2022).

Transactions with unconsolidated subsidiaries

In the three months ended 31 March 2023 and 2022, 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 both the three months ended 31 March 2023 and 2022.

The aggregate expense incurred for the compensation of Executives with strategic responsibilities of the Group amounted to approximately €3 million in both the three months ended 31 March 2023 and 2022. 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 2023		At 31 December 2022	Three months ended 31 March 2022	
	Average	At 31 March		Average	At 31 March
U.S. dollar	1.073	1.088	1.067	1.122	1.110
Pound sterling	0.883	0.879	0.887	0.836	0.846
Swiss franc	0.992	0.997	0.985	1.036	1.027
Brazilian real	5.574	5.523	5.568	5.870	5.301
Polish Zloty	4.709	4.676	4.690	4.623	4.653
Czeck Koruna	23.785	23.492	24.116	24.653	24.375
Argentine peso(1)	227.267	227.267	188.906	123.199	123.199
Turkish lira(2)	20.864	20.864	19.953	15.672	16.282

(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.

(2) As of 30 June 2022, the Company applied the hyperinflationary accounting in Türkiye, with effect from 1 January 2022. After 1 January 2022, transactions for entities with the Turkish lira as the functional currency were translated using the closing spot rate.

30. Subsequent events

Iveco Group has evaluated subsequent events through 17 May 2023, which is the date the condensed consolidated financial statements were authorized for issuance and identified the following:

- On 9 May 2023, in the context of the new phase of the partnership between Iveco Group and Nikola Corporation ("Nikola"), Iveco Group announced the acquisition of the full ownership from Nikola of Iveco Nikola Europe GmbH, recording a one-off, after-tax €44 million negative impact in the first quarter 2023 income statement. Iveco Group will cover the capital outlay partially in cash (USD 35 million) and partially in Nikola shares (20.6 million).