Annual Report
at 31 December 2022

CONTENTS

Iveco Group N.V.

Corporate Seat: Amsterdam, the Netherlands

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

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

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

BOARD OF DIRECTORS AND AUDITOR

BOARD OF DIRECTORS [(a)]

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

INDEPENDENT AUDITOR[(b)]

Ernst & Young Accountants LLP

(a) As of 1 January 2022, upon completion of the demerger pursuant to which CNH Industrial N.V. has hived-off its On-Highway Business to the Company (the "Demerger"), two Executive Directors and six Non-Executive Directors were appointed for an initial term ending at the Annual General Meeting of the Company to be held in 2023. Subsequently, on 13 April 2022, the Annual General Meeting of Shareholders appointed Mr. Benoît Ribadeau-Dumas as the seventh Non-Executive Director.

(b) On 13 April 2022, the Annual General Meeting of Shareholders confirmed Ernst & Young Accountants LLP as Company's independent auditor for the financial year ending 31 December 2022, and appointed Deloitte Accountants B.V. as Iveco Group's independent auditor for the 2023 financial year.

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

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

Disclaimer

All statements other than statements of historical fact contained in this document, 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.

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 document 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.

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

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

LETTER FROM THE CHAIR AND THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

Iveco Group began trading on 3rd January 2022, starting our journey as an independent Company to design, produce, sell and serve innovative products for more sustainable mobility worldwide. Quarter after quarter, during this, our foundational year, everyone at Iveco Group worked together to renew and bolster our focus on delivering excellence. We did this amid the global geopolitical challenges impacting our businesses, our industry and the world, including supply chain issues, component shortages, raw material price increases and the ongoing war in Ukraine. Because we are lean and agile, we were able to react promptly to these challenges and deal with their consequences. Our efforts paid off and we closed the year with results that exceeded market expectations. This was possible because our brands and functions worked hard and humbly to deliver what we promised to our customers, showing convincing performance throughout the year and demonstrating the power of teamwork, and we sincerely thank all Iveco Group employees and you, our valued shareholders, for contributing to this achievement.

Financial Highlights

Iveco Group concluded its first year as an independent Company with strong results. Profitability improvements were driven by higher volume and mix and, most importantly, by positive price realisation, all of which more than offset higher production costs on Group level. Consolidated Revenues came in at €14.4 billion, up 13.5% vs last year with an Adjusted Operating Margin at 3.7%. Our Industrial Activities Adjusted EBIT Margin was also up 60 bps to 3%. The full year Adjusted Diluted EPS was €0.78 per common share, up €0.35 vs last year. Our order books remained healthy, above pre-COVID 19 levels, with between 30 and 35 weeks of production already sold in light, medium and heavy-duty trucks. We ended the year with a Net Industrial Cash Position of €1.7 billion, up from €1.1 billion at the end of 2021. Our Free Cash Flow was positive at €690 million, a figure that includes two one-off items (for a total amount of €160 million) related to the fleet depletion which started in August 2022, on the back of improved component availability and predictability compared to the first half of the year, and the gain made on the disposal of certain fixed assets in Australia.

The Board of Directors is recommending to the shareholders a first share buy-back programme to repurchase up to 10 million common shares, for a total amount of up to €130 million, subject to market and business conditions, which will support the Company's Long-Term Incentive Plan. The proposal is subject to the approval of the Company's General Meeting of Shareholders to be held on 14th April 2023. The programme will be funded by the Company's liquidity and its details will be disclosed in accordance with applicable laws and regulations.

Our 'Foundational Year 1'

One of our priorities during our foundational year was to define our Group's new culture. We took this challenge seriously since we knew this would shape how our Company is perceived both by external stakeholders and our global employees. To define it we conducted interviews with past and present leaders, held focus groups across our businesses and geographies with dealers, customers and suppliers, and talked to our employees in all our different regions. We also ran an employee engagement survey across our entire workforce. Of our around 34,000 employees, 86% responded to this and their input was critical to our thinking. Based on all these inputs we defined our purpose as being the ''*home of unique people and brands that power your business and mission to advance a more sustainable society*''. We also defined the five core values that guide the way in which we work: "*We go beyond the obvious, We contribute diverse strengths, We take ownership, We do what is right, We collaborate to win*".

Our diversified business portfolio, strong presence across the full range of commercial and specialty vehicles, complete powertrain offering, innovative financing options, and focus on advanced sustainable solutions remain at the base of our business. Building on these strengths, we identified three priorities that underpin strategic actions across the Company: innovation, sustainability, and partnership and we describe our work on each of these below.

Innovation

Technological innovation is a cornerstone of our strategy to gain market share in all our segments and keep pace with market trends. In our landmark 'BEYOND' event held in Turin last July, we spent five days showcasing our latest alternative-fuel trucks and buses, advanced specialty vehicles, and relevant financial services to propel dealers and end users into the mobility of tomorrow. We put the spotlight on our new powertrain developments, which range from the most efficient traditional engines, including those powered by methane and biomethane, to internal combustion powertrains running on hydrogen and hythane (a blend of hydrogen and methane), to fuel cell applications and battery electric solutions. Industry experts joined our leaders to discuss the factors impacting our businesses now and what we can expect in the near future, and we sat side-by-side with our partners to present viable options for high-tech, sustainable transport.

Further along in the year, to crown the launch of our new eDAILY in September, hundreds of stakeholders - representing customers, dealers, media and partners from around the world - joined us at our eDOME in Turin, Italy, to explore the ecosystem dedicated to our new electric light commercial vehicle. The eDAILY Experience was an interactive programme that involved test drives and deep dives on vehicle, infrastructure, financial services, and maintenance & repair aspects, enabled by connectivity and digital services to support customers in the energy transition.

These technological advances have been supported by significant steps forward in digitalisation in our Financial Services offering. In 2022 we announced the formation of our Green & Advanced Transport Ecosystem or GATE, our all-inclusive rental model for electric trucks and vans. Through GATE we will design, develop and implement revolutionary ways to bundle services, including a pay-per-use concept where customers will be able to lease vehicles from our battery electric and fuel cell electric line-up. This work is industry leading – Iveco Group is one of the first companies to combine an end-to-end business model with electrification for commercial transport in Europe – all through a fully digital process and a servitization strategy that enable us to meet the current and future needs of customers.

We have also applied this mindset of technological innovation to our operations. This year we launched a new programme called DOT – Driving Operations Together – which is focused on increasing margins, improving quality, reducing waste, and boosting performance. Through this programme we identified and acted on over 1,400 improvement actions, almost 6,000 people received technical training and a new assessment model was rolled out to define benchmarks. We have also accelerated our manufacturing digitalisation with the launch of our Factory of the Future programme. We intend to become a data-driven Company by 2025 and to set up a Smart Manufacturing Ecosystem by 2030 – a unique digital environment where Iveco Group, suppliers and customers can communicate and collaborate more efficiently and effectively, to develop innovative products and services faster and ensure their utmost quality. We began building the Smart Manufacturing Ecosystem last year in Valladolid, Spain, where we are outfitting our plant in both the production and logistic flows: we are connecting all our machines to leverage predictive maintenance, with the aim of anticipating all unplanned stops; and we are tracking all engines in arrival from Foggia, starting from their initial manufacturing stage, in order to achieve 100% traceability through the latest blockchain technology. Finally, to optimise Supply Chain and Manufacturing and better focus on these key areas, we created two distinct functions and assigned dedicated leadership at the head of each.

Sustainability

In 2022, we strengthen the governance around our sustainability ambitions. Sustainability Representatives were named to serve as a direct link to the different operating areas, and to play a pivotal role in collecting information and compiling the Sustainability Report.

Our sustainability strategy is based on four priorities: reducing our carbon footprint, improving workforce & product safety, incorporating lifecycle thinking, and increasing inclusion & engagement. We set ambitious targets in all these areas and implemented multiple initiatives to make progress towards achieving them. In addition, executive compensation was linked, among other things, to the achievement of two of our critical sustainability targets (carbon footprint and inclusion & engagement).

In November 2021, we signed The Climate Pledge with the aim of helping to solve the climate crisis by reaching Net Zero Carbon by 2040, ten years ahead of the Paris Agreement framework. In keeping with our commitments, 98% of the energy we consume now comes from renewable sources, and we have set ambitious targets to reduce our CO_2 emissions deriving from manufacturing, product use, logistics and suppliers. A recognition of these efforts came when our IVECO BUS brand won ‘Sustainable Bus of the Year 2023’ for the Crossway Low Entry Hybrid Natural Gas. Our winning bus powered by FPT Industrial emits up to 82% less CO_2 through the use of renewable fuels, including biomethane, while delivering up to 15% fuel savings compared to the diesel variant.

As part of our sustainability journey, we joined Open-es this year, a free open platform to increase our suppliers’ awareness and engagement in sustainability topics, while monitoring their adoption of ESG practices. Willingness on the part of suppliers to collaborate proactively with our Company and the Open-es community is crucial to continuously improving our mutual sustainability performance.

We have also implemented critical sustainability changes within our manufacturing sites. For example, this year we inaugurated our new ePowertrain Plant in Turin, Italy, Iveco Group’s first totally carbon-neutral plant. It fully offsets its CO_2 emissions in many ways, including through the generation of its own energy with solar panels, photovoltaic and wind power technologies, purchasing additional energy when needed from renewable sources. And our plants in Spain enrolled in the Lean & Green programme, the largest European platform specifically aimed at reducing emissions throughout the supply chain, reaffirmed their aggressive action plan to reduce CO_2 emissions, minimise the impact of logistic processes, and reduce their carbon footprint by 20% within five years.

The war in Ukraine impacted our people, our businesses and society in general in 2022. We took steps to protect our employees and their families in the conflict area throughout the year. We also supported three non-profit organisations who are helping many of the other people who have been affected by the war, matching employee donations 3 to 1 for a total of €570,000, so that together we could make a difference for the most vulnerable. And our brands contributed vehicles, apparel and equipment to help first responders and victims.

We remain committed to registering zero serious injuries in our workplace and making our roads safer for everyone, progressing steadily on our targets of 40% less in employee injury frequency rate by 2026 versus 2019, and of 100% of new EU vehicles equipped with Advanced Driver Assistance Systems (Level 2) and additional advanced functions by 2026.

We are also dedicated to furthering diversity, equity and inclusion and we have set up our Diversity Council with key internal workstreams: talent mobility, career development, gender pay gap, work-life balance, employer branding, and communications. We are pleased that the number of women in management positions increased to 21.7% in 2022, although we know there is much more we need to do to increase the diversity of our workforce. We also teamed up with ActionAid - an international organisation that works to end violence and poverty - supporting two projects to combat gender stereotypes and help vulnerable women. And we sponsored Women’s International Networking (WIN), which helps to inspire conscious, value-driven leaders.

Partnerships

We strongly believe in the mutual benefit of well-structured partnerships with likeminded organisations and have spent time this year identifying potential partners in multiple areas while deepening our relationships with existing partners.

In March this year we were delighted to sign a Memorandum of Understanding with Hyundai Motor Company to explore possible collaborations on shared vehicle technology, joint sourcing and mutual supply. In July we were then able to make a joint announcement about our work to develop hydrogen-powered IVECO BUS vehicles equipped with fuel cell systems produced by HTWO, a Hyundai hydrogen business brand, that boast advantages in terms of both performance and emissions. And in September at IAA, the eDAILY Fuel Cell Electric Vehicle (FCEV) prototype was unveiled, revealing the future potential of IVECO's bestselling large van equipped with Hyundai's fuel cell technology and FPT Industrial's battery pack.

Our partnership with Nikola Corporation has enabled us to lead the industry in delivering heavy-duty trucks fuelled by alternative propulsion. At the IAA truck trade fair in Hannover in 2022, we opened our order books for the European version of the Nikola Tre Battery Electric Vehicle (BEV) and we unveiled the beta version of the European Nikola Tre Fuel Cell Electric Vehicle (FCEV). IAA was also an opportunity for us to highlight our collaboration with Amazon Web Services, showcasing the connected services we offer our customers through Driver Pal. As a result of this partnership, IVECO is the OEM with the highest level of integration of Amazon Alexa in its vehicles.

In addition to its partnership with Hyundai, IVECO BUS has created a strong ecosystem of alliances to support the development of new bus technologies and business models. In October, for example, we launched a collaboration with transit tech company Via to offer customers in Italy the opportunity to purchase tailored software for on-demand transport solutions through our dealer network.

Throughout 2022 we also continued to intercept megatrends through targeted partnerships with companies such as Microvast, a market leader in the design, development and manufacturing of ultra-fast charging, long-life battery power systems with superior safety for electric vehicles. Our collaboration began in 2019 when FPT Industrial signed a Memorandum of Understanding to design and assemble high-voltage battery packs in house. For the IVECO BUS Crossway Low Entry Electric, Microvast designed and FPT Industrial industrialised, validated, and certified a high energy density battery pack. This project complements that of IVECO's eDAILY, another joint project between Microvast and FPT Industrial in this first application that aims to set the zero-emission standard in the cab-chassis segment.

FPT Industrial, our powertrain business, entered into a number of other collaborations during the year. In July, our brand and Blue Energy Motors – a zero-emission truck technology company headquartered in Pune, India – signed an agreement to introduce the first Liquified Natural Gas trucks on Indian roads. Subsequently, FPT Industrial announced a minority investment in Blue Energy Motors, to reiterate its intention to play a key role in India's decarbonisation transition. With Bennamann Ltd., a fast-growing British agricultural technology company in the field of clean energy, the brand showcased the Smart Hybrid Hub, a world first power generation concept, where fugitive methane from farming by-products is captured and converted into clean energy, that in turn propels agricultural machinery and vehicles. And our brand presented the first concept application of its new XC13 hydrogen combustion engine together with a partner of excellence, PRINOTH, a world leader for the production of snow groomers and tracked vehicles.

Our 'Transformational Year 2'

The financial performance that we achieved in 2022 resulted from our focus on fulfilling commitments and generating cash. It also set the stage for our 'Transformational Year 2' during which we will continue to transform our organisation, while working to tackle challenging geopolitical and supply chain factors.

In 2023 our focus will remain on delivering long-term profitability, optimising processes, and increasing performance across our business units. Our Platform Business Model will continue to increase visibility on our light, medium and heavy vehicles, bus and powertrain lines. To do this, Platform Managers will lead their cross-functional teams in a structured, innovative approach to designing our products, bringing together all the business elements that go into developing quality products, whilst ensuring better communication and out-of-the-box alternatives to manufacturing vehicles and engines.

For trucks and vans we plan to complete the renewal of the entire IVECO product range, setting up the full Model Year '24 line-up, which will include all the light, medium and heavy-duty ranges. We also intend to solidify our market share in the cab-chassis sub segment, confirming and increasing our leading position in the light commercial vehicle space. In Europe, we will start delivering our electric DAILYs and continue taking orders for the battery electric Nikola Tre. Supporting our customers in the transition to electric and hydrogen vehicles, Financial Services' GATE will debut this year in Italy and further develop plans to take this new pay-per-use rental model to other countries in the months and years to come.

Our Bus business is well positioned to win tenders submitted to European cities and entities in an effort to help transition society to more sustainable people-moving solutions. Our market share is poised to grow and production of our electric bus range will increase, driving greater volumes in our plants, including the new lines that will be inaugurated in April in Foggia, Italy.

Powertrain will continue to benefit from our DRIVE Transformation Programme, a company-wide initiative designed to unlock potential and creativity within our organisation and boost our market positioning. We have already seen significant results from the workstreams that focus on the five pillars of our Strategic Business Plan (product range and positioning, operational performance, alternative powertrain, collaboration and partnerships, lifecycle services), carrying out activities such as strengthening the sales team and improving the customer experience. Further, the all-new multi-energy XC13 engine is performing well and shows promise for this year as it is able to work on various fuels, including methane and hydrogen. This front runner can be used on a wide range of applications, which means diversified customers and good potential for solid performance throughout the year.

2023 Outlook

Our current outlook for 2023 calls for maintaining a certain level of prudence, especially with regards to the second half of the year. On 10th February, based on the industry outlook, solid order backlogs, and no signs of unusual levels of order cancellations at that time, the Company presented its preliminary financial outlook for 2023, expecting:

At a consolidated level,

- Group Adjusted EBIT at between €550 and €590 million

For the Industrial Activities,

- Net Revenues (including currency effects) to be up between 2% and 3%
- Adjusted EBIT from Industrial Activities at between €460 and €500 million
- SG&A over Net Revenues at around 6%
- Net Cash (excluding any share buy-back or extraordinary transactions) at around €2 billion
- Investments in property, plants and equipment, and intangible assets up between 10% and 15% from €775 million in FY 2022, mainly due to the energy transition and Model Year '24 launches across all ranges.

We are proud of what we accomplished in 2022, but we are well aware that this is just the beginning. Our second year has just begun and we remain focused on pursuing the profitability path embedded in our five-year Strategic Business Plan while reacting promptly to the challenges and opportunities we encounter along the way. Our six industrial businesses are each transforming themselves and we are strongly committed to providing them the optimal paths and partnerships to compete in their respective industries.

Throughout 2023, we will build on our achievements in 2022, doubling down on our efforts to maintain the positive trend in medium and heavy trucks, accelerating in our core lines for light commercial vehicles, holding our leading position in the bus market particularly with our electric range, growing our powertrain business quarter after quarter, and continuing to innovate our financial services offering. We will count on the support of technological advancements and strong, loyal partners to achieve our ambitious targets for the year, which are aligned with our unwavering commitment to advance a more sustainable society.

We are grateful for the continued support of our shareholders and we confirm our promise to deliver innovative solutions for sustainable mobility that will benefit all our stakeholders.

Best regards,

Suzanne Heywood
Chair, Iveco Group

Gerrit Marx
Chief Executive Officer, Iveco Group

BOARD REPORT

INTRODUCTION

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

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

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

Iveco Group 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.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Iveco Group reports quarterly and annual consolidated financial results prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union (“EU-IFRS”), and with the euro as the presentation currency. The tables and discussion related to the financial results of the Company and its segments shown in this Report are prepared in accordance with EU-IFRS and, unless otherwise indicated, all financial data set forth in this Report are expressed in euro.

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

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

- *Europe*: member countries of the European Union, European Free Trade Association, the United Kingdom, Ukraine and Balkans;
- *South America*: Central and South America, and the Caribbean Islands;
- *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.

Certain industry and market share information in this report has been presented on a worldwide basis which includes all countries. In this Report, management estimates of past market-share information are generally based on retail unit sales data in North America, on registrations of equipment in most of Europe, Brazil, and various Rest of World markets, and on retail and shipment unit data collected by a central information bureau appointed by equipment manufacturers associations, including the ANFAVEA in Brazil, as well as on other shipment data collected by an independent service bureau. For Commercial Vehicles regions are defined as follows: Europe (the 27 EU countries where Commercial Vehicles competes, excluding the United Kingdom and Ireland, for market share and total industry volume (“TIV”) reporting purposes), South America (Brazil, Argentina) and Rest of World (Russia, Türkiye, South-East Asia, Australia, New Zealand). Iveco Group Light Commercial Vehicles ("LCV") Professional Cab-Chassis only considers the major 16 European markets (including Norway from Q4 2022). In addition, there may be a period of time between the shipment, delivery, sale and/or registration of a unit, which must be estimated, in making any adjustments to the shipment, delivery, sale, or registration data to determine our estimates of retail unit data in any period.

OUR COMMITMENT TO SUSTAINABILITY

Iveco Group has made it its mission to put sustainability at the heart of strategy, so becoming an integral part of its day-to-day activities to ensure business is run in an economically sound, environmentally friendly, and socially beneficial way.

By fully integrating environmental and social considerations with economic objectives, the Company is able to identify potential risks and seize additional development opportunities, creating a process of continuous – and above all sustainable – improvement that creates value over the long-term.

This integrated approach allows Iveco Group to meet the demands and expectations of its stakeholders, from customers and employees, to investors, suppliers, NGOs, and society as a whole.

For details on commitments, processes, projects, and results, please refer to the 2022 Iveco Group Sustainability Report.

STRATEGY

Iveco Group has defined and fine-tuned its sustainability priorities so as to ensure better alignment with its core business. The 4 strategic sustainability priorities that underpin its sustainability strategy are:

- **Carbon Footprint**: to reduce CO_2 emissions from manufacturing processes along its entire value chain (supply and logistics) and from its product range, aiming at net zero carbon emissions by 2040;
- **Workplace and Product Safety**: to minimise the risk of workplace injuries through effective preventive and protective measures, and to ensure Company products have the highest safety standards;
- **Life Cycle Thinking**: to implement solutions that efficiently minimise the impact of products and processes through a circular product life cycle approach;
- **Inclusion and Engagement**: to build ever-stronger relationships with stakeholders, continuing to work proactively and effectively to create an inclusive work environment.

To strengthen efforts on its journey towards a sustainable future, the Company has mapped out the path to achieving these 4 strategic priorities by setting clear objectives, with specific reference to its people, direct operations, products and services, and valued partners. These targets are part of Iveco Group's Strategic Business Plan, and progress is regularly reported to both the ESG Committee and Senior Leadership Team ("SLT") Sustainability Committee. They are also incorporated into the Sustainability Plan, which includes both short- and long-term targets and reflects the Company's commitment to contributing to development, in harmony with people and the environment. Clear responsibilities are defined for each target to ensure they are consistently monitored and achieved.

In this regard, executive compensation is linked, among other things, to the achievement of 2 strategic sustainability targets: specifically, the long-term incentive plan is linked to the reduction in CO_2 (scope 1 and 2) emissions vs 2019, and the short-term incentives to the increase in women in management positions (see Remuneration Report).

	CARBON FOOTPRINT	WORKPLACE AND PRODUCT SAFETY	LIFE CYCLE THINKING	INCLUSION AND ENGAGEMENT
	• 2040: Net Zero Carbon			
Our People & Operations	• 2030: -50% vs 2019 in absolute CO_2 emissions (Scope 1-2) • 2030: 100% of total electricity consumption derived from renewable sources	• 2026: -40% vs 2019 in employee injury frequency rate (manufacturing and non-manufacturing perimeter)	• 2026: 75% of water recycled at Company plants worldwide	• 2026: 23% of women in management positions
Our Products & Services	• 2030: -38% vs 2022 in Scope 3 CO_2 emissions from the use of sold vehicles per vehicle/km	• 2026: 100% of new vehicles in Europe equipped with Advanced Driver Assistance Systems and additional advanced functions, such as Adaptive Cruise Control ("ACC"), Stop & Go, Corrective Steering Function ("CSF"), and Lane Centering ("LC")	• 2026: 100% of new products developed using sustainability/ recyclability design criteria	• 2026: partnership with 100% of key customers to improve working conditions and work-life balance for drivers • 2026: +20% vs 2021 in Net Promoter Score (IVECO Trucks)
Our Valued Partners	• 2026: -7% vs 2022 in kg of CO_2 emissions per ton of goods shipped • 2026: -20% vs 2022 in key suppliers' absolute CO_2 emissions from purchased goods and services and from capital goods	• 2026: 100% of dealership staff involved in safety training on product portfolio	• 2030: 100% recovery of the cores of spare parts sold • 2026: 15% of net sales from spare parts generated by remanufactured components	• 2026: 100% of Tier 1 suppliers involved in sustainability self-evaluations • 2026: +100% vs 2021 in number of collaboration projects with suppliers to improve products' sustainability performance • 2026: +50% vs 2019 in number of students involved in educational activities, focusing on the jobs of the future

BUSINESS MODEL

Iveco Group is the home of unique people and brands. The Company's business model focuses on product and service design, production, sale, and after-sale support, delivering sustainable and technologically innovative mobility solutions, so as to meet the ever-changing needs of end customers.

Each of Iveco Group's 8 brands is a major force in its own specific line of business: IVECO, a pioneering commercial vehicles brand that designs, manufactures, and markets heavy, medium, and light-duty trucks; FPT Industrial, a global leader in advanced powertrain technologies offering a vast array of solutions in the agriculture, construction, marine, power generation, and commercial vehicles sectors; IVECO BUS and HEULIEZ, both premium mass-transit bus and coach brands; IDV, for highly-specialised defence and civil protection equipment; ASTRA, a leader in large-scale heavy-duty quarry and construction vehicles; MAGIRUS, industry-renowned firefighting vehicle and equipment manufacturer; and IVECO CAPITAL, the finance arm supporting them all.

Through its VOICE engagement survey, Iveco Group involved every employee in defining its **purpose** and its 5 new Company **values** that truly reflect the way Iveco Group wants to do business.

The Company's purpose and values are applied every day and in everything it does, with the support of:

- a system of principles, rules, and procedures in which roles and responsibilities are clearly defined (see Corporate Governance section);
- a process that anticipates and manages current and future economic, environmental, and social risks and opportunities (see Risk Management and Internal Control System section);
- a set of strategic **business** and **sustainability priorities** that help steer everyone's efforts.

Iveco Group believes that innovation and the design of products and services tailored to its customers' needs are fundamental aspects of its competitive advantage, integral to all its activities and processes in the creation of value, enabling the Company to compete with other market players and to be seen by its customers as a true partner.

The main purpose of Iveco Group's business is to create value for stakeholders, which are classified based on the pillars identified by the World Economic Forum ("WEF"):

- **Planet**: representing the commitment to not underestimate the risks the planet is facing. Building a safer and more sustainable world requires the balance between humanity and nature, and pursuing the necessary targets can no longer be postponed;
- **People**: representing the commitment to consider the different perspectives of those who are impacted by our business, while actively encouraging them to join us on our path towards a positive change;
- **Prosperity**: representing the commitment to ensure more prosperity for all, through the adoption of new technologies and the transition

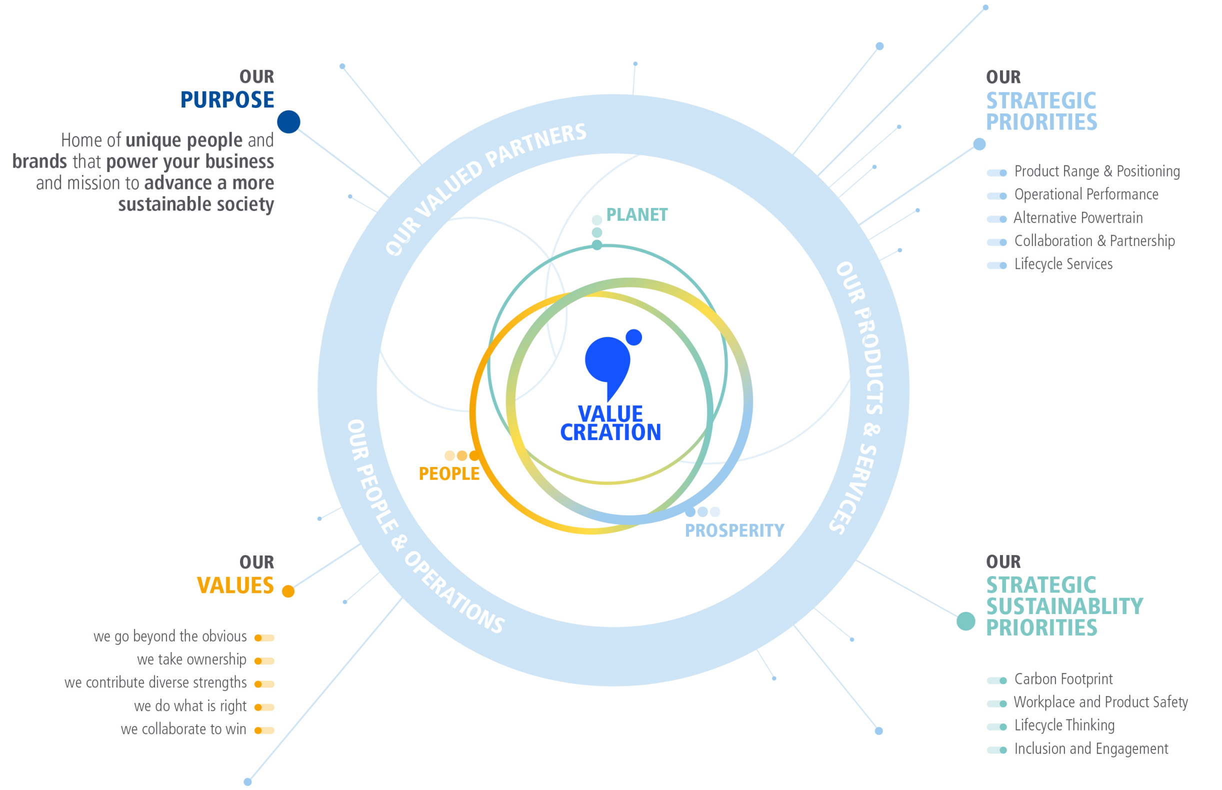
towards a more inclusive and digital society.

The key points of Iveco Group's value chain can be summarised as follows:

- **People & Operations**: representing the people who apply their skills to develop products and services with the utmost dedication in all Company areas, supported by production processes that are efficient, technologically innovative, and environmentally friendly;
- **Product & Services**: representing the Company's product offering ensuring customers enjoy lower operating and maintenance costs, superior performance, maximum profitability, lower total cost of ownership ("TCO"), and technological innovation;
- **Our Valued Partners**: representing those who make up Iveco Group's ecosystem (mainly the dealerships, service network, and suppliers), with whom the Company shares a common understanding and works to map out a path through the current challenging transition; and who make Iveco Group an efficient Company able to give its utmost to customers, the ultimate and most valued partners.

Iveco Group believes that long-term success is achieved by pairing innovation with resource efficiency, and financial prosperity with ESG performance. For this reason, the organisational model implemented at Iveco Group was designed to strengthen:

- the entrepreneurial agility of business units;
- the focus on new technologies and digital solutions;
- customer centricity;
- clear accountability;
- synergies between business units to achieve global consistency;
- the Company's efficiency and effectiveness;
- Governance.



SUSTAINABILITY GOVERNANCE

Iveco Group's organisational structure comprises global and regional sustainability committees as well as the Sustainability Team, so as to optimise the management of sustainability aspects within the Company.

The highest responsibility for sustainability matters lies with the Board of Directors' **ESG Committee**, which is responsible, among other things, for assisting the Board in: overseeing the Company's significant environmental, social, and governance risks, strategies, policies, programmes, and practices to further its business purpose, strategy, culture, values, and reputation in the best interest of all Iveco Group stakeholders; overseeing the Company's ongoing commitment to environmental stewardship and corporate social responsibility; overseeing and evaluating the policies, procedures, and practices related to the health and safety of Company employees; and globally monitoring, evaluating, and reporting on the sustainability strategy, governance, policies, procedures, practices, management standards, and performance of the Company and its subsidiaries. The ESG Committee helps the Board develop its collective knowledge on sustainability, and provides guidance on key global environmental, social, and governance issues (see the Governance section).

The **Sustainability Committee** is made up of the members of the Senior Leadership Team ("SLT"), and is responsible for providing visionary leadership, identifying the sustainability strategy, integrating that strategy with business needs, adopting a medium- to long-term vision, and facilitating continuous improvement by identifying and supporting global actions and initiatives. It meets once a month to ensure regular updates on Iveco Group's sustainability performance while maintaining its focus on shared priorities and targets. It is also in charge of approving major local community development projects.

The Company has also appointed specific **Sustainability Regional Committees** to better manage local initiatives. They include representatives from the Sustainability Department, Institutional Relations, HR, and Legal and Business, as well as the Local Initiative Representatives.

The Sustainability Team is a **network of experts** responsible for incorporating sustainability criteria more effectively into Company strategy and ensuring the necessary support for sustainability planning and reporting. The Team comprises the Sustainability Department, the Sustainability Representatives, and the Local Initiative Representatives.

The **Sustainability Department** is responsible for:

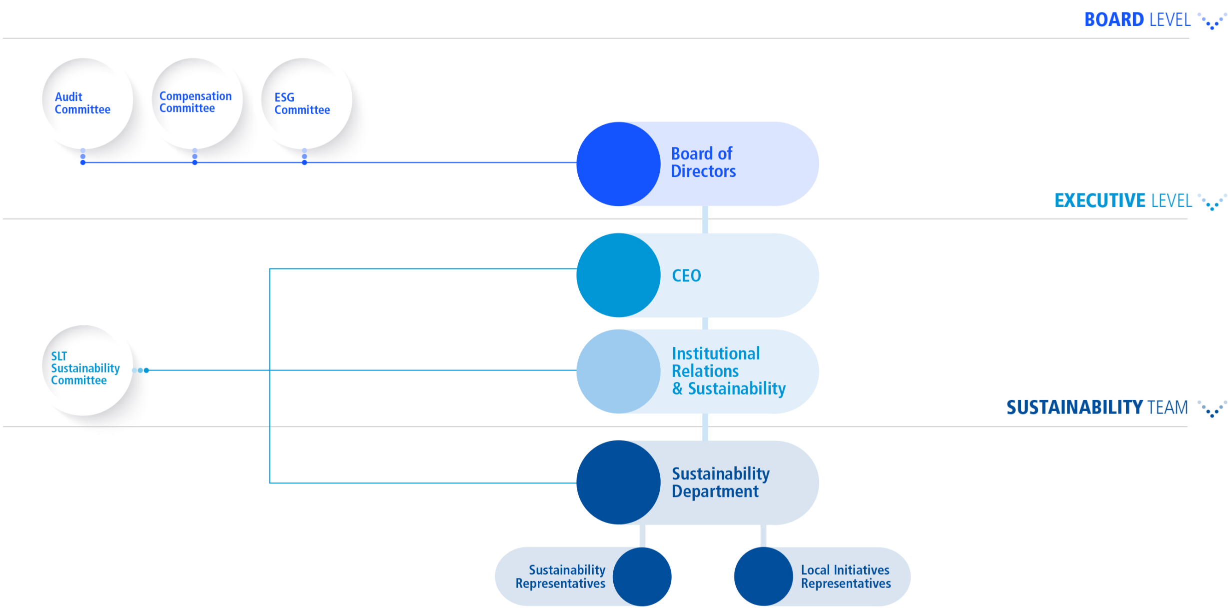
- monitoring external trends and incorporating them into the Company's activities in line with stakeholder requirements;
- proposing projects and promoting the adoption of good practices to encourage their integration into Company processes, supporting and stimulating the corporate functions worldwide;
- managing sustainability planning and reporting;
- completing questionnaires required by sustainability rating agencies and interacting with ESG investors;
- promoting a culture of sustainability throughout the Company;
- interacting regularly with executive teams and the Board of Directors, providing updates on sustainability performance;
- managing initiatives in support of local communities.

The **Sustainability Representatives** represent all of Iveco Group's operating areas. They are responsible for:

- ensuring the support and alignment required across the Company;
- bringing expertise to specific issues relating to the Company's reporting process;
- formulating proposals for continuous improvement.

They provide a direct link between the Sustainability Department and the various operating areas, ensuring both technical and organisational support.

Lastly, the **Local Initiative Representatives** are responsible for the local operational aspects of community projects and for implementing them in accordance with country-specific requirements.



SUSTAINABILITY MANAGEMENT SYSTEM

Iveco Group's sustainability management system consists of the following tools:

- the **Code of Conduct**, approved by the Board of Directors, and related policies that set out the Company's approach to key issues;
- a set of **policies** to manage specific issues, and the Supplier Code of Conduct;
- **stakeholder engagement** on material topics;
- the **materiality analysis**, which defines social and environmental priorities;
- a set of approximately **200 sustainability related KPIs**, designed to provide maximum coverage of all the key environmental, social, and governance aspects, in line with the GRI Sustainability Reporting Standards ("GRI Standards"), the Sustainability Accounting Standards ("SASB Standards"), and those of the major sustainability rating agencies;
- the **Sustainability Plan**, also including the strategic sustainability targets, which identifies action priorities and tracks the commitments undertaken;
- the annual **Sustainability Report**, which discloses the Company's sustainability performance;
- this sustainability summary in the **Annual Report**, supplementing the financial data as per the requirement of the Dutch Decree on Non-Financial Information, which incorporated Directive 2014/95/EU into Dutch law. It also reports on the Company's climate change mitigation actions as per both the framework and recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD")(1) and the requirements of the EU Taxonomy Regulation, which establishes a list of environmentally sustainable economic activities in support of the EU Green Deal objectives.

(1) Task force of 32 international members (including providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies) established by the Financial Stability Board ("FSB") in 2015 to develop recommendations for more efficient and effective climate-related disclosures.

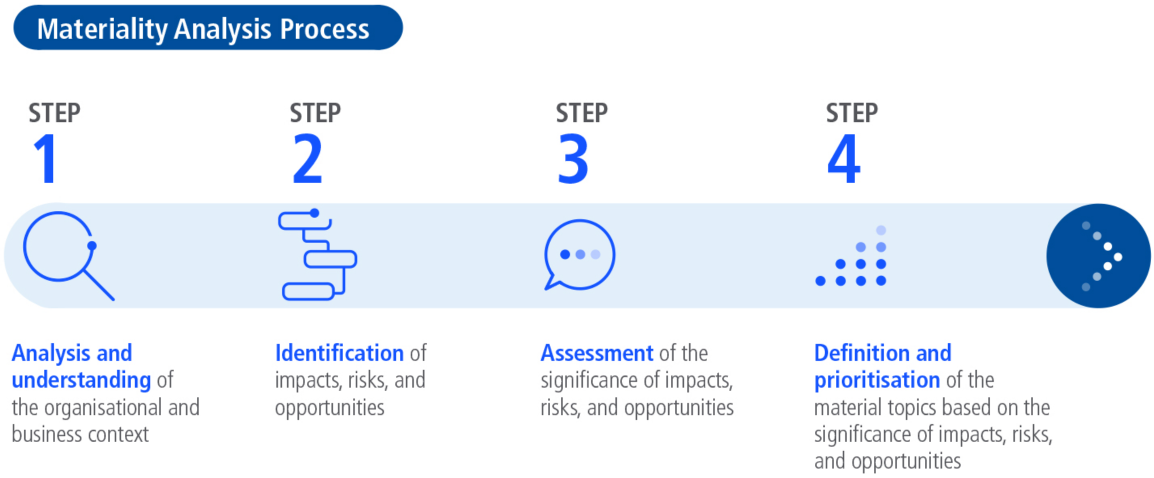
MATERIALITY ANALYSIS

In 2022, Iveco Group carried out a materiality analysis applying the revised approach to materiality introduced by the new GRI Universal Standards(2) published in 2021. This new approach focuses on the identification of topics that are likely to be material for an organisation based on the latter's most significant impacts (whether positive or negative, actual or potential) on the economy, the environment, and people, including impacts on human rights. This inside-out perspective, which considers the impacts that are or could be generated by a company, was adopted when performing Iveco Group's **impact materiality** analysis, as per the new GRI requirements.

Acting proactively and anticipating the requirements of the EU's Corporate Sustainability Reporting Directive ("CSRD"), the Company also performed a second materiality analysis, implementing, for the first time, a double-materiality approach, which integrates a **financial materiality** perspective with the aforementioned impact materiality perspective. The former entails an outside-in approach, identifying topics that are likely to be material for an organisation due to the sustainability risks and opportunities associated therewith that have or could have a significant impact on future cash flows, with potential financial repercussions for company development, performance, and positioning in the short, medium, and long term.

(2) The Global Reporting Initiative ("GRI") is a multi-stakeholder association for the development and disclosure of standards for reporting on an organisation's economic, environmental, and/or social impacts.

The following are the main steps involved in identifying Iveco Group's material topics:



1. **Analysis and understanding of the organisational and business context**

   Understanding Iveco Group's activities, business relationships, and stakeholders, as well as the sustainability context in which it operates, was the first step towards identifying the Company's impacts, risks, and opportunities. To this end, a benchmark analysis was performed against comparable sector enterprises and according to the requirements of the main international sustainability standards. An analysis of the external context was performed as well, to identify the main sustainability-related trends and aspects of the industry in which the Company operates.

2. **Identification of impacts, risks, and opportunities**

   To obtain an exhaustive list of Iveco Group's main impacts, risks, and opportunities according to both impact and financial materiality perspectives, the analysis performed in Step 1 also took into consideration the risks identified through the Company's Enterprise Risk Management ("ERM") risk assessment process, which is conducted on a regular basis.

3. **Assessment of the significance of impacts, risks, and opportunities**

   The significance of the identified impacts was assessed based on their severity, extent, irreparable nature (only for negative impacts), and probability. The significance of the identified risks and opportunities, on the other hand, was assessed based on the severity and probability parameters employed by the ERM system, and on their extent in terms of potential to create or diminish corporate value – and therefore to impact the Company's development, performance, and positioning in the short, medium, and long term.

   The above impacts, risks, and opportunities were duly assessed (on a scale of 1-4) by the members of Iveco Group's Sustainability Leadership Team ("SLT") during a day-long workshop, after in-depth discussions on emerging ESG trends led by external experts attending the event. The assessment process also involved online interviews with sustainability experts and some of the Company's main stakeholders.

4. **Definition and prioritisation of the material topics based on the significance of impacts, risks, and opportunities**

   As per the requirements of the new 2021 GRI Universal Standards, the outcomes of Iveco Group's impacts assessment was used to create a **priority list of material topics** (14 in total), classified according to the 4 priorities[3] of the Company's sustainability strategy. This list was submitted to and approved by the ESG Committee of Iveco Group's Board of Directors.

(3) Iveco Group's 4 strategic sustainability priorities are: carbon footprint, workplace and product safety, life cycle thinking, and inclusion and engagement.

2022 IMPACT MATERIALITY ANALYSIS

Position	Material Topic	Strategic Sustainability Priority
1	Product quality and safety	Workplace and product safety
2	CO_2 emissions from vehicles	Carbon footprint
3	Human rights	Inclusion and engagement
4	Occupational health and safety	Workplace and product safety
5	Diversity, equity, and inclusion	Inclusion and engagement
6	Sustainable supply chain	Life cycle thinking
7	Dealer and customer management	Inclusion and engagement
8	Circular product life cycle	Life cycle thinking
9	CO_2 emissions from logistics	Carbon footprint
10	Employee development and training	Inclusion and engagement
11	CO_2 emissions from operations	Carbon footprint
12	Responsible management of natural resources	Life cycle thinking
13	Digitalisation and connectivity	Workplace and product safety
14	Local communities	Inclusion and engagement

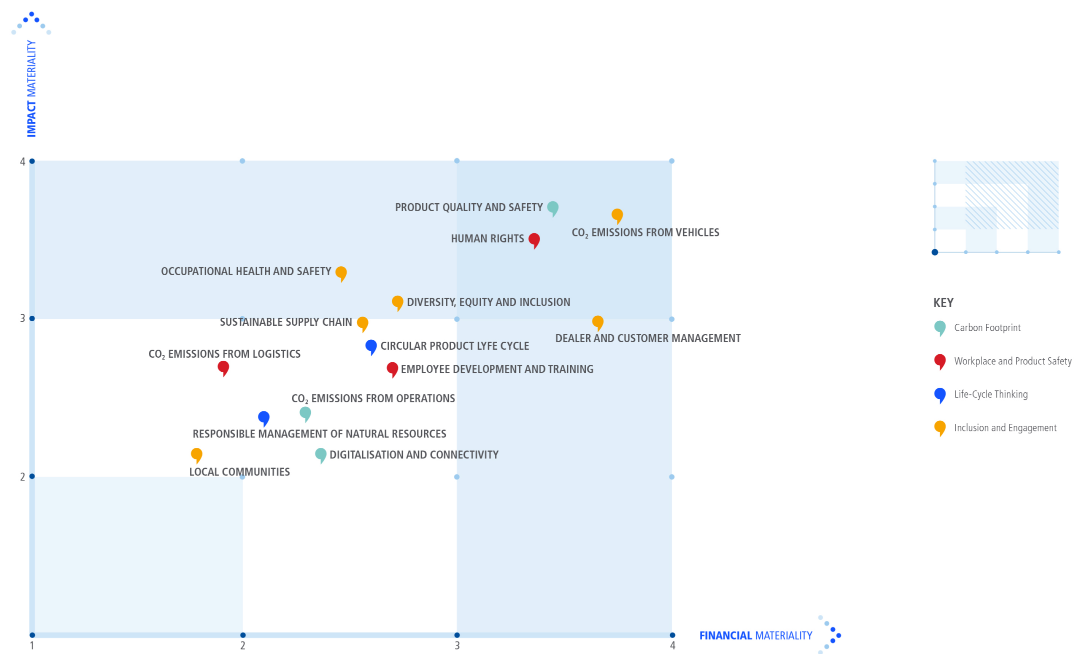
All topics submitted for assessment within the **impact materiality** analysis were found to be material to Iveco Group. It should be noted that, within the scope of the analysis, aspects related to Corporate Governance, business ethics, and regulatory compliance were considered prerequisites, and therefore were not examined individually.

The two most material topics, **product quality and safety** and **CO_2 emissions from vehicles**, reflect the importance to Iveco Group's brands of offering customers products that have low environmental impact, are safe and reliable, and comply with high quality standards.

By integrating the outcomes of the two assessments (risks and opportunities with impacts), the material topics were positioned on a materiality matrix to provide a visual representation of both impact materiality and financial materiality perspectives.

IVECO GROUP MATERIALITY MATRIX

Materiality Matrix



RELEVANT ENVIRONMENTAL MATTERS

CO_2 emissions from operations

This material topic is related to the implementation of measures to reduce CO_2 emissions, through the use of renewable sources and energy efficiency initiatives within Iveco Group's operational processes.

As stated in its Environmental Policy, which provides the framework for the management of this material topic, Iveco Group is committed to reducing: the use of fossil fuels in favour of renewable energy sources; energy consumption through more efficient products and processes; and GHG emissions by cutting energy consumption while adopting both conventional and innovative technical solutions. The Company's aim is to reduce the energy impact of manufacturing processes and the risks associated with new legislation and rising energy costs through: the development and implementation of an energy management system; the ongoing promotion of employee involvement in energy resource conservation and awareness of its importance; and the realisation of technical and management improvement projects.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: Risk related to compliance with product, process and supply chain's regulations (for further details, refer to section "Risk Factors" of this report);
- opportunity: public incentives to promote decarbonisation strategies may support Iveco Group's commitment to fighting climate change.

In 2022, Iveco Group implemented numerous short- to medium-term initiatives involving the redesign of processes, equipment conversion and retrofitting, operational changes to new installations, and increased employee awareness. The Company invested €2.1 million in efficiency projects, generating more than €1.4 million in savings.

The use of electricity from renewable sources was 98% of the Company's total electricity consumption.

As of 31 December 2022, 23 plants were ISO 50001 certified.

Direct and indirect CO_2 emissions[a]

IVECO GROUP WORLDWIDE

	2022	2021	2020
Plants (no.)	23	25	26
Direct emissions (Scope 1) (tons)	60,712	66,229	56,377
Indirect emissions (Scope 2) – market-based (tons)	41,024	46,851	48,897
Indirect emissions (Scope 2) – location-based (tons)	132,064	145,537	133,290
Total CO_2 emissions[b] (tons)	101,736	113,080	105,274
Direct and indirect CO_2 emissions per production unit (tons of CO_2/hour of production[c])	0.00306	0.00348	0.00395

(a) CO_2 is the only significant greenhouse gas within Iveco Group's processes. Greenhouse Gases ("GHG") emissions were consolidated and reported using an operational control approach. Performance relates to 23 fully consolidated plants.
(b) Total CO_2 emissions are calculated as per the market-based methodology of the GHG Protocol, and do not include landfill gas emissions.
(c) Total manufacturing hours are used to calculate the indicator per hour of production

CO_2 emissions from vehicles

This material topic is related to the development of innovative solutions to reduce the carbon footprint of vehicles, through the implementation of the most advanced technologies and the use of renewable fuels.

As stated in its Environmental Policy, Iveco Group is committed to minimising the environmental impact of vehicles, hence to developing products that deliver industry-leading performance in terms of fuel efficiency, noise and polluting emissions, and recoverability rates.

Iveco Group is working hard to reduce the CO_2 emissions associated with product use. To reach this objective, the Company is gradually shifting towards battery-electric and fuel cell-electric vehicles. To reduce vehicle CO_2 emissions from product use, the Company is mainly aiming at offering: a full portfolio of natural gas engines, all compatible with biomethane; a wide range of battery electric vehicles ("BEV"); and fuel cell electric vehicles ("FCEV") for long-haul.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: non-compliance with emissions regulations, impacting product mix (for further details, refer to section "Risk Factors" of this report);
- opportunity: an increase in the demand for low-carbon vehicles may create new business opportunities.

As regards BEVs, in 2022, Iveco Group launched the new IVECO eDaily, the first-generation, full-electric version of the best-selling IVECO Daily van. Offered in a range of models – van, cab, and minibus from 3.5 to 7.2 tons – the IVECO eDaily has all of the Daily's celebrated signature features. It is equipped with a 37 kWh fully modular battery pack that allows range optimisation and adaptability to all missions. The IVECO BUS portfolio, on the other hand, features the E-WAY, a full-electric 12-metre overnight charging e-bus equipped with a 350 kWh battery pack that delivers up to 543 kilometres on a single charge.

As regards FCEVs, at the IAA 2022 trade show, the Company presented the Nikola Tre FCEV heavy-duty truck beta version (for European markets), the result of a joint venture established in 2019 between IVECO, FPT Industrial, and Nikola Corporation. The truck has a range of up to approximately 800 kilometres. This first-generation vehicle is competing favourably in the toughest heavy-duty missions against very well-established fossil diesel engines, despite the latter having powered many generations of vehicles over the course of more than a century.

Within the light-duty range, IVECO and Hyundai unveiled a working prototype of the eDaily FCEV, featuring Hyundai's 90 kW hydrogen fuel cell system and 140 kW e-motor, and a battery pack designed by FPT Industrial, Iveco Group's powertrain brand. The prototype has a 7.2-ton gross vehicle weight ("GVW"). It has been tested in Europe, confirming a range of 350 kilometres, a 3-ton maximum payload, and a refuelling time of 15 minutes or less. The Company also advocates publicly for a quick implementation of the enabling conditions, such as refueling and recharging stations, for the deployment of zero-emission vehicles.

CO_2 emissions from logistics

This material topic is related to initiatives that promote sustainable logistics processes, focusing on increasing low-emission transport, adopting intermodal solutions, and optimising transport capacity.

As stated in its Environmental Policy, Iveco Group also addresses the low-impact logistics chain as part of its commitment to minimising environmental impact and contributing to the reduction of traffic congestion in urban areas. The Company implements numerous initiatives to promote ever-more sustainable logistics processes. These focus on technologies, procedures, and activities aimed at reducing the environmental impact of logistics processes without compromising service quality or profitability, while taking account of the social impact of the activity itself. The aspects considered in defining technical solutions include type of transport, intermodality, and long-haul transport.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: Risk related to compliance with product, process and supply chain's regulations (for further details, refer to section "Risk Factors" of this report);
- opportunity: boost of logistic infrastructure in the Countries where Iveco Group operates to reduce the carbon footprint of the transport sector.

In 2022, Iveco Group implemented several improvement projects, which reduced CO_2 emissions by 8% compared to the mid-year result of 2022, in terms of kilos of CO_2 emissions per ton of goods shipped.

Responsible management of natural resources

This material topic is related to the responsible and efficient management of resources across all operations, with the aim to reduce Iveco Group's environmental footprint.

As stated in its Environmental Policy, which provides the framework for the management of this material topic, the Company is committed to reducing: the use of raw materials by promoting the use of renewable and recycled materials in production processes; the consumption of fresh water in production processes, especially in areas where its availability is critical to the surrounding environment and population; the discharges of hazardous substances from manufacturing that may affect water supplies; the production of waste in manufacturing processes, in particular hazardous waste; and the use of potentially hazardous substances while also promoting their substitution wherever possible. The Company is also committed to minimising impacts on natural habitats and their biodiversity in areas surrounding production plants.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: Risk related to compliance with product, process and supply chain's regulations (for further details, refer to section "Risk Factors" of this report);
- opportunity: public incentives aimed at promoting circular economy initiatives may support Iveco Group's commitment to preserving the environment.

In 2022, the overall expenditure on environmental protection was approximately €29.7 million, broken down as follows: about €17.7 million on waste disposal and emissions treatment, and almost €12 million on prevention and environmental management. A total of €1.2 million was invested in initiatives to reduce Iveco Group's environmental impact, while improvement projects and measures generated €0.8 million in cost savings.

As of 31 December 2022, 23 plants were ISO 14001 certified.

As further evidence of the Company's commitment to protecting the environment, 2022 performance improved compared to the previous year. This was due to the numerous projects implemented during the year to optimise environmental management.

MAIN ENVIRONMENTAL INDICATORS
IVECO GROUP WORLDWIDE

	2022	2021	2020
Volatile organic compounds ("VOC") emissions (g/m^2)	33.7	39.6	41.6
Water recycled (%)	60.1	55.3	54.3
Water withdrawals (m^3 per hour of production[a])	0.103	0.108	0.116
Waste generated (kg per hour of production[a])	2.49	2.54	2.62
Hazardous waste generated (kg per hour of production[a])	0.20	0.24	0.25
Waste recovered (%)	96.7	96.5	95.7

[(a)] Total manufacturing hours are used to calculate the indicator per hour of production.
Environmental performance relates to 23 fully consolidated plants.

Circular product life cycle

This material topic is related to the integration of circular economy principles in product development, promoting the responsible use of resources throughout the entire life cycle of the product.

As stated in its Environmental Policy, Iveco Group is committed to minimising the environmental impact of its products, developing them so as to deliver industry-leading performance in terms of fuel efficiency, noise and polluting emissions, and recoverability rate.

Iveco Group duly assesses the impact of the materials used in its products at all stages, from definition to the design phase. In particular, significant effort goes into:

- using an eco-design approach to boost innovation and reduce the consumption and environmental impact of materials;
- selecting and/or designing components that:
  - have a lower environmental footprint
  - are easy to dismantle
  - can easily be repaired or remanufactured
- eliminating the presence of regulated substances;
- aiming at greater efficiency during use;
- aiming at longer intervals between maintenance cycles;
- offering customers a portfolio that reflects a circular economy mindset, including sustainable parts and services that increase the lifespan of vehicles, certified pre-owned vehicles, and remanufactured components.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: Risk related to compliance with product, process and supply chain's regulations (for further details, refer to section "Risk Factors" of this report);
- opportunity: a greater availability of reused and/or recycled materials may reduce the supply costs.

In 2022, new studies on the Life Cycle Assessment ("LCA") were performed on the NEF engine, the diesel-powered Daily van, and eDaily battery pack, respectively. The Company also created 2 cross-functional working groups: one responsible for identifying best standards for performing the assessments, and one for developing the guidelines for defining sustainability/recyclability design criteria.

Sustainable Supply Chain

This material topic is related to the promotion of responsible practices among suppliers, with the aim to improve their reliability and safety levels while supporting them in minimising their environmental footprint.

The Supplier Code of Conduct and the Iveco Group Code of Conduct provide a framework for responsible supply chain management. In addition to compliance with local legislation, the Supplier Code of Conduct stipulates respect for: labour and human rights, environmental protection, trade restrictions/export controls, and business ethics. It applies to the entire supply chain and requires suppliers to work with the Company to enforce the Code itself, and to pass on its principles to their respective employees, subsidiaries, affiliates, and subcontractors.

Selecting and codifying new suppliers is an operational phase of the procurement process that is regulated by specific internal procedures. Selection is based not only on the quality and competitiveness of supplier products and services, but also on compliance with Iveco Group's social, ethical, and environmental principles. New suppliers are required to sign a formal Commitment Declaration through which they agree to comply with both the Iveco Group Code of Conduct and Supplier Code of Conduct. Specific contractual clauses require them to provide references and demonstrate abilities in relation to: fighting corruption, safeguarding the environment, promoting health and safety at work, ensuring non-discrimination, prohibiting forced and/or child labour, and recognising freedom of association.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: Risk related to compliance with product, process and supply chain's regulations (for further details, refer to section "Risk Factors" of this report);
- opportunity: suppliers willing to implement social and environmental improvements may lead to synergies and new business opportunities.

In 2022, Iveco Group joined the community-based digital platform Open-es to increase its suppliers' engagement and awareness of sustainability topics, while monitoring their sustainability performance. This interactive ecosystem, combined with the Company's ongoing dialogue and collaboration with suppliers, is a means to share experiences and find increasingly innovative solutions to reduce the environmental footprint of both.

RELEVANT SOCIAL AND PERSONNEL MATTERS

Occupational Health and Safety

This material topic is related to the protection of workers' and third parties' health and safety through the adoption of management systems and initiatives that promote a safety culture.

As stated in its Health and Safety Policy, which provides the framework for the management of this material topic, Iveco Group is committed to protecting and promoting the health and safety of its employees and customers. Iveco Group aims to prevent incidents and occupational disease, while minimising other risks related to occupational health and safety ("OH&S"), by adopting a preventive approach in all significant activities, from the choice of materials, tools, and machinery to the selection of production processes. The Company also promotes health and safety by raising awareness among employees, through training and communications on accident prevention and OH&S and, at certain facilities, through medical check-up programmes.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: infectious diseases or pandemics may threaten the workers' health, affecting business continuity;
- opportunity: initiatives implemented with business partners to improve workplace health and safety may strengthen the spread of a safety culture within the organisation, contributing to safeguarding business continuity.

In 2022, approximately €50.3 million was spent on improving health and safety protection, of which almost €45 million on improvements to occupational safety and working conditions (worker protection, structural improvements, inspections of plants and working environments), and approximately €5.3 million on employee health care costs.

As of 31 December 2022, 23 plants were ISO 45001 certified.

EMPLOYEE INJURY RATES

IVECO GROUP WORLDWIDE

	2022	2021	2020
Injury frequency rate[a] (injuries per 1,000,000 hours worked)	1,942	1,995	2,039
Rate of high-consequence work-related injuries[b] (high-consequence work-related injuries per 1,000,000 hours worked, excluding fatalities)	—	—	—
Rate of recordable work-related injuries[c] (recordable work-related injuries per 1,000,000 hours worked)	2,199	1,832	1,599

(a) *The frequency rate is the number of injuries (work-related and non-work related, resulting in more than 3 days of absence) divided by the number of hours worked, multiplied by 1,000,000.*
(b) *The rate of high-consequence work-related injuries is the number of such injuries reported divided by the number of hours worked, multiplied by 1,000,000.*
(c) *The rate of recordable work-related injuries is the number of such injuries reported divided by the number of hours worked, multiplied by 1,000,000.*

Product quality and safety

This material topic is related to the delivery of safe, high-quality vehicles to customers by adopting the highest standards to maximise road user safety. Providing customers with safe products is a fundamental objective at Iveco Group and a key responsibility as described in the Code of Conduct. Every effort is made to deliver extremely safe, reliable, and high-quality products and services. Employees are expected to comply with the safety standards implemented, taking appropriate steps to prevent, identify, and correct any non-compliance. Any vehicle safety issues must be immediately reported to supervisors, the Compliance or Legal departments, or via the Company's Whistleblowing System. This commitment is stated in the Health and Safety Policy and applies to all products and Iveco Group brands. As a result, each brand aims to achieve the highest standards of preventive, active, and passive product safety, so as to safeguard the health of drivers/operators, passengers, and pedestrians. Iveco Group also implements a Cybersecurity Management System, certified as per the UNECE R155 regulation, which ensures the safety of embedded vehicle software and data over the entire life cycle of products, thus minimising the risk of cyberattacks on vehicles.

The Company achieves these goals by: researching, developing, and adopting functional and technical solutions that contribute to enhancing the product's safety performance, as well as ergonomic solutions; conducting studies and research to find and develop safer and more sustainable materials and chemical compounds; providing information on a product's safe use in its Operator's Manual; and offering training programmes on the safe and correct use of products.

- risk: Product quality impacted by process design and production issues (for further details, refer to section "Risk Factors" of this report);

- opportunity: an increase in customer demand for high-quality vehicles may create new business opportunities.

Iveco Group offers active (primary) and passive (secondary) safety features, as well as tertiary safety tools (rescue sheets and emergency response guides in case of accident).

Digitalisation and connectivity

This material topic is related to the development of digital technologies and use of big data analysis aimed at establishing a direct connection between vehicles and their surrounding environment, so as to support users' real-time decision making while safeguarding data and cybersecurity.

The Company has adopted the Iveco Group Data Privacy Policy and various cybersecurity solutions to maximise protection against cyberattacks.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: Information technology risks, including cybercrimes (for further details, refer to section "Risk Factors" of this report);
- opportunity: an increase in demand for innovative vehicles and digital solutions may create new business opportunities.

In Europe, Iveco Group's Customer Uptime Centre oversees the connection of vehicles, assisting drivers in avoiding breakdowns through predictive diagnosis, and in optimising route navigation and fuel consumption by offering real-time driving recommendations.

Diversity, equity, and inclusion

This material topic is related to the promotion of an inclusive work environment, enhancing diversity and challenging all discriminatory behaviour.

As stated in its Human Rights Policy, the framework for managing this material topic, Iveco Group does not accept discrimination against employees in any form whatsoever, including on the basis of: ethnicity, race, gender, sexual orientation, personal or social status, health, physical condition, disability, age, nationality, religious or personal beliefs, political opinion, or any other protected status.

The Company recruits and hires on the basis of experience, knowledge, and skills and is committed to providing equal opportunities to all employees, both on the job and in their career advancement.

The head of Human Resources for each business unit/function, in collaboration with all personnel managers, shall ensure that in every aspect of the employment relationship, such as recruitment, training, compensation, promotion, transfer, and termination, employees are treated according to their abilities to meet job requirements and all decisions are free from any form of discrimination.

Furthermore, as stated in the Iveco Group Code of Conduct, the Company is committed to providing equal opportunities to all employees, both on the job and in their career advancement, and to complying with all applicable laws that prohibit discrimination.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: Risks associated to employment relationships (for further details, refer to section "Risk Factors" of this report);
- opportunity: increased social awareness and the inclusion of minority groups may expand labour market opportunities.

In 2022, Iveco Group implemented many Company initiatives, including various local programmes aimed at attracting diverse candidates while raising awareness and understanding of gender topics. One example is the Disability Awareness Day held in France in November, engaging all site employees in conversations around the topic.

Gender equity is a focal point for the Company. Women at Iveco Group constitute 18.4% of the global workforce and 21.7% of management positions are held by women.

Employee development and training

This material topic is related to ensuring employees' professional and personal growth and promoting adequate welfare plans to enhance their value and wellbeing.

As stated in the Code of Conduct, Iveco Group recognizes that motivated, engaged and highly professional people are an essential factor in maintaining competitiveness, creating long-term value for stakeholders and ensuring customer satisfaction.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: risks associated to employment relationships (for further details, refer to section "Risk Factors" of this report);
- opportunity: collaborations with universities and the academic community may increase the pool of potential new hires.

In 2022, Iveco Group invested approximately €1.8 million in training, delivering a total of 402,131 training hours to 21,888 individuals.

Local communities

This material topic pertains to the promotion of initiatives aimed at supporting and developing local communities in the regions in which Iveco Group operates.

As set forth in the Code of Conduct, the Company's approach to community engagement is reflected in its commitment to playing an active role in local communities by contributing to their social, economic, and institutional development through specific programmes.

In addition, the Community Investment Policy ensures that activities are managed consistently, defining areas of application at global level.

To maximise the positive impact on local people, the Company has implemented a group-wide strategy, identifying 3 main areas of intervention related to its business and to the connection of people and communities:

- preserve biodiversity;
- reduce inequality, protect diversity and vulnerable groups;
- foster health and wellbeing.

The strategy goes hand in hand with a sound governance structure, which consists of a participatory process, led by the Sustainability Department, involving the Sustainability Committee ("SLT"), the Legal and Finance departments, dedicated local initiative representatives, and 5 regional committees. This structure optimises the identification and management of differentiation opportunities and ensures the execution of operational aspects in alignment with country-specific requirements.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: hostility by local communities towards activities conducted by Iveco Group in the regions in which it operates may cause reputational damage or affect business continuity;
- opportunity: an increase in the Company's business development thanks to synergies with local partners.

In 2022, approximately €2.81 million in resources were allocated to local communities.

Initiatives supported during the year include:

- restoring native vegetation and the local ecosystem;
- promoting equitable and inclusive access to resources and to learning opportunities;
- addressing a supportive environment for health and wellbeing.

Dealer and Customer Management

This material topic is related to active engagement with dealers and customers, by behaving with correctness, transparency, and promptness, in order to satisfy their expectations and respond to their requests.

As stated in Iveco Group's Code of Conduct, the Company aspires to fully meet and exceed the expectations of its customers, and to continuously improve the quality of products and services and the ease with which customers do business with Iveco Group. This objective is achieved by developing and maintaining profitable and lasting relationships with customers, and by delivering safety, service, quality, and value supported by continuous innovation.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: Dealers related Risk (for further details, refer to section "Risk Factors" of this report);
- opportunity: an increase in dealers' and customers' interest in Company products may create new business opportunities.

In 2022, Iveco Group announced the launch of GATE, a new entity with an independent business structure dedicated to meeting the needs of commercial electric vehicle customers. With operations expected to begin in 2023, it will initially serve both the IVECO and Nikola brands. It will offer a comprehensive service based on a pay-per-use formula giving customers access to the propulsion of tomorrow. GATE is a full ecosystem focused on a variety of zero-emission vehicles, from last mile delivery to long haulage.

RELEVANT MATTERS WITH RESPECT TO HUMAN RIGHTS

This material topic is related to ensuring respect for fundamental human and labour rights throughout the entire the value chain.

Iveco Group has adopted and implemented a specific Human Rights Policy, its commitment already stated in its Code of Conduct and in its Supplier Code of Conduct. These documents are available on the Company's website. While it is the responsibility of all covered persons to ensure respect for human rights, the Senior Leadership Team (SLT) retains executive oversight and has responsibility for the implementation of the Human Rights Policy.

The Company seeks to promote respect for human rights principles by others where it has an influence, particularly among contractors, suppliers, and other entities and individuals with whom it has a business relationship. The Company will not establish or continue a relationship with an entity or individual that refuses to respect the principles of its Code of Conduct.

Iveco Group respects and promotes human rights in line with national laws, the fundamental Conventions of the International Labour Organization ("ILO"), the UN's Universal Declaration of Human Rights, and the OECD Guidelines for Multinational Enterprises.

Moreover, the Company implements specific procedures to monitor respect for human rights within its operations, assessing the latter's potential impact on human rights and implementing mitigating and preventative measures where needed.

Risks and opportunities related to this material topic, as considered in the materiality analysis, are:

- risk: the violation of human rights across the value chain may cause reputational damage to Iveco Group;
- opportunity: an increase in stakeholders' awareness of human rights may enhance the Company's reputation.

The Company monitors respect for human rights both internally, through the Internal Audit function, and across the supply chain, through an annual assessment process. In 2022, this task involved 25,768 Company employees located in 7 countries in Europe, as well as 75 suppliers worldwide representing 11% of direct material purchases.

Iveco Group seeks to implement a variety of measures (e.g., training activities) to help employees understand and address human rights issues in the course of their work. In 2022, online training on human rights and other Code of Conduct aspects was delivered to approximately 11,357 employees (salaried and above).

RELEVANT MATTERS WITH RESPECT TO ANTI-CORRUPTION AND BRIBERY

Iveco Group's commitment to doing business with integrity means a zero tolerance approach to corruption, in any form that is deployed, among other, by preventing corruption in any form, including bribery, and complying with the anti-corruption laws of all countries in which it operates.

The Company has adopted and implemented an Anti-Corruption Policy, which is distributed to all employees and senior management across the globe and is available on the Company's website in 7 languages. The Company's Anti-Corruption Policy establishes procedures designed to ensure full compliance with applicable anti-corruption legislation. Oversight of the Policy lies with the corporate Compliance function.

Iveco Group's Internal Audit function verifies, among other things, corruption prevention processes and controls. The results of such internal audits are submitted to both the Company's Audit Committee and senior management to enable them to improve internal controls when appropriate. In 2022, no substantiated reports of bribery or corruption were reported to the Company through the Compliance Helpline or otherwise. In addition, Internal Audit activities did not identify bribery or corruption problems or issues. The Company also investigates and tracks, among other things, all corruption allegations to evaluate the need for additional controls and training, and surveys all employees annually, reminding them of their obligation to report compliance issues.

Corruption has a corrosive and detrimental impact on society, and Iveco Group is strongly committed to reducing the risk of potential violations, operating in compliance with anti-corruption law.
Such risks include sharing agents' fees, bribery, corruption resulting from extraordinary business opportunities or partnerships, or gift-giving violations. The Company's relations with government also present a potential risk to the Company's reputation and finances.

The Company provides both online and classroom-based anti-corruption training. In 2022, it delivered an online course to all salaried and above personnel (approximately 11,321 employees). Moreover, specific anti-corruption training was provided to all members of the Senior Leadership Team (SLT).

In addition, the Company's Supplier Code of Conduct sets forth the Company's expectations with respect to all suppliers, prohibiting any form of bribery, inducement, or any other improper payment (of cash or anything of value) to a third party to obtain an unfair or improper advantage.

INSIGHT INTO DIVERSITY (EXECUTIVE BOARD AND SUPERVISORY BOARD)

The pursuit of a fully inclusive working environment, where diversity – in all its forms – is truly valued and everyone is encouraged to fulfil their potential, is the basis of a more effective, appealing, and resilient organisation. As set forth in the Regulations of the Board of Directors, an appropriate and diversified mix of skills, professional backgrounds, and diversity factors are fundamental to the proper functioning of the Board as a collegial body. It is generally recognised that a diverse board is more effective in performing its monitoring and advisory activities, due to the variety of professional experience, perspectives, insights, skills, and connections to the outside world that diversity can bring to the table. Indeed, pursuant to the recommendations of the Dutch Corporate Governance Code, a formal statement by the Board is available on the Profile page of the corporate website, acknowledging that the Board of Directors should be composed of individuals who bring the appropriate skills and experience needed for a company of Iveco Group's size, geographic distribution, and business focus. To this end, when assessing candidates for appointment as directors, the Board also considers several diversity factors including, but not limited to, gender, ethnicity, schooling, and nationality, believing that bringing different perspectives into the Boardroom creates more effective discussions. In light of the attributes of its individual directors, and based on a self-assessment performed at the end of 2022 under the oversight of the ESG Committee, the Board considers itself a diverse body, well suited to fulfilling its duties vis-à-vis the Company's existing and prospective challenges, and will continue to consider genuine diversity as a priority.

EU TAXONOMY ON SUSTAINABLE ACTIVITIES

The EU taxonomy classification system provides a list of environmentally sustainable economic activities that support the EU Green Deal objectives. The Taxonomy Regulation defines which economic activities can be considered environmentally sustainable; it also establishes six environmental objectives, two of which have been regulated while the remaining four are expected to be regulated in 2023.

Climate Change Mitigation ("CCM") and Climate Change Adaptation ("CCA") are the two objectives that the EU has already regulated by adopting the Commission Delegated Regulation (EU) 2021/2139, which provides for two lists of economic activities (referred to as subsections) that can potentially contribute to achieving the CCM and CCA objectives. For each subsection identified, the Delegated Regulation provides a description and specific Technical Screening Criteria ("TSC"); the latter are subdivided in Substantial Contribution criteria ("SCC") and Do Not Significant Harm criteria ("DNSH").

To be environmentally sustainable under the EU Taxonomy, an economic activity shall:

- be eligible, i.e., fall under the description of one of the subsections;
- (only if eligible) be aligned, i.e., meet the TSC. Indeed, an economic activity must meet the SCC in order to substantially contribute to an environmental objective of the Taxonomy Regulation, and the DNSH criteria to ensure it does not cause significant harm to any of the other Taxonomy objectives.

Companies are required to disclose the proportion of turnover, capital expenditure ("CapEx"), and operating expenditure ("OpEx") of taxonomy eligible and non-eligible activities, as well as of aligned and not-aligned activities. 2022 was the first year of reporting for which companies were required to assess and disclose the actual alignment of their activities with technical screening criteria.

Eligibility assessment of Iveco Group's economic activities

Iveco Group conducted an eligibility assessment of its core business activities and operations, comparing the latter against the subsections of Annexes I and II of the Commission Delegated Regulation (EU) 2021/2139. The economic activities found to be eligible fell within the scope of one of the following activity categories:

- 3.3 'Manufacture of low carbon technologies for transport', which represents most of Iveco Group's core activities and operations;
- 6.5 'Transport by motorbikes, passenger cars, and light commercial vehicles', which represents in particular Iveco Group's financial services activities.

Climate Change Mitigation was identified as the environmental objective most consistent with Iveco Group's business.

Alignment assessment of Iveco Group's economic activities – Substantial Contribution criteria

For the economic activities identified as eligible, a further assessment was conducted to verify if they met the relevant SCC, so as to identify those among them that are aligned with Delegated Regulation requirements and determine their proportion of turnover, CapEx, and OpEx. The analysis performed confirmed that all technical screening criteria for substantial contribution to the CCM objective were met.

Particularly with regard to the Substantial Contribution criteria, the economic activities falling under the two subsections 3.3 'Manufacture of low carbon technologies for transport' and 6.5 'Transport by motorbikes, passenger cars, and light commercial vehicles' consist in the manufacture, repair, maintenance, retrofitting, repurposing, and upgrade of category M_1 and N_1 vehicles that meet the GHG emissions threshold (less than 50 g CO_2/km).

Alignment assessment of Iveco Group's economic activities – Do Not Significant Harm criteria

The economic activities previously assessed in relation to Substantial Contribution criteria were further analysed to verify whether they also met Do Not Significant Harm ("DNSH").

Keeping in mind that our activities are mainly related to the Climate Change Mitigation environmental objective, the results of the aforementioned analysis showed that all economic activities falling under subsection 3.3 met the DNSH criteria with regard to the other five environmental objectives as follows:

- Climate Change Adaptation: for each plant where economic activities took place, a climate risk and vulnerability assessment was conducted to identify the physical climate risks material to the activities themselves, as well as the adaptation solutions to reduce such risks accordingly;
- Sustainable Use and Protection of Water and Marine Resources: degradation risks related to preserving water quality and avoiding water stress were identified and addressed through Iveco Group's environmental management system, with the aim of achieving good water status and good ecological potential. The WRI Aqueduct Water Risk Atlas was used to identify the Company's plants in water-stressed areas;
- Transition to a Circular Economy: the circular economy criteria were met in relation to manufacturing processes;
- Pollution Prevention and Control regarding Use and Presence of Chemicals: the requirements related to the use of certain substances, as set out in Appendix C to Annex I of Delegated Regulation (EU) 2021/2139, were met. Compliance with regulations such as REACH and RoHS is guaranteed through the collection of information from suppliers (IMDS - International Material Data System), the verification of the absence of dangerous substances and the related communications required;
- Protection and Restoration of Biodiversity and Ecosystems: two methodologies were implemented at the manufacturing sites adjacent to protected areas of particular environmental interest where the economic activities took place, so as to assess their impact on biodiversity and ecosystems.

With regard to the economic activities falling under subsection 6.5, they met the DNSH criteria with regard to the other five environmental objectives as follows:

- Climate Change Adaptation: for each plant where economic activities take place, a climate risk and vulnerability assessment was conducted to identify the physical climate risks material to the activities themselves, as well as adaptation solutions to reduce such risks accordingly;
- Transition to a Circular Economy: the circular economy criteria were met in relation to M1 and N1 vehicles;
- Pollution Prevention and Control regarding Use and Presence of Chemicals: both vehicles M1 and N1 complied with the requirements of the most recent applicable stage of the Euro 6 light-duty emission type-approval, as well as with external rolling noise requirements related to tyres.

Minimum Safeguard Assessment

The EU Taxonomy Regulation sets a further requirement for economic activities to be considered sustainable: they must be not only environmentally sustainable by meeting the TSC, but also socially sustainable by meeting certain Minimum Safeguards.

More specifically, in conducting the economic activity, an entity shall also implement measures to ensure its alignment with the OECD Guidelines for Multinational Enterprises, with the UN Guiding Principles on Business and Human Rights, with the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work, and with the International Bill of Human Rights.

Iveco Group conducted a specific assessment to verify the compliance of its activities with Minimum Safeguards.

Iveco Group upholds respect for human rights through its Code of Conduct, Supplier Code of Conduct, and Human Rights Policy. Human rights are monitored across the Company's internal operations and throughout its supply chain and customer base by means of dedicated processes for each area. To ensure full compliance with applicable anti-corruption and bribery laws, an Anti-Corruption Policy and specific procedures are in place. The Company's tax risk management strategy focuses on managing and minimising the possibility of operating in violation of tax regulations or in a way that is contrary to the principles or purposes of the tax system. As regards grievances, a Compliance Helpline is available to all Iveco Group employees, customers, suppliers, and other third parties to report potential violations of applicable laws, Company policies, or the Code of Conduct. Lastly, Iveco Group safeguards consumer interest through its Code of Conduct and Supplier Code of Conduct, which stipulate, among other things, respect for the principles of fair competition and antitrust regulations.

Accounting Policy (1.2.1)

In order to identify the values related to the three KPIs, the Group's Sustainability Department and the Finance Department were involved. These departments, according to the criteria set out in Annex 1 to EU Commission Delegated Act 2178/2021, identified which values to be included in the KPIs from the balance sheet items, as described in the next paragraph.

As for the calculation of the numerator, only the balance sheet items related to the identified activities (subsections 3.3 and 6.5) were considered. As for the calculation of the denominator, all the items provided for by the regulations at a consolidated Iveco Group N.V. level were included (as it will be furtherly specified in the contextual information paragraph).

About Capex, calculation is based on the additions related to tangible and intangible assets sourced from Company reports that constitutes the base of assets changes on the disclosure.

About Turnover, information is officially reported on the consolidated financial statement, that consists in revenue that is the value of all sales of goods and services recognized over the period. In order to avoid double counting, revenues are excluding all intercompany flows.

About Opex, in order to match the taxonomy criteria, the calculation is the sum of operating expenses of the capital investments projects (view by nature) and the costs related to maintenance and cleaning (view by destination).

Assessment of compliance with Regulation (EU) 2020/852 (1.2.2)

Iveco Group identified two taxonomy eligible activities:

- Manufacture of low carbon technologies for transport (3.3), considering the sales from the vehicles manufactured by the Group and vehicle maintenance and repair. Revenues from the sale of spare parts and individual components are excluded from the numerator. As per Strategic Business Plan 2023 - 2026, investments belonging to Manufacture of low carbon technologies for transport (3.3) will increase over the next year s by changing industry landscape with focus on zero carbon footprint and carbon neutrality and expanding vehicle line-up by tailoring Zero Electric Vehicle Offering
- Transport by motorbikes, passenger cars, and light commercial vehicles (6.5), considering active leasings for CV vehicles.

To avoid any double counting in the calculation of the KPIs, the values were determined directly from the items included in the financial statement of Iveco Group N.V.

Contextual information (1.2.3)

Turnover KPI:

- The denominator was identified based on Group's consolidated net turnover from industrial activities.
- The numerator was identified including net sales from sales of Trucks and Buses (New and Used) and Services, revenues from repair and maintenance, and leasing fees. Revenues related to Specialty Vehicles (Defence and Fire Fighting), from the remaining segments of the industrial activities, and revenues from Spare Parts are excluded.

CapEx KPI:

- The denominator consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortization, and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value.
- The numerator equals capital expenditures, that are part of the denominator, referred to buses, light, medium, and heavy trucks.

OpEx KPI:

- The denominator includes all direct non-capitalized costs related to maintenance, building renovation measures, research and development, short-term lease, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment.
- The numerator equals the direct non-capitalized costs that are part of the denominator referred to buses, light, medium, and heavy trucks.

There are no amounts in the reported values related to economic activities included in the taxonomy conducted for the internal consumption of the Group.

Within the CapEx and OpEx items, there are no items related to a plan to expand the economic activities aligned to the taxonomy.

The CapEx and OpEx allocated to numerator were calculated using the Tool Semplice (specific for Initiatives Mngt system) aggregating on the basis of dedicated field for tracking project on the basis of their motivation/aim.

After investigating and consulting on EU Taxonomy's list of activities, the KPIs related are included in the table below.

PROPORTION OF TURNOVER FROM PRODUCTS ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES
DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH criteria ("Do Not Significant Harm")										
ECONOMIC ACTIVITIES	CODE(S)	ABSOLUTE TURNOVER	PROPORTION OF TURNOVER	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCE	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCE	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	MINIMUM SAFEGUARDS	TAXONOMY -ALIGNED PROPORTION OF TURNOVER, YEAR 2022	TAXONOMY -ALIGNED PROPORTION OF TURNOVER, YEAR 2021	CATEGORY (ENABLING ACTIVITY)	CATEGORY (TRANSITIONAL ACTIVITY)
		M€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of low carbon technologies for transport	3.3	170	1.20	100	0	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	1.20		E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		170	1.20	100	0	-	-	-	-								1.20			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low carbon technologies for transport	3.3	11,191	79.00																	
Transport by motorbikes, passenger cars, and light commercial vehicles	6.5	86	0.60																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		11,277	79.61																	
Total (A.1 + A.2)		**11,447**	**80.81**														1.20			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		2,719	19.19																	
Total (A + B)		**14,166**	**100.00**																	

PROPORTION OF CAPEX FROM PRODUCTS ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES
DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH criteria ("Do Not Significant Harm")										
ECONOMIC ACTIVITIES	CODE(S)	ABSOLUTE CAPEX	PROPORTION OF CAPEX	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCE	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCE	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	MINIMUM SAFEGUARDS	TAXONOMY -ALIGNED PROPORTION OF CAPEX, YEAR 2022	TAXONOMY -ALIGNED PROPORTION OF CAPEX, YEAR 2021	CATEGORY (ENABLING ACTIVITY)	CATEGORY (TRANSITIONAL ACTIVITY)
		M€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of low carbon technologies for transport	3.3	238.62	30.79	100	0	-	-	-	-		Y	Y	Y	Y	Y	Y	30.79		E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		238.62	30.79	100	0	-	-	-	-								30.79			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low carbon technologies for transport	3.3	85.98	11.09																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		85.98	11.09																	
Total (A.1 + A.2)		**324.61**	**41.88**														30.79			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		450.39	58.12																	
Total (A + B)		**775.00**	**100.00**																	

PROPORTION OF OPEX FROM PRODUCTS ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH criteria ("Do Not Significant Harm")										
ECONOMIC ACTIVITIES	CODE(S)	ABSOLUTE OPEX	PROPORTION OF OPEX	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCE	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCE	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	MINIMUM SAFEGUARDS	TAXONOMY -ALIGNED PROPORTION OF OPEX, YEAR 2022	TAXONOMY -ALIGNED PROPORTION OF OPEX, YEAR 2021	CATEGORY (ENABLING ACTIVITY)	CATEGORY (TRANSITIONAL ACTIVITY)
		M€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of low carbon technologies for transport	3.3	77.09	23.08	100	0	-	-	-	-		Y	Y	Y	Y	Y	Y	23.08		E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)				100	0	-	-	-	-											
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low carbon technologies for transport	3.3	6.93	2.07																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		6.93	2.07																	
Total (A.1 + A.2)		**84.02**	**25.15**														23.08			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		250.07	74.85																	
Total (A + B)		**334.10**	**100.00**																	

TASKFORCE ON CLIMATE-RELATED DISCLOSURES

Iveco Group is committed to climate change mitigation and aims for full transparency in its management of climate-related risks and opportunities through the disclosures provided in this section, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The following section contains 4 thematic areas showing how the Company is addressing climate-change risks and opportunities: Governance, Strategy, Risk Management, and Metrics and Targets. For further details, please see the 'TCFD Correspondence' table at the end of this section.

Governance

The highest responsibility for defining and implementing Iveco Group's strategy lies with the Board of Directors. The **ESG Committee of the Board of Directors** is responsible, among other things, for assisting the Board in reviewing and guiding the strategy and risk management policies related to climate change. It is also responsible for monitoring the implementation of the measures to meet climate change targets. The ESG Committee meets quarterly and, at least twice per year, it is updated by the Institutional Relations & Sustainability senior vice president on the progress of CO_2 emissions reduction and energy efficiency with regards to manufacturing, logistic processes, and suppliers based on assessments received by the Business Units, Operating and Corporate functions.

At management level, the highest responsibility for initiatives focusing on energy efficiency and on the management of CO_2 emissions at Iveco Group lies with the **Senior Leadership Team** ("SLT"). The SLT members are also members of the **Sustainability Committee**, which meets monthly and is responsible for defining sustainability strategy and integrating sustainability aspects into operating processes. It is chaired by the Institutional Relations & Sustainability senior vice president.

The Company's **business units** are fully responsible for the global growth and performance of their respective businesses, thereby increasing focus and accountability. Climate change issues are regularly discussed by these committees to ensure responsible management of climate risks and to identify trends and opportunities, including potential impacts of new products under development and new market considerations.

Strategy

Conscious of the urgency of the climate change challenges and the major role that decarbonisation will play, Iveco Group has set the ambitious goal of achieving net zero carbon by 2040 – ten years ahead of the deadline set by the Paris Agreement – in accordance with The Climate Pledge that Iveco Group signed. To further address the potential impacts of climate change, Iveco Group has implemented relevant projects to improve the environmental performance of its manufacturing processes, logistics, and product portfolio. To ensure the timely delivery of its strategy, the Company has defined specific strategic sustainability targets for Scope 1, 2 and 3 emissions. The Company also advocates publicly for a quick implementation of the enabling conditions, such as refueling and recharging stations, for the deployment of zero emission vehicles.

The Company monitors the relevant emerging policies and regulatory developments at local and global level and it has established specific functions and structures within its respective business units and Technology and Digital function to comply with the new regulation. The resulting analyses are incorporated into Company strategy to ensure full compliance with applicable laws. The shifts in consumer preferences and demand towards sustainable transport solutions, driven by both an increase in climate-related awareness and more stringent regulations, may result in potential risks for manufacturers that must adapt to the evolving market. To counter this, Iveco Group applies these shifts to the development of its product portfolio to steer R&D focus towards sustainable technologies (e.g., biofuels, electric and hydrogen propulsion technologies) and ensure the resilience of its business model.

The Company also takes advantage of collaborations with strategic business partners, start-ups, and external expertise in the emerging technology sector.

To ensure the timely delivery of its strategy, the Company has established specific targets linked to the environmental performance of its manufacturing processes, logistics, and product portfolio, as outlined in the section "Metrics and Targets" below.

Iveco Group developed a scenario analysis which led to the identification of the Internal Price of Carbon ("IPoC"), an indicator that enables it to prioritise energy-saving projects based on their ability to generate the greatest reduction in CO_2 emissions. The IPoC is used as a decision-making tool whenever an initiative is presented to the Company's Investment Committee.

In particular, considering the financial statements information are presented through historical values which, by their nature, do not fully capture future events, all significant assumptions and estimates underlying the preparation of the following items were subject to an analysis in order to identify and address the new uncertainties related to climate changes which could affect the business: going concern, inventory management, property, plant and equipment, goodwill, brands, intangible assets with a finite life, tax reliefs, revenue recognition, provisions and onerous contracts.

The analysis conducted were based on the Group strategy outlined in the context of the global supply chain environmental targets and did not highlight any critical situations that cannot be attributable to, and addressed, in the ordinary course of the business.

Risk Management

Enterprise Risk Management

Risk management is an important component of Iveco Group's overall culture and is integral to the achievement of its long-term business plan. Accordingly, the Company's Enterprise Risk Management ("ERM") process has been designed to assist in the identification, evaluation, and prioritisation of business risks, followed by a coordinated and balanced application of resources to minimise, monitor, and control the probability or impact of adverse events or to maximise the realisation of opportunities. The ERM process is linked to the Company's Sustainability Programme and its strategic sustainability targets and priorities, including those related to climate change, which are articulated in the Company's Strategic Business Plan.

More details on Iveco Group's ERM process, including its risk appetite for individual risk categories, can be found in the "Risk Management and Internal Control System" section of this Report.

Pure Risk Management

In order to strengthen sustainability and resilience within the organisation, the Company also works to develop and launch forward-looking solutions to better understand the impacts of natural hazards and to respond accordingly. The ability to assess the losses and costs associated with natural hazards is essential for better decision making on hazard mitigation investments and planning. This methodology has enabled Iveco Group to: (i) obtain objective, quantified knowledge of insurable environmental exposures; (ii) improve risk profiles according to the business units' EHS strategies; (iii) identify and clearly communicate priorities and benefits; (iv) effectively inform the insurance market about the loss prevention activities in place to prevent or mitigate potential environmental losses; (v) obtain adequate environmental insurance coverage, commensurate with risk exposures and current loss prevention activities; (vi) and carry out prevention activities in line with Company strategies. These activities provided the basis for the development of the Iveco Group's first environmental maps, which quantify the overall level of risk using a certified, scientific, self-assessment tool. The results were presented to the insurance market as evidence that the Company's environmental risks are known, well-quantified, and properly managed. The results also led to comprehensive global insurance coverage. A similar approach is being followed for earthquake and flood risks.

Metrics and Targets

Iveco Group has developed various indicators and tools to assess its contribution, exposure, and resilience to climate change. Annually, the Company reports its climate change impacts and performance in its Sustainability Report, according to the requirements of the GRI Standards. CO_2 emissions are calculated according to the Greenhouse Gas Protocol ("GHG Protocol"), incorporated into Company Guidelines.

METRICS	2022	2021	2020
Plants in scope	23	25	26
Direct energy consumption from renewable sources (GJ)	1,256	83	4
Direct energy consumption from non-renewable sources (GJ)	1,043,148	1,137,398	968,336
Total direct energy consumption (GJ)	1,044,404	1,137,481	968,340
Total indirect energy consumption from renewable sources (GJ)	1,340,289	1,381,882	1,129,567
Total indirect energy consumption from non-renewable sources (GJ)	667,348	730,583	635,902
Total indirect energy consumption (GJ)	2,007,637	2,112,465	1,765,469
Total energy consumption (GJ)	3,052,041	3,249,946	2,733,809
Direct CO_2 emissions (Scope 1) (tons)	60,712	66,229	56,377
Indirect CO_2 emissions (Scope 2 – market-based) (tons)	41,024	46,851	48,897
Indirect CO_2 emissions (Scope 2 – location-based) (tons)	132,064	145,537	133,290
Total CO_2 emissions (Scope 1 and Scope 2 – market-based) (tons)	101,736	113,080	105,274
CO_2 emissions from the use of sold vehicles per vehicle/km (Scope 3) (grammes per vehicle/km)	681	—	—

Based on the climate-related risks and opportunities identified, Iveco Group sets targets to reduce emissions and increase energy efficiency:

TARGETS	REFERENCE PERIOD	2022 RESULTS
-50% vs.2019 in absolute CO_2 emissions (Scope 1-2)	2030	(16)%
100% of total electricity consumption derived from renewable sources	2030	98 %
-38% vs.2022 in Scope 3 CO_2 emissions from the use of sold vehicles per vehicle/km	2030	(a)
-7% vs. 2022 in kg of CO_2 emissions per ton of goods transported (including spare parts)	2026	(a)
-20% vs. 2022 in absolute CO_2 emissions derived from key suppliers of purchased goods and services and from capital goods	2026	(a)

(a) Revised target: 2022 as new baseline.

TCFD correspondence table

THEMATIC AREA	RECOMMENDED TCFD DISCLOSURES	REFERENCE
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities	Annual Report: Our Commitment to Sustainability; Corporate Governance /Board Committees: ESG Committee
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Annual Report: Our Commitment to Sustainability
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Annual Report: Our Commitment to Sustainability; Risks Factors; Industry Overview; Risk Management and Internal
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Annual Report: Our Commitment to Sustainability; Risks Factors; Industry Overview; Risk Management and Internal
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Annual Report: Our Commitment to Sustainability; Risks Factors; Industry Overview; Risk Management and Internal
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	Annual Report: Our Commitment to Sustainability; Risk Management and Internal Control System
	b) Describe the organisation's processes for managing climate-related risks.	Annual Report: Our Commitment to Sustainability; Risk Management and Internal Control System
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Annual Report: Our Commitment to Sustainability; Risk Management and Internal Control System
Metrics & targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Annual Report: Our Commitment to Sustainability
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Annual Report: Our Commitment to Sustainability
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Annual Report: Our Commitment to Sustainability

METHODOLOGIES

This Non-Financial Statement addresses the requirements of the Dutch Decree dated 14 March 2017 on Non-Financial Information, that implemented the Directive 2014/95/EU into Dutch law. This Non-Financial Statement is based on the GRI Sustainability Reporting Standards ("GRI Standards") and the Sustainability Accounting Standards ("SASB Standards").

Defining the contents of this Non-Financial Statement is a process based on principles of materiality, stakeholder inclusiveness, sustainability context, and completeness. Ensuring the quality of information concerns principles of balance, comparability, accuracy, timeliness, clarity, and reliability.

Environmental and social issues included in the Annual Report were selected on the basis of the materiality analysis. For further information on Iveco Group's commitment to sustainable development, see the 2022 Sustainability Report.

The contents related to the different requirements stated in the Dutch Decree are included in this Annual Report in different sections. The table below shows the internal references for the information on each requirement.

EU Directive Non-Financial Information and Diversity information reference table

Topic	Subtopic	Included (yes/no)	Reference
Business model		Yes	Business Overview; Our Commitment to Sustainability; Corporate Governance/Code of Conduct
Relevant social and personnel matters (e.g., HR, safety etc.)	A description of the policies pursued, including due diligence.	Yes	Our Commitment to Sustainability; Corporate Governance/Code of Conduct
	The outcome of those policies.	Yes	Our Commitment to Sustainability; Corporate Governance/Code of Conduct
	Principle risks in own operations and within value chain.	Yes	Our Commitment to Sustainability; Risk Management and Internal Control System
	How risks are managed.	Yes	Our Commitment to Sustainability; Risk Management and Internal Control System
	Non-financial key performance indicators.	Yes	Our Commitment to Sustainability;
Relevant environmental matters (e.g., climate-related impacts)	A description of the policies pursued, including due diligence.	Yes	Our Commitment to Sustainability; Corporate Governance/Code of Conduct
	The outcome of those policies.	Yes	Our Commitment to Sustainability; Corporate Governance/Code of Conduct
	Principle risks in own operations and within value chain.	Yes	Our Commitment to Sustainability; Risk Management and Internal Control System
	How risks are managed.	Yes	Our Commitment to Sustainability; Risk Management and Internal Control System
	Non-financial key performance indicators.	Yes	Our Commitment to Sustainability
Relevant matters with respect for human rights (e.g., labour protection)	A description of the policies pursued, including due diligence.	Yes	Our Commitment to Sustainability; Corporate Governance/Code of Conduct
	The outcome of those policies.	Yes	Our Commitment to Sustainability; Corporate Governance/Code of Conduct
	Principle risks in own operations and within value chain.	Yes	Our Commitment to Sustainability; Risk Management and Internal Control System
	How risks are managed.	Yes	Our Commitment to Sustainability; Risk Management and Internal Control System
	Non-financial key performance indicators.	Yes	Our Commitment to Sustainability;
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence.	Yes	Our Commitment to Sustainability; Corporate Governance/Code of Conduct
	The outcome of those policies.	Yes	Our Commitment to Sustainability; Corporate Governance/Code of Conduct
	Principle risks in own operations and within value chain.	Yes	Our Commitment to Sustainability; Risk Management and Internal Control System
	How risks are managed.	Yes	Our Commitment to Sustainability; Risk Management and Internal Control System
	Non-financial key performance indicators.	Yes	Our Commitment to Sustainability;
Insight into diversity (executive board and the supervisory board)	A description of the policies pursued.	Yes	Our Commitment to Sustainability
	Diversity targets	Yes	Our Commitment to Sustainability
	Description of how the policy is implemented.	Yes	Our Commitment to Sustainability
	Results of the diversity policy.	Yes	Our Commitment to Sustainability

SASB INDEX				
TOPIC	SASB CODE	METRIC	UNIT OF MEASURE	RESPONSE COMMENT
Activity	RT-IG-000.A	Number of units produced by product category	Number	Commercial Vehicles: 165,587 Powertrain: 786,748 Buses: 5,945 Specialty Vehicles: 2,940
	RT-IG-000.B	Number of employees	Number	35,611
Energy Management	RT-IG-130a.1	(1) total energy consumed	Gigajoules (GJ)	3,052,041
		(2) percentage of grid electricity	%	43.3
		(3) percentage of renewable	%	44
Employee Health and Safety	RT-IG-320a.1	(1) total recordable incident rate (TRIR)[a]	Rate	0.0454
		(2) fatality rate[b]	Rate	—
		(3) near miss frequency rate (NMFR)[c]	Rate	3,258
Fuel Economy & Emissions in Use-Phase	RT-IG-410a.1	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Gallons per 1,000 ton-miles	(d)
	RT-IG-410a.2	Sales-weighted fuel efficiency for non-road equipment	Gallons per hour	N/A
	RT-IG-410a.3	Sales-weighted fuel efficiency for stationary generators	Watts per gallon	N/A
	RT-IG-410a.4	Sales-weighted emissions of:		
		(1) nitrogen oxides (NOx) and		—
		(2) particulate matter (PM) for:		—
		(I) marine diesel engines,		N/A
		(II) locomotive diesel engines,		N/A
		(III) on-road medium- and heavy-duty engines, and		N/A
		(IV) other non-road diesel engines	Grams per kilowatt-hour	N/A
Materials Sourcing	RT-IG-440a.1	Description of the management of risks associated with the use of critical materials	N/A	(e)
Remanufacturing Design & Services	RT-IG-440b.1	Revenue from remanufactured products and remanufacturing services	€million	93.3

(a) The total recordable incident rate is the number of recordable work-related injuries and illnesses divided by the number of hours worked, multiplied by 200,000.

(b) The fatality rate is the number of work-related fatalities divided by the number of hours worked, multiplied by 200,000.

(c) The near miss frequency rate is the number of work-related near misses divided by the number of hours worked, multiplied by 200,000.

(d) The metric used for evaluating the emission in the use-phase is CO_2 emissions per vehicle per km (see Metrics and Targets in Taskforce on Climate-Related Disclosures section).

(e) The Company's products are highly complex, typically containing thousands of parts that come from many different direct suppliers within the Company's vast global supply network. This means that the Company must rely on its direct suppliers to work with their upstream supply chain to detect the presence and evaluate the origin of any critical substances contained.

REPORT ON OPERATIONS
SELECTED FINANCIAL DATA

(€ million)	**2022**	**2021(*)**	**2020(*)**	**2019(*)**	**2018(*)**
Net revenues	14,357	12,651	10,411	11,948	12,005
Profit/(loss) before taxes	260	180	(488)	175	310
Profit/(loss)	159	76	(372)	101	183
Attributable to:					
Owners of the parent	147	52	(408)	84	166
Non-controlling interests	12	24	36	17	17
Basic earnings/(loss) per common share (€)(1)	0.54	0.19	(1.50)	0.31	0.61
Diluted earnings/(loss) per common share (€)(1)	0.54	0.19	(1.50)	0.31	0.61
Investments in tangible and intangible assets	777	563	401	492	437
of which: capitalized R&D costs	390	271	178	177	187
R&D expenditure(2)	634	509	393	441	432
Total Assets	16,013	16,560	15,631	15,904	15,760
Total Equity	2,391	2,311	2,336	2,718	2,725
Equity attributable to owners of the parent	2,354	2,289	2,268	2,680	2,701

(*) Data included in the Report on Combined Financial Statement at 31 December 2021 issued on 24 April 2022.

(1) For the years 2021, 2020, 2019 and 2018, basic and diluted earnings per share calculation is based on the number of common shares at the Effective date of the Demerger.
(2) Includes capitalized development costs and research and development ("R&D") costs charged directly to the income statement.

RISK FACTORS

The following risks should be considered in conjunction with the risks described in the Disclaimer, the Risk Management and Control System section and the Notes to the Consolidated Financial Statements. All these risks may affect Iveco Group business results and, individually or in the aggregate, could cause actual results to materially differ from past and projected future results. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated. It is impossible to predict or identify all risk factors and, consequently, the following factors shall not be considered a complete list of the risks and uncertainties that may affect the Company. According to the Company's opinion, there are no material uncertainties (as defined in paragraph 25 of IAS 1 - *Presentation of Financial Statements*) about its ability to continue as a going concern. However, the occurrence of external disruptive events that would impact indistinctly the automotive industry and/or specifically Iveco Group and beyond the direct control of Iveco Group could jeopardize the ability of Iveco Group to operate in the market.

The present section describes risks that could have a significant impact on the operating results and financial position of Iveco Group. Major risks events that emerged during the risk assessment process are grouped in four main categories:

a. Strategic risks;
b. Operational risks;
c. Legal & Compliance risks;
d. Financial & Taxation risks.

Iveco Group's main risk factors identified for each of the above-mentioned risk categories are discussed below. The order in which they are discussed does not imply ranking in terms of likelihood of occurrence or potential impact.

The below mentioned risk factors are not to be considered comprehensive of all risks identified and evaluated within the annual risk management process: business-as-usual risks which are considered adequately managed and controlled such that residual risk is considered minor, even if monitored, are not detailed in this report. Nevertheless, there can be no assurance that any mitigation action will be sufficient to successfully counter or mitigate potential risks.

Compared with previous year Annual Report, the most significant Risk Factors which are not detailed in the report because of existing mitigation actions or because they are currently considered as causes or effects of other issues are:

- The Group may have difficulties implementing its growth strategy and may not realize all of the anticipated benefits from being separated from the CNH Industrial business and cost management initiatives.
- The COVID-19 pandemic could materially adversely affect the Group's business, financial condition, results of operations and/or liquidity
- Reduced demand for the Group's products would reduce the Group's sales and profitability

Although the Company believes that the risks and uncertainties described below are material risks and uncertainties concerning the Group's business and industry, they are not the only risks and uncertainties relating to the Group. Other risks, events, facts or circumstances not presently known to the Group, or that the Group currently deems to be immaterial could, individually or cumulatively, alone or in combination with other events or circumstances, prove to be important and may have a significant negative impact on the Group's business, financial condition, results of operations and prospects.

STRATEGIC RISKS

Global economic conditions impact Company businesses

Iveco Group results of operations and financial position are and will continue to be influenced by macroeconomic factors – including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates, the availability of credit, inflation and deflation, energy, commodities or other raw materials prices – which exist in the countries and regions in which Iveco Group operates. Such macroeconomic factors vary from time to time and their effect on operating results and financial position cannot be specifically and singularly assessed and/or isolated.

Economic conditions vary across regions and countries, and demand for products and services generally increases in those regions and countries experiencing economic growth and investment. Slower economic growth could have an adverse impact on business, results of operations and financial condition. In a weaker economic environment, dealers and customers may delay or cancel plans to purchase Iveco Group products and services and may not be able to fulfill their obligation timely. In addition, suppliers may be impacted by economic pressures or by adverse geopolitical situation (e.g. escalation of tensions between China and Taiwan) which may adversely affect their ability to fulfill their obligations, as well as the price or availability of supplies required. In addition, deterioration of key macroeconomic indicators (such as rising inflation and local currency devaluation) as well as a strengthening of Government's protectionist policies in some Countries, could impact the Group's financial results and business operation particularly in those Countries where macroeconomic conditions remain volatile. If there were continued deterioration in the global economy or the economies of key countries or regions, the demand for Iveco Group products and services may decrease and may materially and adversely affect results of operations, financial position and cash flows.

Iveco Group is committed to constantly and closely monitor political, social, economic, and market developments in the countries of interest, both through specialized internal resources and through providers of information analyses. The Group periodically assesses these political, social and economic risks in the countries it operates in or intends to invest in, also through specific set of defined measures to deal with a potential demand reduction, and through a strong commitment in investigating and scouting potential alternatives for critical supplies based on risky countries, even if there can be no assurance these measures prove to be effective.

Competition risk, considering both actual players and new entrants

The Group operates in global and regional markets which are highly competitive in terms of product quality, innovation, pricing, fuel economy, reliability, safety, customer service, and financial services offered. Depending on the particular Country and product, the Group competes with other international, regional and local manufacturers and distributors of commercial and specialty vehicles and powertrains. The Group competes primarily on the basis of product performance, innovation, quality, distribution, customer service and price. Aggressive pricing or other strategies pursued by competitors, unanticipated product or manufacturing delays, quality issues, or failure to price products competitively, could adversely affect the Iveco Group's business, operating results, and financial position. Additionally, there has been a trend toward consolidation in the truck industry that has resulted in larger and potentially stronger competitors in this industry.

The Group's ability to compete successfully in the longer-term will depend on, in part, the ability to keep pace with changes in vehicle technology, including in regard to emissions. As part of its decarbonization strategy, Iveco Group is planning to develop alternative fuel engines that run on CNG and LNG and are compatible with biomethane, with a medium-term focus on electric drive technologies. However, there is a risk that some competitors will use their substantial resources to develop such technology and related products more rapidly, in larger quantities, with a higher quality, or at a lower cost. Failure to develop and offer innovative products that compare favorably to those of Iveco Group's principal competitors in terms of price, quality, functionality, features, mobility and connected services, vehicle electrification, fuel cell technology and autonomy, or delays in bringing strategic new products to market, or the inability to adequately protect the Group's intellectual property rights or supply products that meet regulatory requirements, including engine emissions requirements, could result in reduced revenue and market share.

Iveco Group continuously investigates new potential areas of interest for the future development of the ecosystem of transport and logistics, which also potentially includes the implementation of partnership agreements. Research and development projects are also revised continuously, based on each project's technological and commercial relevance. To mitigate the effect of increasing competition from both actual and new, more innovative and price-aggressive players, the Group is in progress of layering of commercial areas by region to understand demand elasticity and monitor competitors' actions as well as of implementing some innovation activities or cost optimization actions with the aim to increase its competitiveness. Furthermore, Iveco Group can rely on an extensive distribution service that provides a competitive advantage. Nevertheless, should the Group be unable to adapt effectively to market conditions, this could have an adverse effect on its business, results of operations, and financial condition.

Risks related to investments and partnerships

Iveco Group has engaged in the past, and may engage in the future, in investments or merger and acquisition transactions or enter into, expand or exit from strategic alliances and joint ventures that could involve risks that could prevent the Company from realizing the expected benefits of the transactions or the achievement of strategic objectives or could divert management's time and attention. Cooperation with partners in shareholdings and partnerships is of key importance to Iveco Group, both in the transformation towards electric mobility and comprehensive digitization, and in connection with mobility solutions. Especially with new technologies, these solutions of cooperation may help to leverage on synergies and improve cost structures in order to respond successfully to the competitive situation in the automotive industry.

By way of example, Iveco Group has established a Joint Venture agreement with Nikola Corporation, a US-based Group specialized in zero-emission Class 8 Heavy-Duty Trucks ("HDT") and related energy solutions, in order to improve HDT product portfolio mix. Furthermore, Iveco Group and Hyundai Motor Company are exploring possible areas of mutual interest, such as electric powertrains, vehicle automation and connectivity technology for commercial vehicles.

The unreliability of key business partners in meeting the agreements undertaken and deliver on time the expected volumes, the potential deterioration in relations with such key partners as well as the challenges in selecting new business partners could impact the ability to develop innovative products and meet Iveco Group strategic objectives.

With a view to mitigating such risks, Iveco Group is committed to maintaining a positive trust and long-term relations with strategic partners, sharing risks as well as opportunities. Before the implementation of a collaboration agreement, the Company performs a series of activities geared at identifying suitable business partners; moreover, after the stipulation of the relevant agreements, Iveco Group puts in place intensive controls over the partnership execution and all the necessary actions aimed at resolving any emerging disputes regarding business activities.

In spite of these measures, the challenges and uncertainties in selecting trustworthy business partners, their potential unreliability in meeting the agreements undertaken and deliver on time as expected, as well as the potential deterioration in relations with such key partners may impact Iveco Group's ability to develop innovative products and meet its objectives.

Political or financial instability in countries where the Group operates

Iveco Group produces and sells products and offers services in several continents and numerous countries around the world including some experiencing varying degrees of political and economic instability. Given the global nature of the activities, the Company is exposed to risks associated with international business activities that may increase costs, impact ability to manufacture and sell products and require significant management attention. These risks include:

- changes in laws, regulations and policies that affect, among other things:
    - import and export duties and quotas;
    - currency restrictions;
    - interest rates;
    - taxes;
- labor disruptions;

- war, civil unrest and acts of terrorism.

Further, many escalated tensions are adversely impacting macroeconomic conditions, giving rise to regional instability and resulting in heightened economic sanctions from the U.S., EU, and UK which may adversely affect Iveco Group business in relevant countries.

The mitigant actions against such external risk include:

- institutional relations with Local Authorities;
- analysis of the preventive measures and implementation of emergency plans if needed;
- safety of people and the management of activities and assets.

OPERATIONAL RISKS

Public tender management related risk

Iveco Group supplies products that are particularly complex due to their advanced technological and sustainability contents, including under long-term contracts at a fixed all-inclusive price, which are awarded through public tenders. Terms and conditions of contracts generally include challenging requirements and rigorous completion times; in order to meet undertaken commitment and avoid penalties, Iveco Group could be forced to launch production before all tender’s requirements and public fund allocation is completed, increasing risks on inventory and unsold products. Furthermore, an unforeseen rise in the costs incurred in the performance of a contract could lead to a lower profit, especially in those contractual or regulatory frameworks in which Iveco Group is not allowed to ask for and be granted with a renegotiation of the prices.

Although to date the sustainability requirements within public tender are not stringent yet, a deeper awareness and demands from entities issuing public tenders is expected from 2025 onward. Having proper sustainability credentials (e.g. related to respects of human rights standards, etc.) will grant the Iveco Group's participation in public tenders, especially in countries where regulations on sustainability are more demanding.

The Group is committed to the continuous improvement of its industrial efficiency and its ability to meet customer specifications, including through (i) constant monitoring of regulatory evolutions in the sustainability field and new requirements under discussion by public entities issuing and/or regulating tenders, to anticipate and address new demands in a timely manner, (ii) contracts indexation on the raw materials or energy prices, (iii) on-site audits at Group production sites, (iv) presence of an internal Human Right policy, (v) whistleblowing channels open to both employees and third parties. In addition, the Group already participates in the Open-ES platform to encourage supplier awareness of ESG issues and support suppliers' qualification and monitoring.

Risk related to supply of utilities, raw materials, parts and components

Iveco Group relies upon many suppliers for raw materials, parts and components that are required for products manufacturing. The Company cannot guarantee to be able to maintain access to raw materials, parts, and components, and in some cases this access may be affected by factors outside of Iveco Group’s and its direct suppliers’ control. Certain components and parts used in Iveco Group products are available from a single supplier and cannot be quickly sourced from other suppliers. Significant disruptions to the supply chain resulting from shortages of raw materials, components, and whole goods may adversely affect the ability to meet customer demand. For example, events occurred in the latest years (such as COVID pandemic and the escalation of conflict in Ukraine) have affected global ability to receive certain materials and components (such as semiconductors) on a timely basis and at the anticipated costs. These supply chain disruptions have been caused and compounded by many factors, including changes in supply and demand, industry capacity constraints, labor shortages and the COVID related issues (e.g. zero COVID policy in China). Global logistics network challenges include ocean freight capacity constraints, international port delays, trucking and chassis shortages, railway and air freight capacity, and labor availability constraints, which have resulted in delays, shortages of key manufacturing components, increased order backlogs, and increased transportation costs. While Iveco Group diligently monitor supply chain risk and seeks to respond promptly to address supply chain and logistics bottlenecks, there can be no assurance that mitigation plans will be effective to prevent disruptions that may arise from shortages of materials used in the production. Uncertainties related to the magnitude and duration of global supply chain disruptions have adversely affected, and may continue to adversely affect, business and outlook.

Furthermore, the price volatility of raw materials and utilities like electricity and gas, particularly during times of economic volatility or regulatory instability or in response to changes in tariffs, significantly increases costs of production, which could have a material adverse effect on business, results of operations and financial condition.

In addition to monitoring materials availability and prices increase from suppliers, also considering spot purchases in case of favorable market opportunities, or activation of hedging strategies (after assessing their cost-effectiveness), Iveco Group held Suppliers Risk Management meetings at least on a quarterly basis to analyze critical suppliers and to assess potential double sourcing or reduction of business. Furthermore, where possible, the Company takes in consideration the application of indexed contracts with clients to offset increased raw materials costs.

Focusing on semiconductors, Iveco Group takes into consideration the opportunity to investigate semiconductors’ technical alternatives, to buy semiconductors on the broker market or to have direct relationships with semiconductors’ suppliers. The impact of supply chain disruption is reduced thanks to the improved fleet management.

Product quality impacted by process design and production issues

Production risks include all those factors which could impact the production planning and capacity, such as:

- the incorrect estimation of the demand causing under- or over- production capacity, potentially leading to increased costs, delivery delays, and quality issues due to excessive work stress;
- unforeseen disruptions of a production facility which could be caused by several different incidents.

The success of Iveco Group products depends on the ability to maintain or increase market share in existing markets and to expand into new markets through the development of innovative, high-quality products that provide adequate profitability. The achievement of these objectives is dependent on several factors, including the ability to design and produce products that meet customers' quality requirements, also through the increased collaboration and synergies between engineering and manufacturing as well as the ability to develop connected and digital solutions. Product quality issues could be caused or aggravated by forced re-working activities due to supply chain stop-&-go and lower maturity and knowledge of new technologies used, increasing warranty costs and impacting the Company reputation.

The Group already carried out significant investments aimed at optimizing production capacity. Moreover, Iveco Group strategic plan covers investments in innovation designed to further develop existing and create new product and service offerings responsive to customer needs, including developing and delivering connected and digital solutions, automation and electrification.

In order to guarantee a high-quality level of existing and new products, Iveco Group implemented a continuous monitoring system of technical KPIs (key performance indicators) and KAIs (key activity indicators), as well as additional quality checks on reworks related activities.

Information technology risks, including cybercrimes

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

The Group's IT systems may be subject to damage and/or interruption from, among other things, power outages or computer, network, and telecommunications failures and usage errors by its employees, causing process inefficiencies and potential business interruptions. If the Iveco Group's IT systems are damaged or cease to function properly, the Group may have to make a significant investment to fix or replace them. Moreover, the IT network could be also disrupted by the unavailability of Group's data centers due to force majeure events, with consequent impacts on business continuity.

Increased information technology security threats (e.g. worms, viruses, malware, phishing attacks, ransomware, and other malicious threats) and more sophisticated computer crime pose a significant risk to the security of Iveco Group's systems and networks and the confidentiality, availability and integrity of data. The foregoing risks are heightened in the current environment, based on hybrid work model which includes the possibility for employees to work from home, using networks other than that of the Group, with a consequent potential increase of the area open to attacks.

In addition, the rising presence of more connected vehicles, including autonomous driving features, has exposed automotive manufacturers at an increasing number of cyber-attacks. Attackers work to get access to vehicles' internal networks to potentially steal personal data, compromise infotainment/navigation GPS units, neutralize vehicle alarm systems and remotely control connected vehicles, thus threatening physical safety of drivers, pedestrian and the entire industry.

Lastly, the current situation related to the Russian-Ukrainian conflict has led to a sharp increase in cyber-attacks to critical systems and services (i.e., intelligence, military, manufacturing, financial, energy).

While Iveco Group actively manages information technology security risks within its control through security measures, business continuity plans and employee training around phishing and other cyber risks, these attacks have proliferated and there can be no assurance that mitigation actions will be sufficient to successfully prevent attacks or to mitigate potential risks to systems, networks, data, and products. Furthermore, third parties, including internet, mobile communications technology and cloud service providers, pose their own information security risk to the Group.

Security breaches could also result in litigation, regulatory action, unauthorized release of confidential or otherwise protected information and corruption of data, as well as remediation costs and higher operational and other costs aimed at implementing further data protection measures.

To ensure effective, reliable, and relevant operations Iveco Group needs to constantly improve its IT ecosystem, including the latest hardware and software technologies and effective IT organizational mechanisms, as well as how to utilize the potential of data in day-to-day business. In this regard, Iveco Group is implementing a series of strategic initiatives covering key business areas to progressively eliminate obsolescence and optimize the number and complexity of IT systems.

Moreover, Iveco Group has implemented measures of governance, response, and monitoring of cyber-attacks, as well as compliance processes carried out through the involvement of specialized personnel and an advanced use of IT security technologies. Iveco Group applies procedures and protocols based on the sector best practices and on consolidated, tested international standards with the goal of preventing and mitigating its exposure to cyber risk, as well as security additions to meet clients' requirements. Specifically, the Group records hundreds attempts per each quarter (main external sources of attacks are malware, phishing, internet applications), but thanks to the multifactor authentication system in place (including dealers and third parties) and the adoption of the latest available technologies, the impact of such attacks is always considered not material.

The mitigation of this risk is also guaranteed by the presence of Security Operations Centers ("SOC") and the Cybersecurity Incident Response Team ("CSIRT"). In addition, cyber awareness activities are periodically carried out with the aim of increasing the employees' level of training and knowledge. Despite the opportunity to transfer risk, the amount or scope of insurance coverage may be inadequate to cover claims or liabilities relating to a cybersecurity attack.

Risks associated to employment relationships

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

Furthermore, in many countries where the Group operates, employees are protected by laws and/or collective labor agreements that guarantee them, through local and national representatives, the right of consultation on specific matters, including repurposing, downsizing or closure of production facilities and reductions in personnel. Laws and/or collective labor agreements could impair the flexibility in reshaping and/or strategically repositioning business activities. The ability to efficiently deploy personnel or implement permanent or temporary redundancy measures is subject to government approvals and/or the agreement of labor unions where such laws and agreements are applicable. Furthermore, the Group is at risk of work interruptions or stoppages that could impact the volume of production, with potential material adverse effect on business, results of operations and financial condition. To reduce such potential risk, the Group put in place continuous communication with all internal stakeholders and unions to monitor the situation and negotiation for the renewal workers' collective agreement in many Countries.

Labor relations might also be affected by the expected high inflation rates of some countries in which the Group operates, leading to strikes and additional costs.

To keep up with new technical skills required by the current market environment, the Group is putting in place a strong re-skilling campaign as well as a definition of salary packages in line with the market with the aim of attracting the best talents.

Iveco Group is committed in implementing a trusted and healthy work environment, through a strong commitment to safety and health and high standards for rights at work, social dialogue and diversity and inclusion. In particular, the Group developed challenging Diversity, Equity and Inclusion ("DE&I") plan, which include the increase of management position held by women.

Dealers related Risk

The Group sells most of its commercial vehicles through independent dealers and is subject to risks relating to their inventory management decisions and operating and sourcing practices. They may also encounter financial difficulties that could restrict them from selling Iveco Group's products or services, and/or require Iveco Group to provide support or investment, thus leading to increased costs. In addition, if financial difficulties affect a significant number of dealers in a region, the Group's sales in that region as a whole could be at least temporarily adversely affected or require it to incur investment to seek out new dealers in that region. This risk is more acute in regions with a very limited number of dealers.

The general increase in costs and the resulting difficulties that small dealers may face result in progressive market concentration and, consequently, in a less granular coverage, could impact the Group's competitive advantage.

Finally, infringements perpetrated by third-party dealers via misuse of product warranties contractually offered by the Group (e.g., unauthorized and/or out-of-warranty maintenance) could lead to extra costs for the Group.

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

In order to reduce the likelihood of occurrence of this risk, Iveco Group is putting in place some significant actions, aimed at monitoring the dealers' aggregation and their financial health, considering the development of electric vehicles. Furthermore, a structured audit process on dealers' activities is aimed at mitigating potential risk related to misuse of product warranties.

LEGAL & COMPLIANCE RISKS

Non-compliance with emissions regulations, impacting product mix

Changes in environmental and climate change laws, including laws relating to engine and vehicle emissions, safety regulations, fuel requirements, restricted substances, or greenhouse gas emissions, could require new or additional investments in product designs and could increase environmental compliance expenditures, limiting Iveco Group's ability to invest in other aspects of its business. Emissions regulations are particularly demanding in EU, where the Company run most of its business. The European fleet targets for 2025, 2030 and then for 2035 already require significant reductions in vehicles emissions that can only be achieved using new technologies (e.g. battery-electric drive systems), requiring large capital investments. Failure to comply with the relevant regulations may result in considerable penalties and reputational damages, potentially leading to the inability to market Iveco Group products in such regions where regulations are more demanding.

Furthermore, phases of political uncertainty and vulnerabilities in the whole economy may generally have negative effects on consumption and investment decisions by households and companies. The higher costs of low-emission vehicles may represent an obstacle to the rapid shifting towards a new paradigm of mobility. A lower demand for innovative products due to their higher costs could negatively impact Group's business results and competitive position.

In addition, there is a risk that some of the Group's competitors will have greater resources than the Group and will be able to respond to such laws more rapidly or at a lower cost. See also "*Competition risk, considering both actual players and new entrants*".

To comply with current and future environmental rules in all markets in which its vehicles are sold, Iveco Group must incur substantial capital expenditure and research and development expenditure to upgrade products and manufacturing facilities, planning a progressive introduction within the product portfolio of electric vehicles to improve the product mix and allocating the first electric vehicles (e.g., eDaily) in those geographies where regulations are more stringent. In order to monitor the overall emissions of sold vehicles, the Group implemented a CO_2 emissions monitoring system, able to evaluate the expected emission according to vehicle type and configuration.

Risk related to compliance with other product, process and supply chain's regulations

Given the stakeholders' expectations, the increasingly demanding regulatory requirements (in terms of complexity and/or country-specific provisions), and the intricacy of managing product-specific sustainability aspects to meet requirements along the entire value chain (e.g., accountability, clear time-sensitive targets, etc.), Iveco Group must devote huge effort to avoid risk of non-compliance with product, process and supply chain regulations.

The most significant risk factors involved in meeting these requirements are associated with compliance with regulations, such as Greenhouse gas (GHG) emissions regulations requirements on Iveco Group plants, Recyclability and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations, requirements on the life cycle of batteries and upcoming corporate sustainability due diligence requirements along the overall supply chain (CSDD).

Besides the continuous monitoring of regulations and on-site audits at group production sites and the presence of a whistleblowing channel open to both employees and third parties, Iveco Group confirmed the participation in the Open-ES platform to encourage supplier awareness of ESG issues (including Human Rights), supporting suppliers' qualification and monitoring and include sustainability scores as a criterion for supplier selection.

Furthermore, the design and implementation of Iveco Group's climate change risk management framework is ongoing through a detailed internal task force reporting to the management. For further details, refer to section "Our commitment to Sustainability", paragraph "Taskforce on climate-related disclosures".

Risks related to legal proceedings involving the Group

The Group is a party in judicial, civil, tax and administrative legal proceedings. For a summary of the most significant cases, see the Note 27 "Commitment and contingencies" to the Consolidated Financial Statement at 31 December 2022. Given the intrinsic and ineliminable risk that characterizes legal proceedings, while the Group has carried out the necessary assessments, including on the basis of applicable accounting standards, it is not possible to exclude the possibility that the Group might in future have to face payments for damages either not covered by the legal fund, or which are covered insufficiently, or which are uninsured, or which are of an amount greater than the maximum sum that may have been insured. Furthermore, in relation to legal proceedings brought by the Group, should it not be possible to settle the disputes by means of negotiation, the Group may have to bear further costs associated with the length of court proceedings.

To maximize mitigation of these risks, Iveco Group implements actions aiming at constantly strengthening its internal control system and also avails itself of in-house professionals and external consultants who are committed to support the Group in its risk anticipation and mitigation efforts and assist the Group in legal proceedings.

Non-compliance with laws and regulations or with compliance policies

Although the Group conducts its business with loyalty, fairness, transparency, integrity, and with a goal of full compliance with laws and regulations, on the one hand these laws and regulations are often complex and subject to varied and subjective interpretive decisions and, on the other hand, the compliance controls, policies, and procedures in place may not in every instance protect the Group from acts committed by employees, agents, contractors, or collaborators that would violate the laws or regulations of the jurisdictions in which Iveco Group operates, including employment, corrupt practices, environmental, competition, and other laws and regulations. Such improper actions could subject the Group to civil or criminal investigations, and monetary and injunctive penalties. Furthermore, the Group operates in some countries characterized by a high level of fraud and corruption, referred to in the "Corruption Perception Index" by Transparency International. In the context of risks related to possible fraud or wrongdoing by employees or third parties, Iveco Group is also exposed to risks related to the protection of information and know-how, since in the performance of its activities the Group relies on sensitive information, data and know-how, processed and contained in documents and/or electronic format, whose unauthorized use and/or disclosure of by employees or third parties may amount to a breach of applicable laws and regulations , and might cause damage to the Group. Lastly, it cannot be excluded that non-compliance issues or the incorrect application of the European Data Protection Regulation ("GDPR") or foreign privacy laws such as, without limitation, Chinese privacy regulation ("PIPL") may occur within the Group, that could result in the application of sanctions to the detriment of the Group. Failure to comply with any of these regulations could adversely impact the operating results and financial condition of the Company. In addition, actual or alleged violations could damage its reputation as well as its ability to conduct business.

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

Among the various initiatives that Iveco Group has put in place to mitigate these risks, a "Group Integrated compliance Program" has been developed, that provides, among other, the definition of compliance guidelines for the benefit of group affiliates that did not have a specific compliance programme in place and for an update of the "Organizational Models" of certain affiliates intended to comply with the rules related to Italian LD 231/2001 , in addition to the review of fundamental policies. Moreover, a structured framework is in place, in line with Italian legislation and with the legislative frameworks of the country in which the Group operates. Iveco Group's Code of Conduct provides that "*Anti-corruption laws such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, Italian Legislative Decree n. 231/2001, and the U.S. Foreign Corrupt Practices Act, among others, prohibit a company and its employees and third parties acting on its behalf, from directly or indirectly paying, or promising to pay, anything of value to any foreign governmental employee/ official, political party, party employee/official, or candidate for political office for the purpose of influencing an official act or decision to obtain business for the company*".

Iveco Group provides employees periodic trainings to increase awareness about the importance of compliance topics; it has appointed a dedicated compliance officer in some countries (e.g. France) and a "lead" professional as a point of reference to contribute to the prevention of competition law issues. Iveco Group periodically performs general audits, in addition to those specific on suspected offences, also using external consultants and considering fraud indicators and red flags. Moreover, a whistleblowing channel open to both employees and third parties is in place and the Compliance Department includes a dedicated function (Investigation Governance) that manages whistleblowing reports. Notwithstanding all the above, it is not possible to exclude the possible occurrence of fraudulent or unlawful conducts.

FINANCIAL RISKS

Exchange rate fluctuations, interest rate changes and other market risks

In the event of a rating downgrade or due to a severe macro-economic downturn, the Group might have difficulties to raise funds and might have to pay higher interest rates; the current central bank policies of raising rates (e.g. to reduce inflation) might also lead to a higher cost of debt.

The Group also faces risks from currency devaluations (which is a downward adjustment of a country's official exchange rate) in specific markets such as Brazil and Argentina. Such currency devaluations could result in a diminished value of liquidity funds denominated in the currency of the country suffering the devaluation.

Iveco Group's counterparties could default, could be unable to pay the amounts owed to it in a timely manner or meet their performance obligations under contractual arrangements.

Risks related to fluctuations in interest rates and exchange rates of foreign currency are mitigated by hedging strategies. Financial Services normally implements a matching policy to offset the impact of differences in interest rates on the financed portfolio and the related liabilities.

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

In addition to the above-mentioned topics, the Group also faces the risks related to financial planning uncertainty and relevant impacts on cash flow.

The volatility of market conditions and the subsequent possible deterioration of the customers' financial position can cause delays in placing orders or payments from clients. Such events, combined with the seasonality which characterizes the industry are the main causes of the Company cash flow fluctuations, which may occur despite the mitigation plan already put in place by the Company to reduce the risk. Mitigation actions around this risk include a defined plan to improve working capital management (specifically, inventory management), and the selection of a new treasury management IT system, that is expected to help the Group's financial planning and execution capabilities, allowing to distribute the cash generation along the year.

Therefore, Iveco Group is exposed to the risk of deterioration of working capital, which could lead to economic and financial impacts, as well as a deterioration of the reputation in the industry and in the financial markets.

Difficulties in obtaining financing or refinancing existing debt

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

Risk relevant to Group's leverage and debt service obligations

Considering the extent of the Group's indebtedness, the potential consequences on operations and financial results may include that:

a. it may not be able to secure additional funds for capital expenditures, debt service requirements or general corporate purposes;
b. it may be more financially leveraged than some of the Group's competitors, which could put the Group at a competitive disadvantage;
c. it may not be able to invest in the development or introduction of new products or new business opportunities;
d. it may not be able to adjust rapidly to changing market conditions, which may make the Group more vulnerable to a downturn in general economic conditions; and

These risks may be exacerbated by volatility in the financial markets, which may be caused by strains on the finances and creditworthiness of several governments and financial institutions and from concerns about global economic growth, particularly in emerging markets, as a result of, among others, the Russia-Ukraine war and the COVID-19 pandemic. See also "*Global economic conditions impact Company businesses*"

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

Restrictive covenants in the Group's debt agreements

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

Risk related to Financial Services Activities

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

Negative economic conditions can have an adverse effect on the financial services industry in which Financial Services operates. Financial Services, through wholly owned financial services companies, joint ventures and third-party commercial agreements, provides financing for material portion of the Group's sales worldwide. Financial Services may experience credit losses that exceed its expectations and adversely affect its financial condition and results of operations. Financial Services' inability to access funds at cost-effective rates to support its financing activities could have a material adverse effect on the Group's business. Financial Services' liquidity and ongoing profitability depend largely on timely access to capital in order to meet future cash flow requirements and to fund operations and costs associated with engaging in diversified funding activities.

The Group's operations and financial results could be impacted materially should new regulations or changes in financial services regulations affect the financial services industry. In addition, an increase in delinquencies or repossessions could adversely affect the results of Financial Services.

TAXATION RISKS

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

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

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

BUSINESS OVERVIEW

GENERAL

Iveco Group is the holding company of a leading global capital goods group engaged in the design, production, marketing, sale, servicing, and financing of trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and other uses, as well as combustion engines, alternative propulsion systems, transmissions and axles for those vehicles and engines and alternative propulsion systems for agricultural and construction equipment and power generation applications. The Group has manufacturing, commercial and financial services companies located in 35 countries and a commercial presence in approximately 41 countries.

Iveco Group has three operating segments:

- **Commercial and Specialty Vehicles** designs, manufactures and distributes a full range of light, medium, and heavy vehicles for the transportation and distribution of goods under the IVECO brand, city-buses, commuter buses under the IVECO BUS (previously Iveco Irisbus) and HEULIEZ BUS brands, quarry and mining equipment under the IVECO ASTRA brand, firefighting vehicles under the MAGIRUS brand, and vehicles for civil defense and peace-keeping missions under the 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.

Net revenues by segment in the years ended 31 December 2022 and 2021 were as follows:

(€ million)	**2022**	**2021**
Commercial and Specialty Vehicles	12,100	10,318
Powertrain	3,960	3,750
Eliminations and Other	(1,895)	(1,548)
Total of Industrial Activities	**14,165**	**12,520**
Financial Services	281	195
Eliminations and Other	(89)	(64)
Total for the Group	**14,357**	**12,651**

Net revenues by region in the years ended 31 December 2022 and 2021 were as follows:

(€ million)	**2022**	**2021**
Europe	10,316	9,403
South America	1,853	1,174
North America	322	238
Rest of World	1,866	1,836
Total	**14,357**	**12,651**

INDUSTRY OVERVIEW

Commercial and Specialty Vehicles

Trucks and Commercial Vehicles

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

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

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

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

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

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

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

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

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

Buses

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

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

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

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

Powertrain

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

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

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

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

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

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

COMPETITION

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

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

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

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

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

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

PRODUCTS

Commercial and Specialty Vehicles

Trucks and Commercial Vehicles (IVECO and IVECO ASTRA)

Under the IVECO brand, the Group produces a range of light, medium, and heavy trucks and commercial vehicles for both on-road and off-road use, with approximately 3,700 different models available. The Group's key products include the Daily, a vehicle that covers the 3.5 – 7.5 ton vehicle weight range, the Eurocargo, a vehicle that covers the 7.5 – 16 ton range, and the Way Range, the heavy product offers above 16 ton that was completely renewed starting from 2019. The heavy vehicles portfolio includes the S-Way (for long haulage and distribution), the X-Way (dedicated to construction logistics and municipalities), and the T-Way for off-road applications. The product offering is complemented by a series of aftersales and used vehicle assistance services.

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

In 2022 the new Daily Electric was launched at IAA in Hannover and first deliveries will start in Q1 2023.

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

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

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

Iveco S.p.A. and Nikola Corporation (“Nikola”), a U.S. based leader in fuel cell truck technology development whose common shares are listed on NASDAQ, are jointly developing cab over battery-electric vehicle (“BEV”) and hydrogen fuel cell electric vehicle (“FCEV”) trucks, which will be manufactured in Europe through a legal entity 50/50 owned by Iveco S.p.A. and Nikola Corporation, and in the U.S. by Nikola Corporation. The agreements entered into by Iveco S.p.A. and Nikola to establish the European legal entity includes two licenses granted by the two shareholders to allow this legal entity to manufacture BEVs and at a later stage FCEVs. Furthermore, under these agreements, Iveco S.p.A. will be the manufacturer for any EU emission-related purposes of the vehicles produced and distributed in EU by this European legal entity and will be responsible for their distribution in the EU different jurisdictions. The set-up activities of the legal entity are progressing according to internal schedules and production of first samples started in the fourth quarter of 2021.

The new Nikola Tre BEV artic 4x2 was officially launched during last IAA in Hannover in September 2022 and first customer deliveries in Europe will start in Q4 2023. The Nikola Tre Fuel Cell will follow after about one year with first deliveries forecasted for 2024.

Buses (IVECO BUS and HEULIEZ BUS)

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

Specialty Vehicles (MAGIRUS and IDV)

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

Powertrain

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

FPT Industrial has a wide product offering, including six engine ranges from 42 to 1,000 hp and transmissions with torque up to 500 Nm, and front and rear axles from 2.45 to 32 ton GAW (Gross Axle Weight). Furthermore, FPT Industrial offers the most complete Natural Gas engines line-up on the market with power outputs ranging from 50 to 520 hp. FPT Industrial's product portfolio includes engines for buses and for light, medium and heavy commercial vehicles, engines for industrial machinery including construction, agricultural and industrial equipment, engines for special-purpose vehicles and engines for power generation units and marine applications. A dedicated ePowertrain division is accelerating the path towards net zero-emissions mobility, with electric drivelines, battery packs, and battery management systems. This extensive offering, and its strong focus on R&D, makes FPT Industrial a world leader in industrial powertrains and solutions.

Launches: During 2022, FPT Industrial collected a series of product launches and news. Early January, the Brand joined **CES** 2022 in Las Vegas (Nevada), the world's most innovative trade fair, to showcase its revolutionary concepts for future mobility and sustainable industrial transport. In its stand FPT Industrial exhibited: two electric axles suitable for on-road heavy duty, developed thanks to the joint-venture between Nikola, IVECO and FPT Industrial, for the version of the NIKOLA TRE BEV and a battery pack with a Battery Management System customized to meet customer needs. The F28 Natural Gas engine on the first vineyard tractor to run on bio-methane and the DeepSpeed Jet, a turn-key solution addressing the challenge of electrification in marine propulsion - fruit of the collaboration between FPT Industrial and the Italian startup Sealence - were also exhibited. Last but not least, the new Smart Hybrid Hub, featuring the world's first variable-speed, hybrid, multi-mode genset concept - developed entirely by FPT Industrial - was displayed. FPT Industrial's partner in this project was Bennamann Ltd., a British agricultural technology company in the field of clean energy. Late March, during the **Brazilian Tecnoshow Comigo**, held in Rio Verde, the new HORSCH spray called Leeb VL – equipped with FPT N67 engine – was launched in Brazil.

In the second quarter, FPT Industrial and its partner and distributor Frydenbø Industri AS attended **Nor-Shipping 2022**, the biennial fair dedicated to marine technology innovation and sustainable solutions held at NOVA Spektrum in Lillestrøm (Oslo, Norway), where the Keel Cooling configuration of the C16 600 marine engine for commercial vessels was presented, which is the solution for effective cooling of engines operating in sandy, muddy and shallow water. In addition, FPT Industrial presented a full range of solutions to implement a zero-carbon footprint agricultural virtuous cycle at **Agrishow 2022**, which took place in Ribeirão Preto (São Paulo, Brazil). The major new launch during the fair was the biomethane-powered irrigation motor pump for applications such as drainage and agricultural irrigation, developed with partner TMA and equipped with the N67 Natural Gas engine. In May, FPT Industrial returned to the United States as diamond premier sponsor and exhibitor at **POWERGEN International** in Dallas (Texas), the largest network and business hub for power generators, displaying its cutting-edge Stage V/ EPA Tier 4 Final engine technology. On that occasion, FPT Industrial's stand showcased its full Stage V/EPA Tier 4 Final range, the N67 Tier 3, and the engine of the future Cursor X**.** Late June, during the **World Biogas Expo 2022**, the world's leading trade show dedicated to the biogas industry, held in Birmingham (UK), in its stand the Brand showcased the solution for Power Generation fueled by renewable resources: the genset concept Smart Hybrid Hub. FPT Industrial's partner in this project was Bennamann Ltd.

In third quarter, during the **BEYOND - Iveco Group Days**, an important carbon-neutral event held in July at the Officine Grandi Riparazioni ("OGR") in Turin (Italy), FPT Industrial organized two roundtables on propulsion. In that occasion, the Brand and its partner **Blue Energy Motors** ("BEM") signed an agreement with the goal of deploying the very first LNG trucks in India, powered by FPT N67 NG BSVI compliant engines, which took shape in the first natural gas truck rolled off the production line. In September, FPT Industrial announced the acquisition of a minority stake in BEM. In addition, in Chakan, Pune, Blue Energy Motors launched India's first manufacturing facility for the production of Liquified Natural Gas ("LNG")-fuelled trucks, whose first models were powered by FPT N67 NG engines. In the same month, FPT Industrial deployed a full fleet of innovations, champions and award-winning products from its Marine Range at the **Cannes Yachting Festival 2022**, held in Cannes (France). At its booth, the Brand indeed revealed the next step in its marine hybridization route: its own parallel hybrid electric marine propulsion system, one of the key results of its collaboration with Vulkan Hybrid Architect. FPT Industrial also showed off the Guinness World Speed Record holding diesel powerboat engine, the C16 1000, and the double design award-winning Red Horizon Integrated Marine Control System. In the same days, the Brand was - for the first time - an exhibitor at **SMM,** the leading international trade fair for the maritime industry held in Hamburg (Germany). For its debut, together with its renewed marine propulsion line, FPT Industrial showcased also a comprehensive presentation of its connected customer service approach, as well as its worldwide sales and service network. Late September, with its exemplary multi-energy approach towards sustainable on-road propulsion, FPT Industrial took part at **IAA Transportation 2022,** held in Hannover (Germany). On display in its stand there was the XC13 FPT Industrial's first multi-fuel single base engine: from diesel to natural gas, including biomethane, hydrogen and renewable fuels: the base engine was designed with multiple versions to offer maximum component standardization and easy integration into the final product. FPT Industrial also displayed its zero-emissions technologies at IAA, with a primary focus on eAxles, central drive systems, modular battery packs and battery management systems. Just a week after the launch at IAA, FPT Industrial presented the first concept application of the new XC13 hydrogen combustion engine and a new collaboration with a partner of excellence **PRINOTH** (Bolzano, Italy), a world leader in the production of snow groomers and tracked vehicles, who celebrated its 60th Anniversary on September showcasing all its historical models and its most innovative ones, including the LEITWOLF h2MOTION, the powered snow groomer featuring the FPT XC13 hydrogen engine.

The fourth quarter was also very strong for FPT Industrial. The Brand inaugurated its new **ePowertrain - plant in Turin**, the first totally Carbon-neutral Iveco Group plant, a total area of 15,000 square-metres where products are handled, assembled and tested through the extensive use of Industry 4.0 technologies. The factory is fully dedicated to the production of its electric drivetrain range including electric axles, electric central drive applications and battery packs for light commercial vehicles, minibus and buses. This opening marked another important milestone for the brand in its decarbonization path and for its strategy of achieving net-zero emissions for its products and of all its industrial activities. The same month, FPT Industrial took part in **Bauma**, the world's leading trade fair for the construction sector, held in Munich (Germany). Debut models, proven bestsellers and environmentally friendly powertrain solutions were the highlights of a bolstered engine line-up. The new Stage V engine models, the complete range of power units, the new version of the F28 compact hybrid solution, and the new battery pack attracted visitors to the Brand's stand. At the beginning of November, FPT Industrial showcased its innovative and environmentally friendly "core" power at **CIIE** (China International Import Expo), in Shanghai (China). At CIIE, the Brand demonstrated its technological development achievements and global manufacturing quality, together with its comprehensive and increasing commitment to sustainability in all of its products and industrial processes. The Brand displayed its cutting-edge solutions for the mobility of tomorrow and its innovative technologies, such as the power and torque leader F1C Euro VI Step E engine and the concept Cursor X. Present in South America, FPT Industrial attended **Fenatran 2022**, one of the most important transport trade shows in Brazil. In its stand the Brand showcased a complete range of solutions, covering the needs of all commercial vehicle classes and including innovative and new products designed to increase efficiency, promote the use of renewable fuels, and open the road to electric mobility. In November, FPT Industrial attended **EIMA** International 2022, one of the leading European trade fairs for agricultural equipment. Through an extended offering of Stage V engines and PowerPacks, biomethane and hybrid powertrains, plus new off-road battery pack, FPT Industrial is providing agricultural equipment manufacturers with a complete choice to power machines of every size with the best energy mix solutions. In the same month, FPT Industrial attended **METSTRADE Show**, the world's largest B2B trade exhibition of marine equipment, materials and systems. Sustainability, efficiency, hybrid propulsion solutions and new collaborations were the main themes of the Brand's presence at RAI Amsterdam Europaplein (The Netherlands). Among the solutions proposed by FPT Industrial were those developed in collaboration with Frydenbø Industri AS Marine, the authorized distributor of FPT Industrial's products in Norway and Sweden, that met the IMO Tier III emission requirements. The C90 650 EVO Hybrid, the C16 600 Keel Cooling and the C90 410 were also on display. Furthermore, Red Horizon could not be missing. To remark the FPT Industrial's decarbonization path for agriculture, during the **CNH Industrial Tech Day** event, held in Phoenix (Arizona, USA) in December, New Holland Agriculture unveiled the new T7 Methane Power LNG (Liquified Natural Gas) pre-production prototype tractor, the world's first LNG tractor powered by FPT Industrial's N67 NG. FPT Industrial concluded in glory a year-long cycle of events and various initiatives, taking part in the 45th edition of the **DAKAR Rally** as co-sponsor and supplier of Cursor 13 engines especially prepared for the IVECO Powerstar trucks of the two new teams, Boss Machinery Team De Rooy IVECO, that took first place overall and Eurol Team De Rooy IVECO, that achieved third and fourth places. The DAKAR Rally was the world's most challenging rally raid held in Saudi Arabia.

During the year, in line with its commitment and shared brand values, FPT Industrial reconfirmed its engagement in sustainability through contemporary art by becoming **Technical Sponsor of the Italian Pavilion at the 59th International Art Exhibition - La Biennale di Venezia**. The Technical sponsorship of the Italian Pavilion was promoted by the Directorate-General for Contemporary Creativity – Italian Ministry of Culture, which stars artist Gian Maria Tosatti with an environmental installation by Eugenio Viola, was a major opportunity for the company to once more support Italian excellence in the prestigious international setting of the Art Biennale 2022, while consolidating its focus on environmental, ethical and social issues. In fact, the exhibition, entitled *Storia della Notte e Destino delle Comete* (History of Night and Destiny of Comets) invited the visitors into a narrative experience that declared the urgent need to reflect on sustainable ecologies; at the end of the dialogical experiential pathway, it was featured the engine loaned for the project by FPT Industrial, as a positive message of hope about the destiny awaiting humanity. In March, FPT Industrial and its partner **Slow Food** inaugurated the first Sana Slow Wine Fair, the trade fair for good, clean and fair wine, that was held at BolognaFiere exhibition center in Bologna, Italy, where the worldwide members of the Slow Wine Coalition met and compared notes. FPT Industrial - the main sponsor of Sana Slow Wine Fair - displayed at its stand the F34 Stage V engine. In 2022, FPT Industrial presented also the new special project called "**Behind Food**" along with its latest engines at the World Ag Expo 2022, the world's largest agricultural exhibition, in Tulare, California. The project was an initiative to promote sustainable agriculture, showing how innovative powertrain technologies are part of a chain that takes high-quality, healthy products from the field to the table, in collaboration with Eataly, the world's largest artisanal Italian food and beverage marketplace. As in 2021, for the second consecutive year, in September, FPT Industrial took a leading role at the **Grape Harvest Festival** in the evocative setting of the **Fontanafredda** wine estate in Serralunga d'Alba (Piedmont region, Italy). The event included guided visits, tastings of dishes, concerts, and the traditional crushing of the grapes: one of the highlights of the tour was the cru Vigna La Rosa, whose Barolo wine features in Wine Spectator's Top 100. Here the Nebbiolo grapes are grown and harvested with the aid of a New Holland TK Methane Power crawler tractor with biomethane-fueled sustainable FPT F28 NG engine.

Deliveries: In 2022, FPT Industrial continued its strong partnership with the **Aprilia Racing** Team in the MotoGP™ World Championship. The two companies shared a focus on technology and innovation that let them improve both their product portfolios and production processes. Throughout the year MotoGP season, FPT Industrial supported the Aprilia Racing Team on the track with two IVECO S-WAY trucks powered by the Brand's top-of-the-range Cursor 13 engines. In January, thanks to the contract based on the industrial and commercial agreement signed in 2019 with **Microvast Holdings**, Inc. (NASDAQ: MVST) - the leading global supplier of next generation battery technologies for commercial and special vehicles - FPT Industrial started supplying the electric propulsion system for the new Crossway Low Entry, both city and intercity buses, manufactured by IVECO BUS. In February, The Brand became also the new engine supplier for **Volkswagen Caminhões e Ônibus,** a Brazilian company, which produces commercial vehicles under the Volkswagen brand. In particular, the new F1C Euro VI 156 hp engine was chosen to equip the Express Delivery+ light truck thanks to its power, performance and fuel-efficiency figures. Moreover, FPT Industrial continued to confirm its solid position in off-road and Power Generator applications with the new **"E-Series" crawler excavator from CASE Construction** Equipment, powered by the FPT's Stage V NEF engines. In October, in Rovigo (Italy) the FPT F28 Stage V diesel engine became once again the protagonist thanks to the new range of **Carraro Agricube Pro specialized vineyard and orchard tractors**. In addition, FPT Industrial and CNH Industrial joined the **WeWorld** charity organization in their effort to mitigate the effects of climate change. The focus of the partnership was Mozambique, a country frequently subject to extreme weather events. The goal was to create School Disaster Risk Management Committees (SDRM) and to renovate several classrooms. For this project, FPT Industrial donated an N45 genset to the Civil Protection (INGD).

Prizes and achievements: In June 2022, FPT Industrial and its employees celebrated the milestone of **150,000 engines manufactured to date in the Argentinian plant** of Cordoba and in October the Brand celebrated also 10 years of intense work aimed at the development of industry in Argentina, where FPT Industrial plant produces the 9, 10, 13 Cursor engines and the NEF range for transport and agriculture for export in South America. Since its opening in 2012, the factory stood out for the level of training and commitment of its team. In 2018, the plant achieved Bronze level in the WCM (World Class Manufacturing) and in 2022 the Argentinian plant became the reference point of Iveco Group for DOT (Driving Operations Together), the new results oriented program to optimize the Company's operations worldwide and drive process sustainability. In addition, **FPT Industrial and Mitsubishi Fuso Truck and Bus Corporation celebrated their uninterrupted 15-year partnership**, a collaboration that grew up even bigger following an agreement to expand and extend the contract between the two companies until 2030. The partnership contract was first signed in 2007 and since 2010 FPT Industrial delivered over 500,000 F1C engines to Mitsubishi Fuso. In July FPT Industrial achieved a new milestone with its **10,000 ATS (After-Treatment System), which was produced at its Chongqing ATS plant in China**. In the next month, **the two millionth NEF engine rolled off the production line at the FPT Industrial plant in Turin, Italy**. In November, there was double celebration for FPT Industrial at **EIMA** International 2022 trade in Bologna (Italy). The New Holland T4.120F -

powered by F36 engine - and the McCormick X6.414 P6-Drive - powered by NEF45 engine - were awarded as **"Tractor of the Year®" 2023** respectively in the Best of Specialized and Best Utility categories.

SALES AND DISTRIBUTION

Commercial and Specialty Vehicles

Commercial and Specialty Vehicles' worldwide distribution strategy is based on a network of independent dealers, in addition to its own dealerships and branches. As of 31 December 2022, Commercial and Specialty Vehicles had approximately 655 dealers globally (of which 16 were directly owned by the Group and 11 were branches). All dealers sell spare parts for the relevant vehicles. Commercial and Specialty Vehicles bolsters its distribution strategy by offering incentives to its dealers based on target achievements for sales of new vehicles and parts and providing high quality aftersales services.

As of 31 December 2022, Commercial and Specialty Vehicles had approximately 5,000 sales and/or service network points. In addition to Commercial and Specialty Vehicles' standard one-year full vehicle warranty and two-year powertrain warranty, Commercial and Specialty Vehicles offers personalized aftersales customer assistance programs.

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

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

Powertrain

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

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

PRICING AND PROMOTION

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

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

PARTS AND SERVICES

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

Connectivity and digitalization play an important part in the Company strategy, supporting both sustainability goals and to pursuing service excellence. More than 80,000 assets are monitored 24/7 in FPT Industrial's Control Room in Turin headquarters, where aftersales experts and engineers work side by side to develop and release in field algorithms that increase Customer uptime and reduce fuel consumption and emissions through FPT Industrial Proactive Assistance Service, part of FPT Industrial Connect portfolio of services.

In the unlikely event of a breakdown related to one of brand products, FPT Industrial and its network increasingly intervene in field through virtual field visits, saving time and fuel as the goal of re-starting customer operations is reached guiding the field technician through a tested Remote Support platform, now operating since 2019.

As of 31 December 2022, the Group operated and administered 22 parts depots worldwide either directly, through a joint venture, or through arrangements with warehouse service providers. This network includes 9 in Europe, 2 in South America, 1 in North America, and 10 in Rest of World. The network includes 19 that support Commercial and Specialty Vehicles and 6 that support Powertrain. These depots supply parts to dealers and distributors, which are responsible for sales to retail customers. The Group's parts depots and parts delivery systems provide customers with access to substantially all the parts required to support Group's products.

COMMERCIAL AND/OR MANUFACTURING COLLABORATIONS

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

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

FINANCIAL SERVICES

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

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

In Europe, there are two joint ventures that provide retail financing to customers for the purchase or lease of new and used vehicles sold directly by the Group or through brand dealers, depending on the country of origin. CNH Industrial Capital Europe S.a.S., a joint venture accounted for under the equity method, owned by BNP Paribas Group (51.1%), Iveco Group (24.95%) and CNH Industrial N.V. (24.95%). Transolver Finance Establecimiento Financiero de Credito S.A. ("Transolver Finance"), a joint venture with the Santander Group, owned by Iveco Group N.V. (49%) and accounted for under the equity method. Transolver Finance also provides dealer financing. Additionally, there are vendor programs with banking partners that provide customer financing of new and used vehicles sold by brand dealers of the Group, in different countries.

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

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

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

Customer Financing

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

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

Dealer Financing

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

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

Factoring

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

Sources of Funding

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

LEGAL PROCEEDINGS

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

The outcome of any current or future proceedings, claims, or investigations cannot be predicted with certainty. Adverse decisions in some of these proceedings, claims, or investigations could require the Iveco Group to pay substantial damages or fines or undertake service actions, recall campaigns or other costly actions. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Iveco Group's financial position and results.

When it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, Iveco Group recognizes specific provisions for this purpose. Contingent liabilities estimated by the Group, for which no provisions have been recognized since an outflow of resources is not considered probable at the present time, were not material at 31 December 2022 and 2021.

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

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. 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.

INSURANCE

Iveco Group covers with third party insurers the various risks arising from its business activities including, but not limited to, risk of loss or damage to its assets or facilities, business interruption, general liability, product liability and directors' and officers' liability. The Group believes it maintains insurance coverage that is customary in its industry. Until the end of September, the Group used a broker that was a subsidiary of Stellantis N.V. ("Stellantis", formerly Fiat Chrysler Automobiles N.V. which, effective 16 January 2021, merged with Peugeot S.A. by means of a cross-border legal merger), starting from October, Iveco Group relies on international brokers to place its insurance coverage.

PLANTS AND MANUFACTURING PROCESSES

As of 31 December 2022, the Group owned 26 manufacturing facilities. The Group also owns other significant properties including spare parts depots, research laboratories, test tracks, warehouses, and office buildings.

The Group makes capital expenditures in the regions in which it operates principally related to initiatives to introduce new products, enhance manufacturing efficiency and improve capacity, and for maintenance and engineering. In 2022, the Group's total capital expenditures in long-lived assets, excluding assets sold with buy-back commitments and equipment on operating leases, were €777 million of which 90% was spent in Europe, 9% in South America and 1% in Rest of World, respectively. These capital expenditures were funded through a combination of cash generated from operating activities and borrowings under short-term facilities. In 2021, the Group's total capital expenditures were €563 million. In 2022, capital expenditures were higher than in 2021 mainly due to the energy transition and Model Year '24 launches across all ranges.

The following table provides information about our manufacturing and engineering facilities as of 31 December 2022:

Location	Primary Functions	Approximate Covered Area (Sqm/000)
Italy		
Brescia	Medium vehicles, cabs, chassis; R&D center	276
Brescia	Firefighting vehicles; R&D center	25
Bolzano	Defense vehicles; R&D center	83
Foggia	Engines; drive shafts; R&D center	151
Piacenza	Quarry and construction vehicles; R&D center	64
Suzzara	Light vehicles; R&D center	170
Torino	Transmissions and axles	222
Torino	Engines	142
Torino	R&D center (Commercial and Specialty Vehicles)	41
Torino	R&D center (Powertrain)	28
France		
Annonay	Buses (Coaches & City); R&D center	114
Bourbon Lancy	Engines; R&D center	107
Fourchambault	Engines (remanufacturing)	24
Rorthais	Buses (City); R&D center	32
Venissieux	R&D center (Commercial and Specialty Vehicles)	17
Brazil		
Sete Lagoas	Heavy, medium and light vehicles; R&D center	160
Sete Lagoas	Defense vehicles	19

Location	Primary Functions	Approximate Covered Area (Sqm/000)
Sete Lagoas	Engines; R&D center	19
Germany		
Ulm	Firefighting vehicles; R&D center	35
Ulm	R&D center (Commercial and Specialty Vehicles)	45
China		
Chongqing	Engine; R&D center	76
Chongqing	ATS plant	4
Shanghai	R&D center (Powertrain)	—
Argentina		
Cordoba	(Medium/Heavy) Trucks and buses; R&D center	58
Cordoba	Engines; R&D center	27
Spain		
Madrid	Heavy vehicles; R&D center	134
Valladolid	Light vehicles, heavy cab components	81
United Kingdom		
Coventry	R&D center (Powertrain)	1
Shoream-by-Sea	R&D center (Powertrain)	—
Others		
Vysoke Myto (Czech Republic)	Buses (City & Intercity); R&D center	126
Arbon (Switzerland)	R&D center (Powertrain)	6
Burr Ridge (United States)	R&D center (Diesel engines)	8

RESEARCH AND DEVELOPMENT

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

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

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

In 2022, our expenditure on research and development (including capitalized development costs and costs charged directly to operations during the year) totaled €634 million, or 4.5% of net revenues from Industrial Activities.

Research and development activities involved approximately 3,300 employees at 29 sites around the world of which approximately 350 employees were located at 6 sites in emerging countries[(1)].

The following table shows our total research and development expenditures, including capitalized development costs and costs charged directly to operations during the year, by segment for the years ended 31 December 2022 and 2021:

(€ million)	**2022**	**2021**
Commercial and Specialty Vehicles	462	352
Powertrain	172	157
Eliminations and Other	—	—
Total of Industrial Activities	**634**	**509**
Financial Services	—	—
Eliminations	—	—
Total for the Group	**634**	**509**

The Group owns a significant number of patents, trade secrets, and trademarks related to its products and services, and that number is expected to grow as its research and development activities continue. At 31 December 2022, the Group owned 1,067 patent families, with a total of 5,452 active patents, including 67 new patents registered during the year (in addition to 554 patents applications pending at such date). 75% of the patents portfolio owned by the Group relates to its fire fighting vehicles, heavy, medium and light commercial vehicles, special vehicles, buses and spare parts, whereas the remaining 25% relates to engines and driveline systems. These patents cover products, industrial processes and the internal and external style of the Group's product. In more detail, approximately 535 patents relate to fire fighting vehicles, 360 patents relate to buses, more than 400 patents relate to heavy trucks, approximately 80 on medium trucks, and more than 250 patents relate to light trucks and vans. Approximately 470 patents protect spare parts of the Group's vehicles, and approximately 1,000 patents relate to innovative technologies to be implemented in the Group's vehicles, including alternative propulsion, battery management systems, and autonomous driving solutions. The remaining patents relate to engines (approximately 1,270), drivetrain (120), while other patents relate to the electronics system, chassis or hydraulic components, and manufacturing processes. In recent years the portfolio of patents owned by the Group has been focusing on covering key technological areas such as alternative propulsion, including fuel cell and battery electric vehicles, liquid and compressed natural gas engines, and innovative solutions for autonomous driving for short and long international goods transport. As of 31 December 2022, more than 65% of the Group's patents portfolio protects current vehicles and engines. The Group expects to introduce products in the next five years that will increase this figure to 75%. The entire patent portfolio has been creating for defending the Group against possible patent infringements.

(1) Emerging Markets are defined as low, lower-middle or upper-middle income countries as per the World Bank list of economies as at June 2022.

HUMAN RESOURCES

EMPLOYEES

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

The following tables show the breakdown of the number of employees by segment and by region at 31 December 2022 and 2021:

(number)	2022	2021
Commercial and Specialty Vehicles	26,718	25,332
Powertrain	8,198	8,213
Other Activities	207	66
Total of Industrial Activities	**35,123**	**33,611**
Financial Services	488	521
Total	**35,611**	**34,132**

(number)	2022	2021
Europe	29,914	29,151
North America	74	63
South America	4,432	3,606
Rest of World	1,191	1,312
Total	**35,611**	**34,132**

As of 31 December 2022, Iveco Group had 35,611 employees, an increase of 1,479 from the 34,132 employees at year-end 2021. The change was mainly attributable to the difference between new hires (approximately 4,500) and departures (approximately 3,000) during the year.

A decrease of approximately 200 employees was due to changes in the scope of the operations mainly related to the sale of 2H Energy S.a.S., a French legal entity. Excluding the changes in the scope of operations, the increase compared to year-end 2021 is attributable mainly to the hiring of fixed-term and open-term workers in manufacturing due to the production volumes increase driven by demand in the market and by the launch of new products, primarily in the Commercial and Specialty Vehicles segment in South America and in Europe on top of a similar trend in Powertrain in Europe. A significant increase in the Research and Development areas is related to project activities focused on adopting innovative automotive technologies strengthening the pool of skills and competencies aiming for technology transitions, particularly electrification, autonomous driving, alternative propulsion solutions, digitalization and cloud web-based software technologies.

COLLECTIVE BARGAINING

At global level more than 90% of the Iveco Group employees are covered by collective labor agreements ("CLAs") stipulated either by an Iveco Group subsidiary or by the employer association for the specific industry which the Iveco Group subsidiary belongs to.

In Italy, approximately 13,000 Iveco Group employees, except Managers, are covered by the CLA that was renewed in 2019 and expired at the end of 2022. The approximately 350 Iveco Group Managers are covered by the 2016 CLA extended on 21 October 2020 until 31 December 2022. Negotiations for the renewal of both CLAs started in the last months of 2022. In March 2022 an agreement was reached with the national trade union organizations signatory of the CLA applied, to set a new "performance bonus" replacing for the year 2022 the bonus linked to WCM efficiency included in the 2019-2022 CLA applicable to all the employees, except Managers. This is a transitory solution due to the progressive reduction of the corporate focus on WCM and aimed at being a pilot in order to possibly include the new bonus scheme in the renewed CLA.

OPERATING AND FINANCIAL REVIEW

OVERVIEW

The Group is a leading global capital goods company engaged in the design, production, marketing, sale, servicing, and financing of trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and civil protection, as well as combustion engines, alternative propulsion systems, transmissions and axles for those vehicles and engines and alternative propulsion systems for agricultural and construction equipment and for marine and power generation applications. The Group has manufacturing, commercial and financial services companies located in 35 countries.

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

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

BASIS OF PREPARATION

The results presented in this report are prepared in accordance with EU-IFRS and use the euro as the presentation currency.

On 1 January 2022 the Demerger of CNH Industrial N.V. took legal effect (refer to the "Introduction" of the Board Report for additional details). The 2021 figures presented in this report relate to activities transferred to Iveco Group N.V. and are derived from CNH Industrial Consolidated Financial Statements for the year ended 31 December 2021.

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

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

As of 31 December 2022, 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.

Global Supply Chain, energy costs, and COVID-19 pandemic

Global supply chain remains challenging, as well as increased energy costs and inflation, representing the main challenge for the Group operations. Furthermore, the Group remains cautious about future impacts on its end-markets and business operations of restrictions on social interactions and business operations to limit the resurgence of the COVID-19 pandemic.

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 our 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.

The increased risk resulting from the Russia-Ukraine conflict is described in section "Risk Factors - Political or Financial instability in countries where the Group operates" of this Annual Report.

RESULTS OF OPERATIONS

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

Consolidated income statement by activity for the year 2022 compared to 2021

	2022				2021			
(€ million)	Industrial Activities[1]	Financial Services	Eliminations	Consolidated	Industrial Activities[1]	Financial Services	Eliminations	Consolidated
Net Revenues	14,165	281	(89) [2]	14,357	12,520	195	(64) [2]	12,651
Cost of sales	12,339	139	(89) [3]	12,389	10,866	79	(64) [3]	10,881
Selling, general and administrative costs	871	65	—	936	769	56	—	825
Research and development costs	473	—	—	473	481	—	—	481
Result from investments	(20)	15	—	(5)	13	14	—	27
Gains/(losses) on the disposal of investments	33	—	—	33	8	—	—	8
Restructuring costs	15	—	—	15	36	—	—	36
Other income/(expenses)	(104)	(2)	—	(106)	(168)	—	—	(168)
EBIT	**376**	**90**	**—**	**466**	**221**	**74**	**—**	**295**
Financial income/ (expenses)	(206)	—	—	(206)	(115)	—	—	(115)
PROFIT/(LOSS) FOR BEFORE TAXES	**170**	**90**	**—**	**260**	**106**	**74**	**—**	**180**
Income tax (expense) benefit	(81)	(20)	—	(101)	(89)	(15)	—	(104)
PROFIT/(LOSS) FOR THE PERIOD	**89**	**70**	**—**	**159**	**17**	**59**	**—**	**76**

(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 €14,357 million in 2022, an increase of 13.5% compared to 2021. Net revenues of Industrial Activities were €14,165 million in 2022, an increase of 13.1% compared to 2021, mainly due to higher volumes and positive price realization.

Cost of sales

Cost of sales was €12,389 million in 2022 compared to €10,881 million in 2021. As a percentage of net revenues, cost of sales of Industrial Activities was 87.1% in 2022 (86.8% in 2021), mainly due to higher raw material and energy costs. In 2022, cost of sales includes €31 million related to the impairment of certain assets in connection with operations in Russia and Ukraine.

Selling, general and administrative costs

Selling, general and administrative costs amounted to €936 million in 2022, up €111 million compared to 2021 (6.5% of net revenues in both years), primarily due to emerging corporate costs.

Research and development costs

In 2022, R&D costs were €473 million (compared to €481 million in 2021) and included all R&D costs not recognized as assets in the year amounting to €244 million (€238 million in 2021), €15 million of impairment losses (€16 million in 2021) and the amortization of capitalized development cost of €214 million (€227 million in 2021). During 2022, the Group capitalized new expenditures for development costs for €390 million (€271 million in 2021). The costs in both periods were primarily attributable to spending on engine development activities associated with emission requirements and continued investment in new products.

Result from investments

Result from investments was a net loss of €5 million in 2022 and a net gain of €27 million in 2021, which included the positive impact of €11 million from the sale of investments by a joint venture accounted for under the equity method.

Gains/(losses) on the disposal of investments

Gains/(losses) on the disposal of investments was a gain of €33 million in 2022 primarily due to the €36 million gain on the final step of Chinese joint ventures' restructuring. In 2021, this item was a gain of €8 million that included the pre- and after-tax gain from the sale of a 30.1% interest in Naveco.

Restructuring costs

Restructuring costs were €15 million and €36 million in 2022 and 2021, respectively.

Other income/(expenses)

Other expenses were €106 million in 2022 compared to €168 million in 2021. In both periods, this item primarily included legal costs, indirect taxes, and the separation costs related to the spin-off of the Iveco Group business. In 2022, this item also included the negative impact of €14 million deriving from the first-time adoption of hyperinflation accounting in Türkiye, in accordance with IAS 29 - *Financial reporting in Hyperinflationary Economies*, effective from 1 January 2022, and the €52 million gain from the disposal of certain fixed assets in Australia. In 2021, this item also included a pre- and after-tax-loss of €21 million from the valuation at their recoverable amount of certain assets classified as held for sale.

Financial income/(expenses)

Net financial expenses were €206 million in 2022 (€115 million in 2021). The increase was primarily attributable to higher interest rates and the impact of hyperinflation accounting in Argentina and Türkiye.

Income tax (expense) benefit

(€ million, except percentages)	**2022**	**2021**
Profit (loss)/before taxes	260	180
Income tax (expense) benefit	(101)	(104)
Effective tax rate	**38.8 %**	**57.8 %**

In 2022, income tax expenses were €101 million, based on a profit before taxes of €260 million, compared to tax expenses of €104 million in 2021, based on a profit before taxes of €180 million. The effective tax rates for 2022 and 2021 were 38.8% and 57.8%, respectively. Excluding the gain on the final step of Chinese joint ventures' restructuring, the pre-tax and corresponding tax impacts related to the costs for the impairment of certain assets in connection with operations in Russia and Ukraine, the impact from the first-time adoption of the hyperinflationary accounting in Türkiye, the gain related to the disposal of certain assets in Australia, the impairment related to development costs and other assets, primarily related to the bus business, as a consequence of the acceleration in emission-related technological transition, the spin-off costs, restructuring costs, impairment losses 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 30% in 2022. The 2021 effective tax rate reflected the impact of unbenefited losses in certain jurisdictions and certain other discrete items. Excluding the pre-tax and corresponding tax impacts related to restructuring costs, charges associated with the Demerger, the loss due to valuation at their recoverable amount of certain assets classified as held for sale, the gain from the sale of a 30.1% interest in Naveco, the gain from selling investments by a joint venture, as well as minor net discrete tax benefits, the effective tax rate was 47% in 2021.

Profit/(loss)

Net profit was €159 million in 2022 (€76 million in 2021) and also included (amounts after-tax): the negative impact of €45 million in connection with operations in Russia and Ukraine, the negative impact of €15 million from the first-time adoption of the hyperinflation accounting in Türkiye, €30 million related to the impairment of development costs and other assets, primarily related to the bus business, as a consequence of the acceleration in emission-related technological transition, €21 million spin-off costs, partially offset by the gain of €36 million on the disposal of certain fixed assets in Australia, and the gain of €30 million on the final step of Chinese joint ventures' restructuring. In 2021, net profit included (amounts after-tax): €36 million spin-off costs, the €21 million loss from the valuation at their recoverable amount of certain assets classified as held for sale, the gain of €8 million from the sale of a 30.1% interest in Naveco, €11 million gain from the sale of investments by a joint venture, and €29 million of restructuring costs.

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 2022 and 2021.

(€ million)	**2022**	**2021**
Profit/(loss)	**159**	**76**
Adjustment impacting Profit/(loss) before tax (expense) benefit (a)	61	84
Adjustment impacting Income tax (expense) benefit (b)	5	(20)
Adjusted net profit/(loss)	**225**	**140**
Adjusted net profit/ (loss) attributable to Iveco Group N.V.	**213**	**116**
Weighted average shares outstanding – diluted (million)	272	271
Adjusted diluted EPS (€)	**0.78**	**0.43**
Profit/(loss) before taxes	**260**	**180**
Adjustment impacting Profit/(loss) before taxes (a)	61	84
Adjustment Profit/(loss) before income taxes (expenses) benefit (A)	**321**	**264**
Income tax (expense) benefit	**(101)**	**(104)**
Adjustment impacting Income tax (expense) benefit (b)	5	(20)
Adjustment Income tax (expense) benefit (B)	**(96)**	**(124)**
Adjusted Effective Tax Rate (Adjusted ETR) (C=A/B)	**30 %**	**47 %**

a) Adjustments impacting Profit/(loss) before income tax (expense) benefit		
Restructuring cost	15	36
Spin-off costs	30	46
Russia and Ukraine - impairment of certain assets	44	—
Assets disposal in Australia	(52)	—
Gain on the final step of Chinese joint ventures' restructuring	(36)	—
Impairment of certain R&D costs and other assets due to technological transition	40	—
Impairment of certain assets held for sale	4	21
Gain from the sale of 30.1% interest in Naveco	—	(8)
Non-recurring expense (income) recognized by Chinese joint ventures	—	(11)
First.time adoption of hyperinflationary accounting in Türkiye	14	—
Other	2	—
Total	**61**	**84**

b) Adjustments impacting income tax (expense) benefit		
Tax effect of adjustments impacting Profit/ (loss) before income tax (expense) benefit	1	(17)
Valuation allowance on Russian deferred tax assets	4	—
Other	—	(3)
Total	**5**	**(20)**

Industrial Activities and Business Segments

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

Net revenues by segment

(€ million, except percentages)	2022	2021	% Change
Net Revenues:			
Commercial and Specialty Vehicles	12,100	10,318	17.3
Powertrain	3,960	3,750	5.6
Eliminations and other	(1,895)	(1,548)	—
Total Net revenues of Industrial Activities	**14,165**	**12,520**	**13.1**
Financial Services	281	195	44.1
Eliminations and other	(89)	(64)	—
Total Net revenues	**14,357**	**12,651**	**13.5**

Adjusted EBIT by segment

(€ million, except percentages)	2022	2021	Change	2022 Adj. EBIT Margin	2021 Adj. EBIT Margin
Adjusted EBIT:					
Commercial and Specialty Vehicles	415	254	161	3.4 %	2.5 %
Powertrain	187	208	(21)	4.7 %	5.5 %
Unallocated items, eliminations and other	(178)	(160)	(18)	— %	— %
Adjusted EBIT of Industrial Activities	**424**	**302**	**122**	**3.0 %**	**2.4 %**
Financial Services	103	74	29	36.7 %	37.9 %
Eliminations and Other	—	—	—	— %	— %
Total Adjusted EBIT	**527**	**376**	**151**	**3.7 %**	**3.0 %**

Net revenues of Industrial Activities were €14,165 million in 2022, a 13.1% increase compared to the prior year, mainly due to higher volumes and positive price realization.

Adjusted EBIT of Industrial Activities was €424 million, compared to €302 million in 2021, representing an Adjusted EBIT margin of 3.0%, up 60 basis points ("bps") compared to 2021. The increase was primarily attributable to positive price realization, 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 2022 and 2021.

							2022
(€ million)	**Commercial and Specialty Vehicles**	**Powertrain**	**Unallocated items, eliminations and other**	**Total Industrial Activities**	**Financial Services**	**Eliminations**	**Total**
EBIT	**373**	**186**	**(183)**	**376**	**90**	**—**	**466**
Adjustments							
Restructuring costs	7	1	7	15	—	—	15
Other discrete items(1)	35	—	(2)	33	13	—	46
Adjusted EBIT	**415**	**187**	**(178)**	**424**	**103**	**—**	**527**

(1) This item primarily includes €44 million charge in connection with our Russian and Ukrainian operations, due to the impairment of certain assets, €14 million related to the first time adoption of hyperinflationary accounting in Türkiye, €30 million spin-off costs, €40 million loss for the impairment of certain development costs and other assets, primarily related to the bus business, as a consequence of the acceleration in emission-related technological transition, €4 million related to the impairment of certain assets held for sale, €36 million gain on the final step of Chinese joint ventures' restructuring, and €52 million gain from the disposal of certain fixed assets in Australia.

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

(1) This item primarily included the pre- and after-tax gain of €8 million from the sale of a 30.1% interest in Naveco, as well as the positive impact of €11 million from the sale of investments by a joint venture accounted for under the equity method, €46 million spin-off costs, and a loss of €21 million due to the impairment of certain assets held for sale.

Industrial Activities Performance

Commercial and Specialty Vehicles

Net revenues

The following table shows Commercial and Specialty Vehicles net revenues by geographic region in 2022 compared to 2021:

(€ million, except percentages)	2022	2021	% Change
Europe	9,087	8,143	11.6
South America	1,625	963	68.7
North America	122	88	38.6
Rest of World	1,266	1,124	12.6
Total	**12,100**	**10,318**	**17.3**

Commercial and Specialty Vehicles net revenues were €12,100 million in 2022, up 17.3% compared to 2021, primarily driven by increased volumes in trucks and bus in Europe and South America, and positive price realization.

In 2022, the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, decreased 11% compared to 2021. The light-duty trucks ("LCV") market decreased 18%, and the medium and heavy trucks ("M&H") market increased by 5%. In South America, new truck registrations (GVW ≥3.5 tons) decreased 2% compared to 2021, with a decrease of 3% in Brazil and an increase of 4% in Argentina. In Rest of World, new truck registrations decreased 5% compared with 2021.

Iveco Group's estimated market share in the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, was 12.5%, up 0.6 percentage points ("p.p.") compared with 2021. The European market share increased 1.9 p.p. to 15.1% in LCV and decreased 1.0 p.p. to 8.0% in M&H segment. In South America, in 2022, Iveco Group's market share increased 1.4 p.p. to 11.9%.

During 2022, Commercial and Specialty Vehicles delivered approximately 175,900 vehicles (including buses and specialty vehicles), representing a 9% increase from 2021. Volumes were 3% higher in LCV and 19% higher in M&H truck segments. Commercial and Specialty Vehicles deliveries increased 8% in Europe and Rest of World and 18% in South America.

Order intake remained solid, above pre-COVID 19 levels, with between 30-35 weeks of production already sold for LCV and M&H. Worldwide truck book-to-bill was 1.02 at 31 December 2022. Normalized book-to-bill, excluding previous quarter unfinished products delivered in full year 2022, was 1.03.

Commercial and Specialty Vehicles deliveries

(units in thousands)	2022	2021	% Change
France	24.6	24.6	—
Germany & Switzerland	18.7	18.1	3.3
U.K.	10.1	7.6	32.9
Italy	31.9	27.9	14.3
Iberia (Spain & Portugal)	13.2	10.2	29.4
Rest of Europe	30.5	31.6	-3.5
Europe	**129.0**	**120.0**	**7.5**
South America	26.5	22.4	18.3
Rest of World	20.4	18.8	8.5
Total Sales	**175.9**	**161.2**	**9.1**

Commercial and Specialty Vehicles Deliveries– by product:

(units in thousands)	2022	2021	% Change
Medium & Heavy	56.1	47.8	17.4
Light	104.6	101.6	3.0
Buses	11.6	9.1	27.5
Specialty vehicles(*)	3.6	2.7	33.3
Total	**175.9**	**161.2**	**9.1**

(*) Defense and firefighting vehicles

Adjusted EBIT

Adjusted EBIT was €415 million in 2022, with Adjusted EBIT margin of 3.4%. The €161 million improvement was driven by positive price realization and higher volumes, more than offsetting higher product costs, mainly due to increased raw material and energy costs.

Powertrain

Net revenues

Powertrain net revenues were €3,960 million in 2022, up 5.6% compared to 2021, which included volumes from the Stellantis Ducato contract until July, before its discontinuation. The increase was mainly driven by pricing. Sales to external customers accounted for 55% of total net revenues (61% in 2021).

During 2022, Powertrain sold approximately 476,000 engines, a decrease of 12% compared to 2021. In terms of customers, 38% of engines were supplied to Commercial and Specialty Vehicles, and 62% to external customers. Additionally, Powertrain delivered approximately 64,400 transmissions, a decrease of 5% compared to 2021, and approximately 203,100 axles (of which 900 E-axles and 200 batteries), an increase of 6% compared to 2021.

Adjusted EBIT

Adjusted EBIT was €187 million in 2022, down €21 million compared to 2021, mainly due to higher raw material and energy costs and unfavorable volumes, negatively affected by the Stellantis Ducato contract discontinuation, partially offset by positive price realization. Adjusted EBIT margin was 4.7%% in 2022 (5.5% in 2021).

Financial Services Performance

(€ million, except percentages)	**2022**	**2021**	**Change**
Net revenues	281	195	44%
Adjusted EBIT	103	74	29

Net revenues

Financial Services reported net revenues of €281 million in 2022, an increase of €86 million compared to 2021, mainly due to higher receivables portfolio and higher base rates.

Adjusted EBIT

Adjusted EBIT was €103 million in 2022, a €29 million increase compared to 2021, primarily due to higher receivables portfolio and better collection performances on managed receivables, and the release of certain previous years' risk accruals in the third quarter of 2022.

In 2022, retail loan originations (including unconsolidated joint ventures) were €1,304 million, €118 million lower compared to 2021.

The Iveco Group managed portfolio (including unconsolidated joint ventures) was €6,807 million as of 31 December 2022 (of which retail was 41% and wholesale 59%), up €1,397 million compared to 31 December 2021.

At 31 December 2022, the receivable balance greater than 30 days past-due as a percentage of on book portfolio was 2.4% (3.9% as of 31 December 2021).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY ACTIVITY

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

(€ million)	Industrial Activities(1)	Financial Services	Eliminations	Consolidated	Industrial Activities(1)	Financial Services	Eliminations	Consolidated
				At 31 December 2022				At 31 December 2021
ASSETS								
Intangible assets:	1,496	15	—	1,511	1,301	13	—	1,314
Goodwill	57	12	—	69	58	12	—	70
Other intangible assets	1,439	3	—	1,442	1,243	1	—	1,244
Property, plant and equipment	3,096	1	—	3,097	3,053	2	—	3,055
Investments and other non-current financial assets:	84	153	—	237	442	140	—	582
Investments accounted for using the equity method	10	140	—	150	182	128	—	310
Equity investments measured at fair value through other comprehensive income	62	—	—	62	224	—	—	224
Other investments and financial assets	12	13	—	25	36	12	—	48
Leased assets	19	51	—	70	24	34	—	58
Defined benefit plan assets	—	—	—	—	15	—	—	15
Deferred tax assets	622	78	—	700	569	78	(1) (5)	646
Total Non-current assets	**5,317**	**298**	**—**	**5,615**	**5,404**	**267**	**(1)**	**5,670**
Inventories	2,838	—	—	2,838	2,650	1	—	2,651
Trade receivables	334	18	(11) (3)	341	313	21	(16) (3)	318
Receivables from financing activities	772	4,758	(1,152) (3)	4,378	67	2,954	(112) (3)	2,909
Current tax receivables	120	5	(30) (4)	95	119	2	(11) (4)	110
Other current receivables and financial assets	267	92	(20) (2)	339	3,210	722	(30) (2)	3,902
Prepaid expenses and other assets	58	10	—	68	42	5	—	47
Derivative assets	51	2	(3) (6)	50	49	1	—	50
Cash and cash equivalents	2,100	188	—	2,288	726	171	—	897
Total Current assets	**6,540**	**5,073**	**(1,216)**	**10,397**	**7,176**	**3,877**	**(169)**	**10,884**
Assets held for sale	1	—	—	1	6	—	—	6
TOTAL ASSETS	**11,858**	**5,371**	**(1,216)**	**16,013**	**12,586**	**4,144**	**(170)**	**16,560**
EQUITY AND LIABILITIES								
Total Equity	**1,623**	**768**	**—**	**2,391**	**1,571**	**740**	**—**	**2,311**
Provisions:	2,000	108	—	2,108	1,834	97	—	1,931
Employee benefits	495	15	—	510	603	18	—	621
Other provisions	1,505	93	—	1,598	1,231	79	—	1,310
Debt:	1,173	4,412	(1,152) (3)	4,433	2,661	3,236	(112) (3)	5,785
Asset-backed financing	—	3,149	—	3,149	—	1,926	—	1,926
Other debt	1,173	1,263	(1,152) (3)	1,284	2,661	1,310	(112) (3)	3,859
Derivative liabilities	47	2	(3) (6)	46	42	1	—	43
Trade payables	3,660	32	(2) (3)	3,690	3,130	22	(19) (3)	3,133
Tax liabilities	113	22	(28) (4)	107	38	22	(11) (4)	49
Deferred tax liabilities	25	—	—	25	11	1	(1) (5)	11
Other current liabilities	3,217	27	(31) (2)	3,213	3,299	25	(27) (2)	3,297
Total Liabilities	**10,235**	**4,603**	**(1,216)**	**13,622**	**11,015**	**3,404**	**(170)**	**14,249**
TOTAL EQUITY AND LIABILITIES	**11,858**	**5,371**	**(1,216)**	**16,013**	**12,586**	**4,144**	**(170)**	**16,560**

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

LIQUIDITY AND CAPITAL RESOURCES

The following discussion of liquidity and capital resources principally focuses on the Group's consolidated statement of cash flows and the Group's 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. See sections "Risk Factors" and "Industry Overview", for additional information concerning risks related to the Group's business, strategy and operations.

Cash Flows

The following tables present the cash flows from operating, investing and financing activities by activity for the years ended 31 December 2022 and 2021.

				2022				2021
(€ million)	**Industrial Activities [1]**	**Financial Services**	**Eliminations**	**Consolidated**	**Industrial Activities [1]**	**Financial Services**	**Eliminations**	**Consolidated**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**726**	**171**	**—**	**897**	**366**	**97**	**—**	**463**
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES:								
Profit/(loss)	89	70	—	159	17	59	—	76
Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)	558	2	—	560	565	2	—	567
(Gains)/losses on disposal of non-current assets (net of vehicles sold under buy-back commitments)	(96)	—	—	(96)	8	—	—	8
Other non cash items	7	11	—	18	(1)	(5)	—	(6)
Dividends received	75	—	(71) (2)	4	18	—	(2) (2)	16
Change in provisions	264	13	—	277	100	26	—	126
Change in deferred income taxes	(9)	(2)	—	(11)	43	—	—	43
Change in items due to buy-back commitments(a)	5	13	—	18	36	13	—	49
Change in operating lease items(b)	—	(29)	—	(29)	(6)	9	—	3
Change in working capital	505	2	—	507	(303)	(40)	—	(343)
TOTAL	**1,398**	**80**	**(71)**	**1,407**	**477**	**64**	**(2)**	**539**
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES:								
Investments in:								
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments and operating leases)	(775)	(2)	—	(777)	(563)	(1)	—	(564)
Consolidated subsidiaries and other equity investments	(42)	—	12 (3)	(30)	(49)	—	5 (3)	(44)
Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)	75	—	—	75	14	—	—	14
Net change in receivables from financing activities	50	(1,370)	—	(1,320)	(37)	(80)	—	(117)
Change in other current financial assets	29	—	—	29	85	—	—	85
Other changes	237	446	—	683	465	116	—	581
TOTAL	**(426)**	**(926)**	**12**	**(1,340)**	**(85)**	**35**	**5**	**(45)**
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES:								
Net change in debt and derivative assets/liabilities	424	922	—	1,346	(61)	(27)	—	(88)
Capital increase	—	12	(12) (3)	—	—	5	(5) (3)	—
Dividends paid	(1)	(71)	71 (4)	(1)	—	(2)	2 (4)	—
TOTAL	**423**	**863**	**59**	**1,345**	**(61)**	**(24)**	**(3)**	**(88)**
Translation exchange differences	(21)	—	—	(21)	29	(1)	—	28
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS	**1,374**	**17**	**—**	**1,391**	**360**	**74**	**—**	**434**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,100**	**188**	**—**	**2,288**	**726**	**171**	**—**	**897**

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

At 31 December 2022, the Group had cash and cash equivalents of €2,288 million, an increase of €1,391 million, or 155.1%, from €897 million at 31 December 2021. Cash and cash equivalents at 31 December 2022 included €83 million of restricted cash (€48 million at 31 December 2021) that was reserved principally for the servicing of securitization-related debt. At 31 December 2022, undrawn medium-term unsecured committed facilities were €2,000 million (€41 million at 31 December 2021) and other current financial assets were €26 million at 31 December 2022 (€54 million at 31 December 2021). The aggregate of Cash and cash equivalents, undrawn medium-term unsecured committed facilities and other current financial assets, which the Group considers to constitute the Group's principal liquid assets (or "Available liquidity"), totaled €4,364 million at 31 December 2022 (€1,436 million at 31 December 2021). At 31 December 2022 this amount also included €50 million financial receivables from CNH Industrial (€444 million at 31 December 2021) deriving from the sale of trade receivables.

Net Cash from Operating Activities

Cash provided by operating activities in 2022 totaled €1,407 million and primarily comprised the following elements:

- €159 million in profit;
- plus €560 million in non-cash charges for depreciation and amortization (net of commercial vehicles sold under buy-back commitments and operating leases);
- plus €507 million in change in working capital;
- plus €277 million change in provisions;
- plus €18 million for changes in items due to buy-back commitments;
- plus €18 million for other non-cash items;
- minus €96 million in gains on the disposal of non-current assets (net of vehicles sold under buy-back commitments);
- minus €29 million for changes in operating lease items;
- minus €11 million change in deferred income taxes.

In 2021, cash generated by operating activities during the year was €539 million as a result of cash generated from income-related inflows (calculated as profit plus amortization and depreciation, dividends, changes in provisions and deferred taxes, various items related to sales with buy-back commitments and operating leases, net of gains/losses on disposals and other non-cash items) for a total amount of €882 million, partially offset by of a €343 million decrease in cash resulting from changes in working capital.

Net Cash from Investing Activities

In 2022, cash used by investing activities was €1,340 million. The negative flows were primarily generated by:

- investments in tangible and intangible assets that used €777 million in cash, including €390 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;
- the net change in receivables from financing activities which used €1,320 million in cash, partially offset by:
- cash generated by "Other changes" of €683 million, mainly deriving from the change in receivables/payables from/to CNH Industrial.

In 2021, cash used in investing activities totaled €45 million. Expenditures on tangible and intangible assets (including €271 million in capitalized development costs) totaled €564 million. Net change in receivables from financing activities used €117 million in cash, primarily due to wholesale portfolio.

The following table summarizes our investments in tangible assets (excluding assets sold with buy-back commitments and assets leased on operating leases) by segment and investments in intangible assets for the years ended 31 December 2022 and 2021:

	Years ended 31 December,	
(€ million)	**2022**	**2021**
Commercial and Specialty Vehicles	198	144
Powertrain	121	95
Total Industrial Activities investments in tangible assets	**319**	**239**
Industrial Activities investments in intangible assets	456	324
Total Industrial Activities capital expenditures	**775**	**563**
Financial Services investments in tangible assets	—	—
Financial Services investments in intangible assets	2	1
Total Capital expenditures	**777**	**564**

The Group incurred these capital expenditures in the regions in which the Group operates principally related to initiatives to introduce new products, enhance manufacturing efficiency and increase capacity, and for maintenance and engineering.

Net Cash from Financing Activities

In 2022, cash generated by financing activities totaled €1,345 million, primarily due to the drawing of the €500 million term loans and to the increase of third party debt on Financial Services mainly related to the financing of the receivable portfolio.

In 2021, cash absorbed by financing activities totaled €88 million, primarily attributable to a net decrease in third party debt (mainly on Financial Services).

Capital Resources

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

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

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

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

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

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

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

As of 31 December 2022, the credit rating assigned by Fitch Ratings to Iveco Group N.V. is a Long-Term Issuer Default Rating (IDR) of 'BBB-'. The outlook is stable.

The Group believes that the current investment grade rating allows it to access funding at better rates. A credit rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. A deterioration in our ratings could impair our ability to obtain debt financing and would increase the cost of such financing. Ratings are influenced by a number of factors, including, among others: financial leverage on an absolute basis or relative to peers, the composition of the balance sheet and/or capital structure, material changes in earnings trends and volatility, ability to dividend monies from subsidiaries and our competitive position. Material deterioration in any single, or a combination, of these factors could result in a downgrade of our rating, thus increasing the cost, and limiting the availability, of financing.

Consolidated Debt

The Group's consolidated debt as of 31 December 2022 and 2021 is as detailed in the following table:

	At 31 December 2022			At 31 December 2021		
(€ million)	**Consolidated**	**Industrial Activities**	**Financial Services**	**Consolidated**	**Industrial Activities**	**Financial Services**
Total Debt	**4,433**	**1,173**	**4,412**	**5,785**	**2,661**	**3,236**

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

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

	At 31 December 2022			At 31 December 2021		
(€ million)	**Consolidated**	**Industrial Activities**	**Financial Services**	**Consolidated**	**Industrial Activities**	**Financial Services**
Third party (debt)	(4,156)	(739)	(3,417)	(2,709)	(220)	(2,489)
Intersegment notes (payable)(1)	—	(432)	(720)	—	(71)	(41)
(Debt) payable to CNH Industrial (2)	(277)	(2)	(275)	(3,076)	(2,370)	(706)
Total (Debt)	**(4,433)**	**(1,173)**	**(4,412)**	**(5,785)**	**(2,661)**	**(3,236)**
Cash and cash equivalents	2,288	2,100	188	897	726	171
Intersegment financial receivables(1)	—	720	432	—	41	71
Financial receivables from CNH Industrial(3)	146	50	96	3,520	2,896	624
Other current financial assets(4)	26	26	—	54	54	—
Derivative assets(5)	50	51	2	50	49	1
Derivative (liabilities)(5)	(46)	(47)	(2)	(43)	(42)	(1)
Net Cash (Debt)(6)	**(1,969)**	**1,727**	**(3,696)**	**(1,307)**	**1,063**	**(2,370)**

(1) As a result of the role played by the central treasury, debt for Industrial Activities also includes funding raised by the central treasury on behalf of Financial Services (included under Intersegment financial receivables). Intersegment financial receivables for Financial Services, on the other hand, represent loans or advances to Industrial Activities – for receivables sold to Financial Services that do not meet the derecognition requirements – as well as cash deposited temporarily with the central treasury. Total Debt of Industrial Activities includes Intersegment notes payable to Financial Services of €432 million and €71 million as of 31 December 2022 and 2021, respectively. Total Debt of Financial Services includes Intersegment notes payable to Industrial Activities of €720 million and €41 million as of 31 December 2022 and 2021, respectively.

(2) At 31 December 2022, it includes payables related to purchases of receivables or collections with settlement in the following days; at 31 December 2021, it mainly included overdraft and advances/utilizations under cash management and/or cash pooling arrangements and loans granted by the CNH Industrial central treasury. Following the Demerger, debt payable to CNH Industrial outstanding at 31 December 2021 was almost entirely settled during 2022.

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

(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 €-288 million and €30 million as of 31 December 2022 and 2021, respectively.

Net Debt at 31 December 2022 increased by €662 million compared to 31 December 2021, mainly reflecting higher Financial Services third-party debt, partially offset by a Free Cash Flow generation from Industrial Activities of €690 million during 2022.

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

(€ million)	Years ended 31 December 2022	2021
Net Cash (Debt) of Industrial Activities at beginning of period	**1,063**	**1,165**
Adjusted EBIT of Industrial Activities	424	302
Depreciation and amortization	558	565
Depreciation of assets under operating leases and assets sold with buy-back commitments	221	227
Cash interest and taxes	(150)	(155)
Changes in provisions and similar[1]	(160)	(159)
Change in working capital	505	(303)
Operating cash flow of Industrial Activities	**1,398**	**477**
Investments in property, plant and equipment and intangible assets[2]	(775)	(563)
Other changes	67	(39)
Free Cash Flow of Industrial Activities	**690**	**(125)**
Capital increases and dividends	—	—
Currency translation differences and other	(26)	23
Change in Net Cash (Debt) of Industrial Activities	**664**	**(102)**
Net Cash (Debt) of Industrial Activities at end of period	**1,727**	**1,063**

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

The Company believes that Free Cash Flow of Industrial Activities (a non-IFRS financial measure as defined in the section "Alternative performance measures (or "Non-IFRS financial measures")" above) is a useful analytical metric for measuring the cash generation ability of the Group's Industrial Activities. In 2022, Free Cash Flow of Industrial Activities was positive for €690 million, a €815 million improvement compared to the 2021 primarily due to operating performance and working capital improvement.

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

(€ million)	Years ended 31 December 2022	2021
Net cash provided by (used in) Operating Activities	**1,407**	**539**
Less: Cash flows from Operating Activities of Financial Services net of eliminations	(9)	(62)
Operating cash flow of Industrial Activities	**1,398**	**477**
Investments in property, plant and equipment, and intangible assets of Industrial Activities	(775)	(563)
Other changes[1]	67	(39)
Free Cash Flow of Industrial Activities	**690**	**(125)**

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

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

Industrial Activities

Third-party debt of Industrial Activities was €0.7 billion at 31 December 2022 and €0.2 billion at 31 December 2021 and primarily consisted of bank debt and lease liabilities.

Bank Debt

At 31 December 2022, Industrial Activities available committed unsecured facilities expiring after twelve months amounted to €1.7 billion (zero at 31 December 2021).

On 4 January 2022, Iveco Group signed a €1.9 billion syndicated facility, which included a €1.4 billion committed revolving credit facility with a 5-year tenor with two extension options of 1-year each (subject to the bank's approval), as well as a €0.5 billion committed term facility with a 12-

months tenor, extendable for up to an additional 12 months at the Company's sole option. In October 2022 Iveco Group signed a new €400 million syndicated term facility with a 2-year tenor extendable for up to an additional 12 months at the Company's sole option. The proceeds have been used to refinance the existing term facility. The €1.4 billion revolving credit facility has been extended for one additional year with all lenders, by exercising the first one-year extension option. The facility is now due to mature in January 2028. The syndicated facilities include the following covenants:

- customary covenants (including a negative pledge, a status (or pari passu) covenant and restrictions on the incurrence of indebtedness by certain subsidiaries);
- customary events of default (some of which are subject to minimum thresholds and customary mitigants), including cross-default provisions, failure to pay amounts due or to comply with certain provisions under the loan agreement and the occurrence of certain bankruptcy-related events;
- mandatory prepayment obligations upon a change in control of Iveco Group N.V.;
- a financial covenant (Net debt/EBITDA ratio relating to Industrial Activities), not applicable in case of rating equal or higher than BBB/Baa2.

At 31 December 2022, Iveco Group was in compliance with the covenants of the syndicated facilities.

Financial Services

Total third-party debt of Financial Services' was €3.4 billion at 31 December 2022 (€2.5 billion at 31 December 2021), and included the following:

Bank Debt

At 31 December 2022, Financial Services available committed, unsecured facilities expiring after twelve months amounted to €300 million (€41 million at 31 December 2021).

Asset-Backed Financing

At 31 December 2022, Financial Services' asset-backed facilities amounted to €839 million (€751 million at 31 December 2021), of which €719 million committed and expiring after twelve months.

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

At 31 December 2022, the Group's receivables from financing activities included receivables sold and financed through both asset-backed securitization transactions and factoring transactions of €3.3 billion (€2.0 billion at 31 December 2021), which did not meet derecognition requirements and therefore were recorded on the Group's consolidated statement of financial position. These receivables are recognized as such in the Group's financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated statement of financial position as debt (see Note 24 "Debt" to the Group's Consolidated Financial Statements for the year ended 31 December 2022).

Commercial Paper Programs

With the purpose of further diversifying its funding structure, Iveco Group has established a commercial paper program in Europe. The issuer is IC Financial Services S.A. The program's outstanding amount was €66 million as at 31 December 2022 (€73 million outstanding at 31 December 2021).

FUTURE LIQUIDITY

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

The Company believes that funds available under its current liquidity facilities, those obtained from the settlement with CNH Industrial occurred in the first months after the Demerger, those realized under existing and planned asset-backed securitization programs and possible issuances of debt securities and those expected from ordinary course refinancing of existing credit facilities, together with cash provided by operating activities, will allow the Group to satisfy its debt service requirements for the coming year. At 31 December 2022, the Group had available committed, unsecured facilities expiring after twelve months of €2,000 million (€41 million at 31 December 2021).

Financial Services securitized debt is repaid with the cash generated by the underlying amortizing receivables. Accordingly, additional liquidity is not normally necessary for the repayment of such debt. Financial Services has traditionally relied upon the asset-backed securitization and committed asset-backed facilities as a primary source of funding and liquidity. At 31 December 2022, Financial Services' asset-backed facilities amounted to €839 million (€751 million at 31 December 2021).

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.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

Financial Guarantees

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

Iveco Group provided guarantees on the debt or commitments of third parties and performance guarantees in the interest of non-consolidated affiliates totaling €409 million as of 31 December 2022 and €452 million as of 31 December 2021.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the Group's contractual obligations and commercial commitments with definitive payment terms that will require significant cash outlays in the future, as of 31 December 2022:

(€ million)	**Total**	**Less than one year**	**One to three years**	**Three to five years**	**After five years**
Debt obligations(1)					
Borrowings from banks	721	49	663	—	9
Asset-backed financing	3,149	3,072	71	6	—
Other debt	378	370	8	—	—
Undiscounted lease payments	208	57	71	34	46
Purchase obligations	1,144	583	512	41	8
Total	**5,600**	**4,131**	**1,325**	**81**	**63**

(1) Amounts presented exclude the related interest expense that will be paid when due. The table above does not include obligations for pension plans, other post-employment benefits and other employee benefits. The Group's best estimate of expected contributions in 2023 to pension plans is approximately €8 million. Potential outflows in the years after 2023 are subject to a number of uncertainties, including future asset performance and changes in assumptions, and therefore the Group is unable to make sufficiently reliable estimates of future contributions beyond 2023.

Debt Obligations

For information on the Group's debt obligations, see "Capital Resources" above and Note 24 "Debt" to the Consolidated Financial Statements. The debt obligations reflected in the tables above can be reconciled to the amount in the consolidated balance sheets at 31 December 2022 as follows:

(€ million)	**At 31 December 2022**
Debt reflected in the consolidated balance sheet	**4,433**
Less:	
Lease liabilities	(185)
Total Debt obligations	**4,248**

The amount reported as debt obligations in the table above consists of the Group's borrowings from banks, asset-backed financing and other debt (excluding undiscounted lease payments, which are reported in a separate line item in the table above).

Undiscounted Lease Payments

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

Purchase Obligations

The Group's purchase obligations at 31 December 2022 were the following:

- the repurchase price guaranteed to customers on sales with a buy-back commitment which is included in the line item "Other liabilities" in the Group's consolidated balance sheets in an aggregate amount of €995 million; and
- commitments to purchase tangible fixed assets, largely in connection with planned capital expenditures, in an aggregate amount of approximately €149 million.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Effective risk management is a key factor in maintaining the Group's value over time. In this regard, Iveco Group (hereafter also referred as "IVG") Risk management and Internal Control System is consistent and compliant with the provisions of Principle 1.2 of the Dutch Corporate Governance Code (2016 edition) and, more generally, with international best practices.

The Board of Directors is tasked with defining the general guidelines of the Risk management and Internal Control System, so that the main risks pertaining to IVG are properly identified, as well as adequately measured, managed and monitored. It shall also set criteria to ensure that such risks are compatible with sound and proper management of the Company. The Board of Directors is aware that the control processes cannot provide absolute assurances that the Company objectives will be achieved and the intrinsic risks of business prevented. However, it believes that the Risk management and Internal Control System shall reduce and mitigate the likelihood and impact of risk events associated with wrong decisions, human errors, frauds, violations of laws, regulations and Company procedures, as well as unexpected events.

The Risk management and Internal Control System is therefore subject to regular monitoring and update, taking account of developments in the Company's operations and reference context, as well as international best practices.

Following the Demerger, the Board of Directors has identified the main corporate committees/functions relevant for risk management purposes, by defining their respective duties and responsibilities within the Risk management and Internal Control System scope. More specifically:

- the Audit Committee, the ESG Committee, the Human Capital and Compensation Committee, tasked with supporting the Board of Directors on, among others, internal control, risk management, remuneration and sustainability issues;
- the ERM Committee responsible for identifying and weighting the macro-risks and working with the system parties to mitigate them;
- the Head/Chief of Risk Management, tasked with spreading an effective risk-based organizational culture and supporting the management in the risks identification, adequate measurement, management and monitoring as well as ensuring the integration of Risk Management process within a governance system consistent with strategic objectives.

Risks are monitored at managerial meetings held on at least a monthly basis (Monthly Operating Review ("MOR") and other committees), where results, opportunities and risks are analyzed for each business unit and geographical area in which IVG operates. The meetings also focus on determining the actions required to mitigate any risks.

IVG Chief Executive Officer ("CEO") deploys the risk management guidelines based on principles of prevention, cost effectiveness and ongoing improvement, as monitored by the Board of Directors, in order to provide the organization with the instruments for defining the risk categories to which attention should be drawn.

IVG INTERNAL AUDIT and INTERNAL CONTROL SYSTEM

The Internal Control System is made up of the set of organizational functions, committees, IT support, administrative and management systems, policies, regulations, operating procedures and practices, and managerial behavior as well, which exercise various types of control on business management, and on the risks that could compromise the shareholder's objective of long-term sustainable value creation.

Direct permanent controls are carried out by the people who manage and coordinate the operational activities (e.g., purchases, logistics, production, sales), governed by the principles of separation of duties and delegation of authority. Monitoring controls are ensured by corporate functions – such as Finance Business Control, ICT and HR, Legal and Compliance, ERM, among others – also through accounting and reporting systems, personnel development, proxies and authorization profiles, policies and procedures updating. The Internal Audit function carries out a further level of control, which operates independently of the previous ones, with priorities determined by the identification and assessment of Company risks, to ensure the Board of Directors that the overall set of the aforementioned controls works effectively.

The Internal Audit function evaluates the effectiveness and efficiency of the overall Internal Control and Risk Management System on a regular basis and reports the results to the CEO, the Audit Committee and the Supervisory Committees of Iveco Group N.V. and its Italian subsidiaries, with reference to specific risks connected with compliance with Legislative Decree No. 231/2001. At least on an annual basis, it also reports to the Company Board of Directors.

The IVG Internal Audit ("IA") performs its duties - specified within a Charter that was approved by the Board of Directors - with the independence required, in accordance with the Dutch Corporate Governance Code, the Company's corporate governance, the International Standards for the Professional Practice of Internal Auditing, and best practices.

The IA mission is to protect and enhance the IVG long-term value creation by providing independent risk-based and objective assurance, and advice. The aim of IA is to improve the effectiveness and the efficiency of IVG operations, assisting IVG management in accomplishing its strategy and goals through a systematic professional approach oriented to verify, evaluate, and improve the governance, risk management, and control processes.

The IA objective is to evaluate the internal control and risk management system adequacy, encouraging effective controls at reasonable costs, referred to:

- Compliance with laws, regulations, policies, plans, and internal procedures.

- Efficiency and effectiveness of the operations.
- Tangible and intangible asset value safeguarding.
- Reliability, timeliness, transparency, and integrity of the financial and non-financial reporting.

The Chief Risk and Internal Audit Officer ("CRIAO") directly reports to the CEO and functionally to the Audit Committee. The Audit Committee oversees their activities and reviews their responsibilities, budget, organisation, and operations.

IA is authorized to:

- Have full, free, and unconditional access to all documents, contracts, records, transactions, files, data, physical properties, including access to management information systems and records, and the IVG personnel relevant to carrying out any audit engagement. IA will be accountable for the confidentiality and safeguarding of such information.
- Consult, meet, request information, and obtain assistance from the necessary IVG personnel, as well as other collaborators, third parties, and specialised services, to complete the audit engagements.

The scope of IA activities encompasses, but is not limited to, objective examinations and robust analyses of evidence to provide independent assessments to the CEO, the management team, the Audit Committee and the Board of Directors on the adequacy and effectiveness of IVG governance, risk management, and control processes.

The CRIAO will report to the CEO and the Audit Committee on a regular basis:

- The audit activities and results of the period, compared to the approved audit plan and reporting scope limitations, if any, and
- Significant risks exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.

IVECO GROUP RISK MANAGEMENT

Following the Demerger (occurred on 1 January 2022), IVG has adopted an ERM process designed to assist in the identification, evaluation and prioritization of business risks (including environmental, social, and governance) followed by a coordinated and balanced application of resources to minimize, monitor, and control the probability or impact of adverse events or to maximize the realization of opportunities. Risk management is an important component of IVG's overall culture and is integral to the achievement of its long-term goals. The ERM process is also linked with IVG Sustainability Program and its strategic sustainability targets, aspirational goals articulated in the strategic business plan and employee and customer safety goals. These targets and goals provide a framework to address the long-term challenges to increase stakeholder value and proactively mitigate associated risks.

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

In particular, risk assessment is performed by assessing in detail the risk events that could impact IVG's strategic and management objectives, taking into account the changes in the business and organization model and Group processes and procedures, developments in the external environment (specifically, political, economic, social, technological and legal aspects) and the relevant industry and competitors.

Through this process, IVG's has identified 55 primary risks, including several significant topics, such as business strategies and operations, competitive factors, social responsibility and environmental issues, and regulatory compliance, better detailed in the Risk Factors section. The process follows a bottom-up analysis starting at the business unit level, with risk survey completion by business and function leaders worldwide, followed by cross-functional reviews, one-on-one interviews with all Senior Leadership Team ("SLT") members, presentations and risk assessment discussions with the Audit Committee.

Direct feedback received from each of these layers up to and including the Board of Directors is then used to identify and develop risk mitigation activities as necessary within the business or functional area, which are deployed by management.

The risk mitigation activities initiated by management (and detailed in the Risk Factors section of this report) are designed to mitigate adverse impacts to IVG's strategic goals, including financial and operational performance.

Despite the Risk Management and Internal Control System process in place, it is not possible to predict, identify and eliminate all risks and uncertainties which could impact IVG business. IVG's potential overall risk exposure is described in the Risk Factors section.

EMERGING RISKS

ERM process also monitors emerging risks, which are defined as new risks or risks for which the impacts are unknown or evolving and thus may be incorporated into risk assessment and mitigation activities when appropriate. In 2022, risks related to the supply of utilities, raw materials, parts and components and the Financial Planning Uncertainty, impacting Cash Flow, included in the Risk Factors section, represent key emerging risks with a potential significant impact to IVG.

The events occurred in the latest years (such as COVID pandemic and consequent changes in supply and demand, the escalation of conflict in Ukraine) generated significant supply chain disruptions which affected the global ability to receive certain materials and components (such as semiconductors) on a timely basis and caused a strong utility (i.e. energy and gas) and raw materials price volatility. Besides the continuous commitment in reducing the energy consumption at Company sites, the monitoring of materials availability and prices increase from suppliers, spot purchasing in case of favorable market opportunities and the activation of hedging strategies (after assessing their cost-effectiveness), the

Company introduced specific mitigating actions, such as to hold periodical Suppliers Risk Management meetings to analyze critical suppliers and to assess potential double/alternative sourcing. Furthermore, where possible, IVG takes into consideration the application of indexed contracts with clients to offset increased raw materials costs.

Focusing on semiconductors IVG takes also into consideration the opportunity to buy semiconductors on the broker market or to have a direct relationship with semiconductor suppliers.

As regards the emerging risk related to Financial Planning Uncertainty, impacting Cash Flow, the current macroeconomic context and relevant supply chain disruptions together with regulatory challenges require rapid adjusting initiatives, causing financial planning uncertainty and relevant impacts on cash flow. IVG mitigation actions include the improvement of working capital management (specifically, inventory management), and the selection of a new treasury management IT system, that is expected to help Group's financial planning and execution capabilities, allowing to distribute the cash generation along the year.

RISK APPETITE

IVG's risk appetite is set within risk taking and risk acceptance parameters driven by its business plan, Code of Conduct, core principles and values, policies, and applicable laws. In the best interest of IVG's stakeholders, the group has defined the following levels of risk appetite

1. TOLERANT: High tolerance to risks occurrence, meaning the Group is willing to accept risk exposure in pursuing its business objectives
2. MODERATELY TOLERANT: Moderate tolerance to risks occurrence, meaning the Group is comfortable with risk but with some bounds
3. MODERATELY ADVERSE: Aversion to risks occurrence, meaning the Group seeks to minimize the occurrence and consequences of unforeseen risks
4. ADVERSE: No acceptance of risks, meaning the Group's priority is to avoid risks occurrence.

In continuity with the methodology applied in the previous years, for the time being the Risk Appetite has been currently applied to the risk categories and risk areas described in the table below, based on current ERM Risk Model. Nevertheless, it is worth mentioning that in some cases, the single risk factor (listed in the Risk Factors section) could deviate, in terms of risk tolerance and applied resources and/or investment to mitigate the risk, from the Risk Appetite level of the relevant category. The process and methodology for the definition of Risk Appetite at single Risk level is currently under definition.

		Risk Category Description	Enterprise Risks	Risk Appetite
Long-term	**Strategic risks** Create value	Strategic risks may affect IVG's long-term strategic business plan performance targets, innovation roadmap and sustainability objectives	Macroeconomics and sociopolitical events, product portfolio, technological innovation and regulatory evolution, customer demands, investments and competitions, JV & Alliances	Taking into consideration IVG stakeholders' interests, IVG has risk appetite from tolerant to moderately tolerant concerning strategic risk, meaning the willingness to accept additional risk while applying cost/ benefit considerations in pursuing our long-term targets
Short- and Medium-term	**Operational risks** Enhance value	Operational risks are related to internal processes, people and systems, or external events linked to the actual operation of IVG's portfolio of businesses	Supply chain, production capacity, quality control, labor relations, information technology, cybersecurity, tender management, health & safety	IVG seeks to minimize the occurrence and consequences of unforeseen operational risks with a moderately adverse risk appetite
	Financial & Taxation risks Enhance & protect value	Financial risks include uncertainty of returns and the potential for losses due to financial performance	Financial management, foreign exchange and interests' rate, counterparty, liquidity and cash flow	IVG has a moderately adverse risk appetite with respect to financial risks (such as liquidity, market, foreign exchange and interest rate risks
	Compliance risks Protect value	Compliance risks cover unanticipated failures to comply with applicable laws, regulations, policies and procedures	Technical & safety regulations, regulatory requirements, contractual obligations, ethics & integrity, anti-corruption, antitrust/fair competition, corporate compliance & culture, privacy, intellectual property and conflict of interest	IVG has a risk appetite from moderately adverse to adverse with respect to compliance risks and requires full compliance

ENHANCEMENTS TO THE RISK MANAGEMENT PROCESS

The development and implementation of an effective and robust ERM process require continuous evaluation and improvement and for this reason IVG continues to enhance its risk management process in compliance with the Company principles and international best practices. The evolving ERM Model is characterized by the following elements: (i) Risk Governance: represents the general framework as regards roles, responsibilities and information flows for management of the main Company risks; (ii) Process: represents the grouping of all activities through which the various actors identify, measure, manage and monitor the main risks that could influence IVG's ability to achieve its objectives; (iii) Reporting: reports and represents the results of the Risk Assessment and Risk Monitoring activities, highlighting the most significant risks in terms of likelihood and potential impact, as well as the plans for dealing with them. Furthermore, the under development ERM process is projected to a deep risk quantification, starting from the assumption included in the Strategic Business Plan, and to a direct connection with the sustainability objectives and the Company's value. As example, the Enterprise Risk Assessment results have been used as input for the IVG materiality assessment, aimed at identifying and prioritizing the sustainability aspects of IVG business that could substantially influence the assessments and decisions of its stakeholders and are considered most significant for the Company itself.

RISK TRANSFER

In order to minimize the volatility and financial impact of any detrimental event and in continuity with previous years as part of CNH Industrial Group, IVG has considered the possibility of transferring the residual risks exposure to the insurance market, where insurable. IVG's changing needs through the years have been specifically reflected in its insurance coverage, which has been optimized to decrease the Company's exposure to intrinsic risks related to the type of activities carried out by the Company. Thanks to international programs, all IVG companies are currently covered against the following key risks: property all risks, general liability and umbrella excess liability, directors & officers' responsibility, public offering of security, cyber risk and potential frauds, environmental liability. After the Demerger, all such insurance coverages are specifically appointed for IVG activities and responsibilities.

Additional coverage has been arranged locally based on the specific requirements of local legislation or collective labor contracts and/or corporate agreements or regulations, such as product liability employment practices or general third-party liability. Insurance analysis and transfer of the risks to which the Group is exposed are conducted in collaboration with high standing insurance brokers, which supports this process with its international organization and is responsible for the compliance and management of Group insurance programs at global level.

CORPORATE GOVERNANCE

INTRODUCTION

The Company is a public limited liability company *(naamloze vennootschap)*, incorporated and organized under the laws of the Netherlands. Its corporate seat is in Amsterdam, the Netherlands, while the principal place of business and effective management is in Turin, Italy. The Company's Common Shares are listed on Euronext Milan, managed by Borsa Italiana S.p.A.

Iveco Group's governance is built on a set of rules and practices that the Company has adopted (and intends to improve throughout time) to manage its operations in an ethical and transparent way, according to its purpose and values, that are the groundwork of its culture. The Company believes that a robust governance model is pivotal to doing business in the pursuit of true sustainable long-term value creation, duly balancing the interests of all its stakeholders.

In this Report, Iveco Group summarizes its overall corporate governance structure as it applied to the Company as of 31 December 2022. The Company discloses in this Report, and intends to disclose in its future annual reports, any material deviation from the best practice provisions of the Dutch Corporate Governance Code, which applies, on a comply or explain basis, to Dutch companies whose shares have been admitted to trading on a regulated market or comparable system (the "DCGC"). Upon the Demerger and in connection with the start of the trading of its Common Shares on Euronext Milan, the Company has adopted the DCGC, as existing and in force from time to time, as a guide for its corporate structure, except as discussed below. In this Report, reference to the DCGC is to its 2016 version; during 2023 the Company will assess the changes (if any) required to be made to its rules, regulations, procedures, and practices, in order to comply with the principles and best practice provisions in the 2022 update of the same Code, effective as from the financial year starting on 1 January 2023.

The Company believes that compliance with the recommendations of the DCGC enables Iveco Group to respond to investors' demands for high corporate governance standards and compliance with international best practice. In this connection, the DCGC addresses substantially the same concerns as the corporate governance code sponsored by Borsa Italiana S.p.A. (which manages Euronext Milan, where the Common Shares are listed), whilst better fitting with its Dutch legal structure and corporate operation.

GENERAL MEETING OF SHAREHOLDERS

Consistently with the DCGC, shareholders through their general meeting (the "General Meeting") play a fully-fledged role in the system of checks and balances of the Company. In addition, Iveco Group is committed to maintaining an open and constructive dialogue with its shareholders (and potential shareholders) even outside the context of a formal general meeting, and an ad-hoc policy (posted on the corporate website) has been adopted to this end.

At least one General Meeting shall be held every year, within six months after the close of the prior financial year. General Meetings shall also be held in the situations referred to in Dutch law (including at the request of shareholders solely or jointly representing at least 10% of the Company's issued share capital) and as often as the Board of Directors, the Chairperson, the Senior Non-Executive Director or the Chief Executive Officer deems it necessary to hold them. General Meetings shall be held in Amsterdam or Haarlemmermeer (Schiphol Airport) and shall be called in such manner as is required to comply with the law and the applicable stock exchange regulations, not later than on the forty-second day prior to the meeting. All convocations of meetings of shareholders and all announcements, notifications, and communications to Company shareholders shall be made by means of an announcement on the Company's website and such announcement shall remain accessible until the relevant meeting of shareholders. The notice shall state the place, date, and hour of the meeting and the agenda of the meeting as well as the other information required by law. Any communication to be addressed to the General Meeting by virtue of law or the Articles of Association may be either included in the notice or, to the extent provided for in such notice, on the Company's website and/or in a document made available for inspection at the office of the Company and such other place(s) as the Board of Directors shall determine.

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

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

In this respect, an item proposed in writing by one or more shareholders representing solely or jointly at least 3% of the Company's share capital shall be included in the agenda, provided that the Company has received the relevant shareholder's request, including the reasons for putting the relevant item on the agenda, no later than the sixtieth day before the day of the General Meeting.

Persons with the right to vote or attend General Meetings shall be considered those persons who have these rights at the twenty-eighth day prior to the day of the meeting (the “Record Date”), irrespective of whether they will have these rights at the date of the meeting. In addition to the Record Date, the notice of the meeting shall further state how Company shareholders and other parties with meeting rights may have themselves registered and how those rights can be exercised, either directly or through a proxy duly authorized in writing. For the avoidance of doubt, such an attorney is also authorized in writing if the proxy is documented electronically.

Each share (whether common or special voting) shall confer the right to cast one vote. Votes can be cast at the meeting in person or through proxies or in advance of the meeting via the web procedure made available on the Company’s website. All resolutions shall be passed with an absolute majority of the votes validly cast unless otherwise specified; blank votes shall not be counted as votes cast. Shares in respect of which the law determines that no votes may be cast shall be disregarded for the purposes of determining the proportion of shareholders voting, present or represented, or the proportion of the share capital provided or represented. No voting rights shall be exercised in the General Meeting for shares owned by the Company or by a subsidiary of the Company.

The General Meeting shall be presided over by the Senior Non-Executive Director or, in his/her absence, by the person chosen by the Board of Directors to act as chairperson for such meeting. The chairperson of the meeting shall decide on the admittance of persons other than those who are entitled to attend and may determine the time for which those who are permitted to attend may speak, if they consider this desirable with a view to the orderly conduct of the meeting. The Board shall provide the General Meeting with all requested information, unless this would be contrary to an overriding interest of the Company; in case, the Board must provide shareholders with details of the overriding interest.

One of the persons present and designated for that purpose by the chairperson of the meeting shall act as secretary and take minutes of the business transacted. The minutes shall be made available to the shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react in the following three months. The minutes shall then be adopted and confirmed by the chairperson of the meeting and the secretary, and signed by them in witness thereof. If an official notarial record is made of the business transacted at the shareholders’ meeting, then minutes need not be drawn up and it shall suffice that the official notarial record is signed by the notary.

BOARD OF DIRECTORS

The Company has a one-tier board structure comprising executive and non-executive directors (the "Executive Directors" and "Non-Executive Directors" and each of them a "Director"). The Executive Directors are primarily responsible for all day-to-day operations of the Company. The Non-Executive Directors supervise (i) the Executive Directors’ policy and performance of duties and (ii) the Company’s general affairs and its business, and render (solicited or unsolicited) advice and direction to the Executive Directors. The Board of Directors as a whole is responsible for the strategy of the Company and for the continuity of the Company and the business affiliated with it. Each Director has a duty to the Company to properly perform the duties assigned under or pursuant to the law or the Articles of Association and to act in the Company’s corporate interest, which extends to the interests of all its stakeholders, including its shareholders, creditors, and employees.

Responsibilities and composition

The Board is accountable for the performance of its duties to the General Meeting, that appoints all members of the Board for a period of approximately one year, such period expiring on the day the first annual General Meeting is held in the following calendar year. The General Meeting has the power to suspend or dismiss any member of the Board at any time.

The Board may perform all acts necessary or useful for achieving the Company’s objectives, with the exception of those acts that are prohibited by law or by the Articles of Association; Dutch law provides that resolutions of the Board involving major changes in the Company’s identity or character are subject to the approval of the General Meeting. The Board’s responsibilities include, among other things, developing a view on long-term value creation by the Company, determining the Company’s strategy and risk management policy, ensuring compliance with legislation and regulations and the corporate governance structure of the Company, as well as publishing the information required under applicable law and the DCGC. Pursuant to the Articles of Association, the Board may allocate its duties and powers among the Directors pursuant to the Board Regulations (see below), provided that the following duties and powers may not be allocated to the Executive Directors: (i) supervising the performance of the Executive Directors, (ii) making a nomination for the appointment of Directors, (iii) determining an Executive Director’s remuneration and (iv) recommending to the General Meeting the appointment of an auditor to audit the financial statements. Regardless of an allocation of tasks, all members of the Board remain collectively responsible for the proper management and strategy of the Company (including supervision thereof in case of Non-Executive Directors).

The chair of the Board of Directors as referred to by law and the DCGC is a Non-Executive Director, with the title Senior Non-Executive Director, while the title of Chairperson as referred to by the Articles of Association is reserved to an Executive Director. The general authority to represent the Company is vested in the Board, as well as in each of the Executive Directors to whom the title Chairperson or Chief Executive Officer has been granted. Accordingly, the Board appointed Lorenzo Simonelli as Senior Non-Executive Director, Suzanne Heywood as Chairperson, and Gerrit Andreas Marx as Chief Executive Officer.

The Board shall consist of three or more Directors, appointed individually and on an annual basis, and the number of Executive Directors and the number of Non-Executive Directors shall be determined by the Board, ensuring an appropriate balance between their respective numbers. The composition of the Non-Executive Directors is such that they will be able to operate independently and critically with respect to one another, the Executive Directors, and any other particular interest involved. Moreover, out of the Non-Executive Directors independent ones have an essential role in protecting the interests of all stakeholders: in the assessment of its members’ independence, the Board abides by the criteria set forth by the DCGC. The independent Directors’ contribution is welcome and necessary for the proper composition and functioning of the Board committees, too, whose advisory functions include preliminary examination and formulation of proposals relating to areas of potential risk.

Pursuant to Dutch law, there are limitations to the number of positions persons can hold on the boards of directors of "large Dutch companies". In addition, large Dutch companies are required to set an "appropriate and ambitious" diversity target for their management board, supervisory board and senior executives (the latter as determined by the company). The Company is expected to qualify as a "large Dutch Company" at the end of its second financial year as a listed company, on 31 December 2023, and as of that moment will start making the appropriate disclosures. In the meantime, no member of the Board exceeds the maximum number of positions and the Company in the profile of the Board posted on its website already recognizes that diverse boards are more effective in performing their monitoring and advisory activities, due to the variety of professional experience, perspectives, insights, skills and connections to the outside world that diversity can add. Accordingly, in considering candidates for appointment to the Board, a number of diversity factors will be taken into account, believing that bringing different perspectives into the Boardroom creates more effective discussions.

On 31 December 2022, the Board was made up of two Executive Directors and seven Non-executive Directors, all of them appointed for a term ending at the annual General Meeting of the Company to be held in 2023. Their positions and diversity are summarized in the table below:

IVECO GROUP BOARD OF DIRECTORS SKILLS MATRIX AS AT DECEMBER 31, 2022

						SKILLS CATEGORIES							
DIRECTORS	BORN IN	GENDER IDENTITY[1]	GEOGRAPHIC DIVERSITY	INDEPENDENCE	INITIAL APPOINTMENT	INDUSTRY[2]	STRATEGY & CORPORATE DEVELOPMENT	INNOVATION	SUSTAINABILITY	RISK MANAGEMENT	ICT & CYBERSECURITY	GOVERNANCE	FINANCIAL
SUZANNE HEYWOOD	1969	F	UK	no	2022	●●●	●●●	●●	●●●	●●	●●	●●●	●●●
GERRIT MARX	1975	M	DE	no	2022	●●●	●●●	●●●	●●	●●	●●	●●●	●●
TUFAN ERGINBILGIC	1959	M	TR UK	yes	2022	●	●●●	●●	●●●	●●	●●●	●●●	●●●
ESSIMARI KAIRISTO	1966	F	DE FIN	yes	2022	●	●●●	●●●	●●	●●●	●●	●●●	●●●
LINDA KNOLL	1960	F	USA	no	2022	●●●	●●●	●●●	●●●	●●	●	●●●	●●
ALESSANDRO NASI	1974	M	IT	no	2022	●●●	●●●	●●	●●●	●●	●●	●●●	●●●
OLOF PERSSON	1964	M	SE	yes	2022	●●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●
BENOÎT RIBADEAU-DUMAS	1972	M	FR	no	2022	●●	●●●	●●●	●	●●	●●	●●	●●
LORENZO SIMONELLI	1973	M	CH IT UK	yes	2022	●●	●●●	●●●	●●	●●●	●●●	●●●	●●●

SKILLS

●●● Full — Director possesses extensive skill/knowledge/experience
Director has received significant formal training and guidance and is able to provide same to colleagues

●● Medium — Director has proved skill/knowledge/experience
Director has received formal training

● Basic — Director has foundational level of skill/knowledge/experience
Director has received basic induction

(1) Gender identity is defined as individual's internal sense of being male (M), female (F), both (B), neither (N), or something else (SE).

(2) Iveco Group activities related to 2 sub-industry groups, as per MSCI and Standard & Poor's Global Industry Classification Standard (GICS): Construction Machinery & Heavy Trucks, classified under the sector Industrials; and Automobiles, classified under the sector Consumer Discretionary.

The Board of Directors believes that, considering the specific characteristics, cultural background, experience, and skillset of its members, it has the appropriate diversity mix, independence and judgment to fulfil its responsibilities, execute its duties appropriately and have a good understanding of the current affairs and long-term risks and opportunities related to the Company's business.

Biographical Details of the Executive Directors

- Suzanne Heywood (Chairperson)

  Date of first appointment: 1 January 2022

  Born in 1969, British citizenship.

  Lady Heywood is Chair of CNH Industrial N.V., and of Shang Xia. She is also a non-executive Director of Louboutin and The Economist and a Director of the Royal Academy of Arts Trust.

  She became a Managing Director of Exor in 2016 and was appointed as its Chief Operating Officer in November 2022. Prior to that she worked at McKinsey & Company which she joined as an associate in 1997 and left as a Senior Partner (Director) in 2016. Lady Heywood co-led McKinsey's global service line on organization design for several years and also worked extensively on strategic issues with clients across different sectors. She has published a book, "Reorg," and multiple articles on these topics. Suzanne started her career in the U.K. Government as a Civil Servant in the U.K. Treasury. At the Treasury she worked as Private Secretary to the Financial Secretary (who is responsible for all direct taxation issues) as well as leading thinking on the Government's privatization policy and supporting the Chancellor in his negotiations at ECOFIN (the meeting of European Finance Ministers) in Brussels.

  Lady Heywood grew up sailing around the world for ten years on a yacht with her family. She studied science at Oxford University (BA) and then at Cambridge University (PhD).

  External directorships in publicly listed companies (as of 31 December 2022):

  - CNH Industrial N.V.
  - Juventus Football Club S.p.A. (up to 18 January 2023).

- Gerrit Andreas Marx (Chief Executive Officer)

  Date of first appointment: 1 January 2022

  Born in 1975, German citizenship.

  Gerrit Marx has more than 20 years of experience in roles of increasing importance in different locations around the world and in a variety of industrial segments, with a specific in-depth focus on automotive industries.

  From 1999 to 2007, Mr. Marx worked at the global consulting firm McKinsey & Company, focusing on operational improvement programmes in the automotive and aerospace industries in Europe, Brazil, and Japan. He joined Daimler AG in 2007 to head the global controlling function for vehicle and powertrain component projects, as well as market-entry / mergers and acquisitions for three truck brands in North America, Europe, and Asia. This led him to the role of President and Chief Executive Officer at Daimler Trucks China in 2009 and subsequently, President of Skoda China with Volkswagen AG, overseeing imports and joint venture business relations in both roles. In 2012 Mr. Marx joined the European leadership team of Bain Capital as a member of their portfolio group, driving and leading transformational change programs. This role also encompassed due diligence and merger and acquisition activities, with specific focus on automotive and industrial assets, and also included interim roles such as Chief Executive Officer of Wittur Group, a global Tier-1 supplier to the elevator industry.

  Gerrit Marx joined CNH Industrial in January 2019 as President of Commercial and Specialty Vehicles. Since the spin-off of Iveco Group from CNH Industrial on 1 January 2022, Mr. Marx has served as Chief Executive Officer of the newly formed Company. He holds a degree in Mechanical Engineering ("Diplom Ingenieur") and an MBA ("Diplom Kaufmann") from RWTH Aachen University, and a Doctorate in Business Administration from Cologne University.

  External directorships in publicly listed companies (as of 31 December 2022):

  - Nikola Corporation.

Biographical Details of the Non-Executive Directors

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

  Date of first appointment: 1 January 2022

  Born in 1959, British and Turkish citizenship.

  Tufan Erginbilgic has a background in engineering and has built his career in international business with over 20 years with BP, five years as part of its executive team. He held a number of senior roles at BP, including CEO of Lubricants, BP and Castrol; Chief of Staff to the Group CEO; and Chief Operating Officer of the downstream business, becoming its CEO in 2014 until 2020. Mr. Erginbilgic has held several non-executive directorships in heavy industry and manufacturing. These include aerospace technology group GKN; energy, healthcare technology group DCC plc; and energy company Turkiye Petrol Rafinerileri A.S (Tupras). He is stepping down as a partner in Global Infrastructure Partners, a private equity firm focused on large-scale investments in infrastructure businesses, however, will remain a Senior Adviser. On 1 January 2023, Mr. Erginbilgic was appointed Group Chief Executive Officer of Rolls-Royce. He has a BSc in engineering, a Master of Business Administration degree and an MA in economics.

External directorships in publicly listed companies (as of 31 December 2022):

- Dcc Plc.
- Türkiye Petrol Rafinerileri AŞ.

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

Date of first appointment: 1 January 2022

Born in 1966, Finnish and German citizenship.

Ms. Kairisto was the Chief Financial Officer and a Board Director for Hochtief Solutions AG until 2016 after which she has taken on independent consulting roles. These include, since 2015, a Supervisory Board Member and a member of the Audit Committee of Freudenberg SE, the privately owned German technology company, and since 2018, a Non-Executive Director and chair of the Audit and Risk Committee of Fortum Oyj, a clean energy generation and distribution company which is listed on the Helsinki stock exchange. Additionally, Ms. Kairisto is member of the Supervisory Board, chair of the Audit Committee and member of the Strategy and Investment Commitee of TenneT B.V., a Dutch state owned leading European electricity transmission system operator with its main activities in the Netherlands and Germany. She is also a director and member of the Audit Committee of Applus+ S.A., a Spanish company, listed on the Madrid Stock Exchange, that is a worldwide leader in the testing, inspection and certification sector.

Prior to her move to Hochtief Solutions AG in 2013, Ms. Kairisto had several high profile roles in finance and general management including at Sasol, RWE and Schlumberger.

Essimari Kairisto has a diploma in Business Administration from the University of Fachhochschule Bielefeld (Germany).

External directorships in publicly listed companies (as of 31 December 2022):

- Applus+ S.A.
- Fortum Oyi.

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

Date of first appointment: 1 January 2022

Born in 1960, American citizenship.

Linda Knoll currently serves as director at Schneider Electric SE, and Astec Industries.

After a career in the land systems division of General Dynamics, Linda Knoll honed her career in the predecessor companies to Fiat Chrysler Automobiles (FCA) and CNH Industrial through numerous operational assignments, accumulating a wealth of relevant industrial industry experience spanning more than 25 years (including Vice-President and General Manager of the Crop Production Global Product Line, Vice-President North America Agricultural Industrial Operations, Executive Vice-President Agricultural Product Development, President Parts and Service (ad interim) and Executive Vice-President Worldwide Agricultural Manufacturing). Linda Knoll has been CHRO in CNH Industrial (from 2007 to 2019) and FCA (from 2011 to March 2021).

Linda Knoll holds a Bachelor of Science Degree in Business Administration from Central Michigan University.

External directorships in publicly listed companies (as of 31 December 2022):

- Astec Industries Inc.
- Schneider Electric SE.

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

Date of first appointment: 1 January 2022

Born in 1974, Italian citizenship.

Mr. Nasi is a Director of Giovanni Agnelli B.V., a Director of the Board of Directors of Exor N.V., Chairman of Comau, Chairman of Iveco Defence Vehicles (an affiliate of Iveco Group), Chairman of Astra Veicoli Industriali (an affiliate of Iveco Group), Director of CNH Industrial and Chair of its Environmental, Social, and Governance Committee. He is a member of the Advisory Board of the Lego Brand Group and Non-Executive, Independent Director of GVS S.p.A. In October 2022 he was appointed member of the Board of Istituto Italiano di Tecnologia and member of the Strategic Advisory Board of 3 Boomerang Capital LLC.

Alessandro Nasi started his career as a financial analyst in several banks, gaining experience at Europlus Asset Management, a division of Unicredit in Dublin, Ireland, PricewaterhouseCoopers in Turin, Italy, Merrill Lynch and JP Morgan in New York, U.S. He also worked as an Associate in the Private Equity Division of JP Morgan Partners in New York, U.S.

Mr. Nasi joined the Fiat Group in 2005 as manager of Corporate and Business Development, heading the APAC division and supporting Fiat Group sectors in Asia Pacific. In 2007, Mr. Nasi was appointed Vice President of Business Development and a member of the Steering Committee of Fiat Powertrain Technologies. In 2008, he joined CNH in the role of Senior Vice President of Business Development and from 2009 to 2011 he also served as Senior Vice President of Network Development. In January 2011, he was also appointed Secretary of the Industrial Executive Council of Fiat Industrial, continuing in the role of Executive Coordinator to the successor Group Executive Council of CNH Industrial until January 2019. In 2013 he was appointed President Specialty Vehicles, a role he held until January 2019.

Mr. Nasi obtained a degree in Economics from the University of Turin.

External directorships in publicly listed companies (as of 31 December 2022):

- Exor N.V.
- CNH Industrial N.V.
- GVS S.p.A.

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

  Date of first appointment: 1 January 2022

  Born in 1964, Swedish citizenship.

  Olof Persson is currently Senior Advisor. Mr. Persson is also currently Chairman of the Board of New Wave Group, non-executive director of World Flight Services and non-executive board member of Recover Textile Systems, S.L. In the course of his career Mr. Persson held various positions at ABB and was appointed Division President at Bombardier Transportation in 2004. In 2006, he joined Volvo Group as President of Volvo Aero and subsequently President of Volvo Construction Equipment in 2008. In 2011 he became President and CEO of the AB Volvo Group. In 2015 Mr. Persson was appointed Senior Operating Executive at Cerberus Capital Management. Mr. Persson holds a Bachelor of Business Administration, BBA – Ekonomi 1988, at Karlstads University.

  External directorships in publicly listed companies (as of 31 December 2022):

  - New Wave Group AB.

- Benoît Ribadeau-Dumas (Non-Executive Director)

  Date of first appointment: 13 April 2022

  Born in 1972, French citizenship.

  Benoît Ribadeau-Dumas is a Partner at Exor.

  He began his career at the French Council of State in 1997 before joining Thales, a leading French technology group in aerospace and defense, as Director of Business Development. He held different roles within the Company until 2009 when he was named CEO of Thales Underwater Systems. Mr. Ribadeau-Dumas was later appointed at geoscience global leader CGG as Senior Executive Vice President, responsible for Data Acquisition and then at ZodiacAerospace, as member of the management Board and CEO of Aerosystems Branch. In 2017 he joined the Cabinet of the French Prime Minister as Chief of Staff.

  Mr. Ribadeau-Dumas graduated from Ecole Polytechnique and attended the Ecole Nationale d'Administration (ENA).

  External directorships in publicly listed companies (as of 31 December 2022): none.

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

  Date of first appointment: 1 January 2022
  Born in 1973, Italian, British and Swiss citizenship.
  Lorenzo Simonelli is the Chairman, President and CEO of Baker Hughes, an energy technology company that combines innovation, expertise and scale to provide solutions for energy and industrial customers worldwide. In October 2017 he was named Chairman of the Board of Baker Hughes, and has been President and CEO since the Company's creation in 2017, where he oversaw the successful merger of GE Oil & Gas with Baker Hughes Inc. In 2013 he was appointed President and CEO of GE Oil & Gas.

  Previously, Mr. Simonelli served as President and CEO of GE Transportation, a global transportation leader in the rail, mining, marine and energy storage industries. During his five-year tenure, he expanded and diversified GE Transportation by focusing on advanced technology manufacturing, intelligent control systems and a diverse approach to new propulsion solutions. He served as Chief Financial Officer for the Americas for GE Consumer & Industrial, as well as General Manager, Product Management for GE Appliances, Lighting, Electrical Distribution and Motors. Lorenzo Simonelli joined GE's Financial Management Program in 1994, where he worked on assignments in GE International, GE Shared Services, GE Oil & Gas and Consolidated Financial Insurance. Mr. Simonelli also served on the Board of C3.ai, Inc. (from 2020 - 2021) and on the Board of CNH Industrial N.V. (from 2019 - 2021). He graduated in Business & Economics from Cardiff University, Wales and received a master's degree honoris causa in Chemical Sciences from the University of Florence, Italy.

  External directorships in publicly listed companies (as of 31 December 2022):

  - Baker Hughes Company.

Meetings

Regular meetings shall be held according to the calendar determined by the Board. In addition, special meetings shall be held whenever called by direction of the chair of the Board or, in their absence, by the Chief Executive Officer or by a majority of the directors then in office. The Board of Directors can only transact business, if a majority of the Directors in office shall be present or represented by a co-member at such meeting. The Board is authorized to adopt resolutions without convening a meeting if all Directors have expressed their opinions in writing, and none has objected to the resolution being adopted in this way.

In addition to actions taken without meeting, the Board met eight times during 2022. The following chart shows the 2022 Board members and their attendance at Board meetings.

Board member	Heywood	Marx	Erginbilgic	Kairisto	Knoll	Nasi	Persson	Ribadeau-Dumas*	Simonelli
Attendance	8/8	8/8	7/8	7/8	8/8	8/8	8/8	6/6	7/8

** Mr Ribadeau-Dumas was appointed as Non-Executive Director of the Company by the General Meeting of Shareholders on 13 April 2022; at the time two out of eight meetings of the Board had already taken place.*

In these meetings, the Board addressed a number of topics, including the Company's general affairs and business, its overall strategy and specific opportunities, the most relevant transactions, risk management, ESG-related and compensation issues, Iveco Group funding and its capital market performance. Substantially at all meetings of the full Board, the Non-Executive Directors separately met too, to discuss the functioning of the Board and its Committees, the Executive Directors' functioning and performance of their duties, the Company's strategy and general affairs. In 2022 the overall activity of the full Board, the Non-Executive Directors as well as the internal Committees was necessarily impacted by 2022 being the first year after the Demerger becoming effective, and the Company being publicly listed; this involved a series of specific organizational and compliance post-spin off tasks which the Board (directly and through its Committees) duly overviewed or actually performed.

Board practice

As recommended by the DCGC, the Board adopted internal regulations governing its (and its Committees') operations, including the decision-making process. The document addresses internal organization, calling, management, quorum and minuting of meetings, action at and without meeting, determination of independence according to the DCGC, and conflicts of interest.

In this connection, the Regulations of the Board of Directors stipulate that a Director shall not participate in discussions and decision making with respect to a matter in relation to which they have a direct or indirect personal interest that is in conflict with the interests of the Company and the business associated with the Company ("Conflict of Interest"). In case, they shall immediately report the situation, so that the Non-Executive Directors can assess it, and – in case – exclude the conflicted Director from the discussion and decision-making process with respect to the relevant matter or transaction; all conflicted transactions require the approval of the Non-Executive Directors. In addition, as – in compliance with the DCGC – the Company pursues the prevention of conflict of interest in general, the Board as a whole may, on an ad hoc basis, resolve that there is such a strong appearance of a Conflict of Interest of an individual Director in relation to a specific matter that it is in the best interest of a proper decision-making process that such individual Director be excused from participation, even though they may not have an actual Conflict of Interest. Finally, as a precautionary measure, in the event, based on the information available to the Company, there is a strong appearance of a Conflict of Interest of an individual member of the Board in relation to a specific matter, the Chairperson will exclude such a Director from the relevant information flow, pending a decision by the full Board. The DCGC recommends that all transactions in which there are conflict of interests with Board members be agreed on terms that are customary in the market.

At least annually, each Director shall assess in good faith whether (i) they are independent under the best practice provisions of the DCGC; and (ii) they would have a Conflict of Interest in connection with any transactions between the Company and a significant shareholder or related party of the Company, including affiliates of a significant shareholder (such conflict, a "Related-Party Conflict"), it being understood that currently Exor N.V. is considered a significant shareholder. Based on this self-assessment (part of the annual D&O questionnaire administered to all Board members), and any subsequent update provided by the individual Directors, whenever this is appropriate, the Board of Directors shall make its determination regarding the individual Director's independence and Related-Party Conflict, such (at least annual) determinations being conclusive absent a change in circumstances from those already disclosed to the Board of Directors.

Suzanne Heywood, who is the Chairperson, is also executive director and chairperson of CNH Industrial N.V., as well as Chief Operating Officer of Exor N.V.. Alessandro Nasi, who is a Non-Executive Director of the Company, is also a non-executive director of Exor and CNH Industrial. Benoît Ribadeau-Dumas, who is a Non-Executive Director of the Company, is also a Partner at Exor. As a result, Suzanne Heywood, Alessandro Nasi, and Benoît Ribadeau-Dumas owe duties both to Iveco Group and to CNH Industrial and/or Exor, which may raise potential conflicts of interest should the Company have to enter into new transactions (or amend existing transactions as the case may be) with CNH Industrial, Exor or their affiliates.

The current version of the Regulations of the Board of Directors (as lastly amended on 21 December 2022) is available at the Company's website at www.ivecogroup.com.

Pursuant the Articles of Association, the Company is committed to indemnify any and all of its directors, officers, former directors, former officers (as well as any person who may have served at its request as a director or officer of another company in which it owns shares or of which it is a creditor), against any and all expenses actually and necessarily incurred by any of them in connection with the defense of any action, suit or proceeding in which they are made parties, by reason of being or having been director or officer, except in relation to matters as to which any such indemnified person shall be adjudged to be liable for negligence or misconduct in the performance of their duty.

In addition, IVG has purchased directors' and officers' liability insurance for the members of the Board of Directors and certain other officers, in line with international best practice for similarly situated companies.

By the end of 2022, the Board undertook an evaluation of the Board, its Committees and individual members, in terms of composition, effectiveness and performance.

Under the oversight of the ESG Committee, the evaluation consisted of a self-assessment, performed through a written questionnaire (considered as the most appropriate solution in the first year after the Demerger), covering Profile, Responsibilities and Functioning of the Board (and its

Committees), with an invitation to comment on the various relevant topics. The response rate was 100%. The replies were tabulated by the Board Secretary and represented the basis for subsequent one-to-one conversations with the Chairperson (focused on the overall functioning of the corporate collective bodies, as well as the individual Director and the Executive Directors) and collective discussion.

The overall conclusion was that this is the new Board of a new company resulting from the Demerger, and both are climbing along their learning curve: as a result, processes and practices still need consolidation and/or fine tuning, that are considered within the reach of the Board and expected to be achieved through experience. Nevertheless, the skill mix and combination of diversity factors are considered appropriate to enable the Board as a whole to manage its responsibilities and exercise its role effectively, and this is true separately for the managing role of the Executive Directors and the supervisory role of the Non-Executive Directors, too. The Board of Directors considers itself well-suited to fulfil its duties, vis-à-vis the existing and prospective Company's challenges. It has a good understanding of the business and the relevant competitive and regulatory scenarios and is aware of the impacts of the Company's operations, including beyond financials. In 2022 the Board developed an open and fruitful interaction, internally between Executive Directors and Non-Executive Directors, as well as with the SLT (the Company's Senior Leadership Team as further described and defined below), in terms of guidance, support, oversight, and challenge.

The ESG Committee fully endorsed these conclusions, which were duly presented to the full Board, in order to discuss how to implement them in 2023. It was further concluded that each of the Directors in charge continued to demonstrate due commitment to their respective role in the Company.

BOARD COMMITTEES

After the completion of the Demerger, as per the Articles of Association, the Board appointed among its Non-Executive Directors three committees to assist it to discharge its duties: an Audit Committee, an ESG Committee, and a Human Capital and Compensation Committee. The Board may appoint additional committees from time to time, as it deems necessary and appropriate to carry out its responsibilities and oversight function. The Board, at the establishment of each committee, set their terms of reference, further setting out the tasks of the relevant committee and providing for the internal rules and procedures for the functioning of the relevant committee.

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

According to their terms of reference as presently in force, each of the Audit Committee, the ESG Committee and the Human Capital and Compensation Committee shall report regularly to the Board, making recommendations where appropriate. They are entitled to utilize the services of the appropriate personnel of the Company and its subsidiaries, and, if they deem it fit, without the Board's approval and at the Company's expense, to appoint, compensate and oversee the work of any outside advisor to assist them in connection with their responsibilities.

Audit Committee

The tasks, functions and organization of the Audit Committee are described in detail in the Audit Committee charter, which is published on the Company website at www.ivecogroup.com.

The Audit Committee is responsible, inter alia, for assisting and advising the Board of Directors, with respect to: (i) the integrity of the Company's financial statements, (ii) the Company's policy on tax planning, (iii) the Company's financing, (iv) the Company's application of information and communication technology, (v) the systems of risk management and internal controls that the management and the Board of Directors have established, (vi) the Company's compliance with legal and regulatory requirements, (vii) the Company's compliance with recommendations and observations from internal and independent auditors, (viii) the Company's policies and procedures for addressing certain actual or perceived conflicts of interest, (ix) the review of related party transactions, (x) the independent auditors' qualifications, independence, remuneration and any non-audit services for the Company, (xi) the functioning of the Company's internal auditors and of the independent auditors, (xii) risk management guidelines and policies, and (xiii) the implementation and effectiveness of the Company's ethics and compliance program.

The Audit Committee consists of at least three Non-Executive, independent Directors. All of them must be financially literate and have accounting or financial management expertise qualification, and at least one shall have competence in accounting and/or auditing, while its members as a whole must have competence relevant to the sector in which the Company is operating. As a rule, no Director may serve as a member of the Company's Audit Committee if they already have the same role in more than four other public companies.

The Audit Committee shall meet at such time and place as its chair or a majority of its members shall determine, but normally at least four times every year. The Audit Committee shall meet with the external auditor as often as it considers necessary, but at least once a year, outside the presence of the Executive Directors. The Chief Executive Officer, the chief financial officer, the internal auditor and the external auditor shall attend the Audit Committee meetings, unless the Audit Committee determines otherwise.

The Audit Committee is currently composed of: Essimari Kairisto as chair, and Olof Persson and Lorenzo Simonelli as members. The Board acknowledged all meet the relevant accounting and/or auditing competence requirements, and satisfy the requirement of competence in the sector as a group.

In addition to actions taken without meeting, the Audit Committee met eight times during 2022, duly and timely reporting its activities to the Board and the Non-Executive Directors. The following chart shows the attendance by the Audit Committee members at its meetings.

Committee member	Kairisto	Persson	Simonelli
Attendance	7/8	8/8	8/8

In these meetings (all attended in all or in part by the General Counsel, the CFO and the Head of Enterprise Risk Management & Internal Audit, as well as the external auditors and other representatives of the Company's management, depending on the issues at stake), the Committee inter alia reviewed and discussed the annual and quarterly financial statements (and the independent auditors' review or audit thereof), the Group's tax strategy (including the decision to apply to the Italian Tax Authority for admission to the co-operative compliance regime), the Company's funding plan, the initial setting-up of the Company's internal control and risk management systems (including the adoption of the Internal Audit Charter), the Company's risk assessment and risk appetite, key risks and controls relating to cybersecurity, performance and plans of the Company's internal audit function and the Company's independent public auditors, the external auditor's rotation, the quality of the control environment and the evaluation of the internal audit function, major legal matters facing the Company (in terms of both compliance and litigation), and the implementation and effectiveness of the Company's ethics and compliance programs (including whistleblowing and anti-corruption policies).

ESG Committee

The tasks, functions and organization of the ESG Committee are described in detail in the ESG Committee charter, which is published on the Company website at www.ivecogroup.com.

While fulfilling the role of the selection and appointment committee according to the DCGC, the ESG Committee is responsible for, among other things, assisting and advising the Board of Directors with respect to: (i) drawing up the selection criteria and appointment procedures for members of the Board of Directors and making proposals for its composition profile; (ii) proposals to the non-executive members of the Board of Directors for the nomination and re-nomination of directors to be appointed by the General Meeting; (iii) periodic assessment of the Board of Directors, its Committees and individual members; (iv) overseeing the integration of sustainability aspects into the Company business model, including appropriate key ESG performance indicators or metrics; and (v) monitoring, evaluation and reporting on the strategy, targets, achievements, and disclosures relating to ESG matters globally of the Company and its subsidiaries.

The ESG Committee consists of at least three Non-Executive Directors; at least one will be independent. It shall meet at such time and place as its chair or a majority of its members may determine, but at least once every year.

The ESG Committee is currently composed of: Mr. Alessandro Nasi as chair, and Tufan Erginbilgic (who qualifies as independent) and Linda Knoll as members.

In 2022 the ESG Committee met six times, duly and timely reporting its activities to the Board and the Non-Executive Directors. The following chart shows the attendance by the ESG Committee members at its meetings.

Committee member	Nasi	Erginbilgic	Knoll
Attendance	6/6	6/6	6/6

In these meetings (all attended in all or in part by the General Counsel, the Head of Institutional Relations & Sustainability, as well as other representatives of the Company's management, depending on the issues at stake), the Committee inter alia addressed the Company's ESG strategy, targets, industry benchmarks, and engagement activities, making this the object of continuous monitoring (which a specific focus on health & safety); discussed the Board's diversity and skill matrix; managed the nomination process in preparation of the appointment of a ninth Director, in the person of Mr. Benoît Ribadeau-Dumas; approved the evaluation process of the Board and its Committees.

Human Capital and Compensation Committee

The tasks, functions and organization of the Human Capital and Compensation Committee are described in detail in the Human Capital and Compensation Committee charter, which is published on the Company website at www.ivecogroup.com.

While fulfilling the role of the remuneration committee according to the DCGC, the Human Capital and Compensation Committee is responsible for, among other things, assisting and advising the Board of Directors with respect to: (i) determining executive compensation consistent with the Company's remuneration policy (and, at least every four years, submitting a proposal to the Board for the remuneration policy to be pursued), (ii) reviewing and approving the remuneration structure for the executive Directors (preparing the Board's relevant decision-making), (iii) administering equity incentive plans and deferred compensation benefit plans, (iv) discussing with management the Company's policies and practices related to compensation and issuing recommendations thereon, (v) talent development/management and succession plans for the Senior Leadership Team, (vi) the Company's policies and initiatives related to equal employment opportunity, as well as diversity, equity, and inclusion, (vii) the Company's programs designed to measure and improve overall employee engagement, and (viii) preparation of the annual compensation report.

The Human Capital and Compensation Committee consists of at least three Non-Executive Directors; at least one will be independent. It shall meet at such time and place as its chairperson or a majority of its members may determine, but at least once every year. The Head of the Company's Human Resources Department shall attend the meetings, unless the Human Capital and Compensation Committee determines otherwise.

The Human Capital and Compensation Committee is currently composed of: Ms. Linda Knoll as chair, and Tufan Erginbilgic (who qualifies as independent) and Alessandro Nasi as members.

In 2022 the Human Capital and Compensation Committee met six times, duly and timely reporting its activities to the Board and the Non-Executive Directors. The following chart shows the attendance by the Human Capital and Compensation Committee members at its meetings.

Committee member	Knoll	Erginbilgic	Nasi
Attendance	6/6	6/6	6/6

In these meetings (all attended in all or in part by the General Counsel, the Head of HR & ICT, as well as other representatives of the Company's management, depending on the issues at stake), the Committee inter alia appointed Mercer as its external advisor and addressed the Executive Directors' compensation (submitting the relevant proposals to the Non-Executive Directors, as a result of internal analyses and external benchmarks), short-term and long-term variable pay initiatives (preparing the Board's relevant decision-making, as appropriate), the Company's diversity, equity & inclusion initiatives, the Company's programs designed to enhance employee value proposition and improve overall employee engagement, the top management succession planning, the preparation of the annual compensation report.

SENIOR LEADERSHIP TEAM

On certain key industrial matters, the Board is advised by the Company's Senior Leadership Team (the "SLT"), that serves to strengthen the quality of the Company's decision-making and the implementation of its strategy. As of 31 December 2022 it comprised the Company's Chief Executive Officer and the senior management reporting to the CEO: the heads of the Business Units (Truck – Luca Sra; Bus – Domenico Nucera; Powertrain – Sylvain Blaise; Defence Vehicles & Astra – Claudio Catalano; Firefighting – Thomas Hilse; Financial Services – Simone Olivati), the Support & Industrial Functions (Supply Chain – Angela Qu; Manufacturing – Ángel Rodríguez Lagunilla; Technology & Digital – Marco Liccardo; Finance – Francesco Tanzi; HR & ICT – Francesco Tutino), and the Corporate Functions (Institutional Relations & Sustainability – Michele Ziosi; Communications – Francesco Polsinelli; General Counsel and Chief Compliance Officer – Gabriella Porcelli; Enterprise Risk Management & Internal Audit – Alessandra Ramorino). None of the members of the SLT has a conflict of interest (actual or potential) between their duties to the Company and their private interests and/or other duties.

The SLT is an operational body of the Company, which is responsible for reviewing the operating performance of the business segments and is involved in the decision-making on certain operational matters; as such, it does not qualify as an executive committee according to the DCGC. The Board remains accountable for the decisions of the SLT and has ultimate responsibility for the Company's management and external reporting. The SLT is supervised by the Non-Executive Directors of the Board. For this purpose, the SLT members, either directly or through the Chief Executive Director, provide the Non-Executive Directors with all information the Non-Executive Directors require to fulfil their responsibilities.

During 2022, in addition to the reporting by and through the CEO, the leaders of the various departments and business units (all SLT members) presented to the Board (in its full meetings or through its Committees) their operating results, defining and discussing the relevant indicators, business plans, long-term value creation strategies as well as their top risks, and specific projects and initiatives. The presentations and subsequent discussions allowed management to articulate their strategies for the achievement of the Company's business (and ESG) objectives and the mitigation of risks, while giving the Board of Directors the opportunity to challenge and give feedback on the management's plans and overall approach.

CODE OF CONDUCT

The Company has adopted a Code of Conduct that describes the Company's values that contribute to a culture focused on long-term value creation for the Group and all of its stakeholders, which is the Board's responsibility to create and foster. The Company periodically reviews and updates the Code of Conduct to ensure it is consistent with applicable laws and best practices. The Code of Conduct covers topics such as environment, health and safety, antitrust/competition, anti-corruption, data privacy, management of human resources, communities and respect of human rights. In a nutshell, it sets out the principles and the ethical values that contribute to the culture which the Company follows in the conduct of its activities and the quality and integrity which it requires of all its collaborators.

The Code of Conduct forms an integral part of the internal control system and sets out the principles of business ethics to which Iveco Group adheres and which Directors, officers, employees, consultants and all business partners are required to observe. Iveco Group uses its best endeavors to ensure that suppliers, consultants and any third party with whom Iveco Group has a business relationship be informed of the principles set forth in the Code of Conduct. In addition, the Company issued a Supplier Code of Conduct, which includes the Company's guidelines and expectations for suppliers with regard to such areas as labor and human rights, the environment, trade restrictions and export controls, business ethics and anti-corruption, and reporting matters to the Company.

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

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

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

The Group's Code of Conduct is supplemented by additional corporate policies, guidelines and procedures. These cover specific areas of higher risk given the nature and extent of the Company's business such as: conflicts of interest, bribery and corruption, antitrust/competition law, international trade compliance, and data privacy. Each year certain categories of employees (i.e. those deemed to have responsibilities presenting potentially greater risk to the Company), as well as Board members, are required to certify that (i) they are aware – inter alia – of the Code of Conduct and the Company's Conflict of Interest Policy, and (ii) they have not violated, and are not aware of any violation of, the Code of Conduct or the Conflict of Interest Policy.

RELATED PARTY TRANSACTIONS POLICY

The Board has a related party transaction policy in accordance with Dutch law and the DCGC, for the purpose of providing a procedure that prevents related parties from unduly taking advantage of their position and provides adequate protection for the interests of the Company and its stakeholders. The policy stipulates that transactions with related parties within the meaning of International Accounting Standard 24 are relevant to the extent either (i) the information concerning the transaction qualifies as inside information (pursuant to the European Market Abuse Regulation), or (ii) the counterparty is a Director or a qualified (over 10%) shareholder, and the transaction is of material significance (such transaction to be agreed on terms that are customary to the market).

In particular, the related party transaction policy provides procedures for members of the Board to notify any potential related party transaction, and specific disclosure requirements. The assessment whether the transaction actually qualifies as a relevant related party transaction is up to the Board, and no transaction duly qualified as such shall be undertaken without approval of the Board (and the favorable vote of a majority of the votes cast by Non-Executive Directors), subject to previous review by the Audit Committee and without interested Directors (if any) participating in the decision-making process. The Related Party Transactions Policy is amended from time to time to ensure effectiveness of the relevant provisions and compliance with applicable laws and regulations.

The current version of the Company's Related Party Transactions Policy is available at the Company's website at www.ivecogroup.com.

Agreements between the Company and CNH Industrial

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

Master Service Agreements

In relation to services (related to lease of premises, IT services, promotion and marketing activities, warehouse management, human resources, and other corporate functions) provided by either the Company to CNH Industrial and vice versa, in connection with the execution of the Demerger Deed, the Company and CNH Industrial entered into a two-year Master Services Agreement (MSA) whereby each Party (and its subsidiaries) may provide services to the other (and its subsidiaries).

The reason for both parties of entering into the MSA is the result of the realization that in certain areas a complete duplication of the entire range of in-house services existing before the Demerger would result in unnecessary costs. The MSA is intended to constitute an umbrella agreement allowing both parties to continue receiving (or providing as the case may be) such services substantially at the same terms and conditions in place before the Demerger for an interim period. The identification of each of the services and their peculiar terms and conditions is governed by ad hoc Opt-in arrangements. Upon termination, the receiving party may be required either to purchase the line of business providing such services at fair market value or to indemnify the service provider from any direct cost incurred as a result of such termination.

Engine Supply Agreement

In relation to the design and supply of off-road engines from the Company to CNH Industrial, the Company and CNH Industrial entered into a ten-year Engine Supply Agreement (ESA) whereby the Company (through FPT Industrial) will sell to CNH Industrial diesel, CNG and LNG engines and provide post-sale services. Prices of the current engines have been agreed in consistency with past practices and will be subject to revision for raw material cost fluctuations, while the price of future engines will be agreed between the parties. The ESA provides for mechanisms incentivizing both parties to maximize efficiencies and quality improvements.

Financial Service Agreement

In relation to financial services activities to be carried out post-Demerger by either the Company in favor of CNH Industrial or vice versa, the Company and CNH Industrial entered into a Master Services Agreement (FS MSA), whereby each Party (and its subsidiaries) has agreed to provide services to the other (and its subsidiaries) and/or financial services activities to their customers, distribution networks, and suppliers, substantially at the same terms and conditions in place before the Demerger. Further, under the terms of the FS MSA, the servicing of the receivable portfolios originated by captive activities will be performed by Iveco Group's Financial Services segment insofar as it relates to the European operations of both groups, whereas CNH Industrial will provide financial services to Iveco Group companies in the rest of the world. The FS MSA term is three years and it may be renewed for additional terms with the consent of both parties. Upon termination the party receiving such services may be required either to purchase the line of business providing such services at fair market value or to indemnify the service provider from any direct cost incurred as a result of such termination.

Agreements with Exor portfolio companies

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

In connection with the establishment of Fiat Industrial (now CNH Industrial) through the demerger from Fiat (which was subsequently merged into Fiat Chrysler Automobiles N.V., which is now Stellantis), a Master Services Agreement (the Stellantis MSA) was put in place, which set forth the primary terms and conditions pursuant to which services were provided at cost plus a negotiated margin. As of 31 December 2022 the Stellantis subsidiaries were continuing to provide the Company with certain administrative services such as accounting, maintenance of plant and equipment, security, information systems and training under the terms and conditions of the Stellantis MSA and the applicable Opt-in letters. The Stellantis MSA has a two-year term renewable upon agreement of both parties. Upon termination the party receiving such services may be required either to purchase at fair market value the line of business dedicated to providing such services for the benefit of the Group or to indemnify the service provider from any direct cost incurred as a result of such termination.

LOYALTY VOTING PROGRAM

The Company's authorized share capital amounts to €8,000,000, divided into 400,000,000 Common Shares and 400,000,000 Special Voting Shares, each having a par value of one euro cent (€0.01) and carrying the same voting rights. All Shares are in registered form and no certificates were issued. As of 31 December 20222, the Company's issued share capital amounted to €3,454,589.70 and was divided into 271,215,400 Common Shares and 74,243,570 Special Voting Shares.

According to the loyalty voting program the Company has in place, at any time, subject to meeting certain conditions, the Common Shares can be registered in the Company's Loyalty Register and all such Common Shares qualify as Qualifying Common Shares if held in such register for an uninterrupted period of at least three years after registration. The holder of Qualifying Common Shares is entitled to receive without consideration one Special Voting Share in respect of each such Qualifying Common Share. Pursuant to the Terms and Conditions of the Special Voting Shares, and for so long as the Common Shares remain in the Loyalty Register, such Common Shares shall not be sold, disposed of, transferred, except in very limited circumstances (i.e. transfers to affiliates or to relatives through succession, donation or other transfers (defined in the Terms and Conditions of the Special Voting Shares as Loyalty Transferee)), but a Shareholder may create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Common Shares, provided that the voting rights in respect of such Common Shares and any corresponding Special Voting Shares remain with such Shareholder at all times. Shareholders who want to directly or indirectly sell, dispose of, trade or transfer their Common Shares that are registered in the Company's Loyalty Register to anyone other than a Loyalty Transferee, or otherwise grant any right or interest therein, or create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Common Shares with a potential transfer of voting rights relating to such encumbrances will need to submit a de-registration request. After de-registration from the Loyalty Register, the holder of such Common Shares is required to offer and transfer the Special Voting Shares associated with such Common Shares (if any) to the Company for no consideration (*om niet*). As a result, any transfer of Common Shares that are registered on the Loyalty Register, other than to a Loyalty Transferee, will trigger the de-registration of such Common Shares from that register and any associated Special Voting Shares will automatically be surrendered to the Company for no consideration and any voting rights attached to the corresponding Special Voting Shares will be suspended with immediate effect.

The Special Voting Shares will not entitle the long-term Shareholder to any material additional economic entitlement. The entitlement to dividend and other distribution will effectively be calculated on the basis of the number of Common Shares held by a Shareholder, irrespective of the number of Special Voting Shares such a Shareholder may also hold. Nevertheless, holders of Special Voting Shares will be entitled to a minimal dividend per Special Voting Share of 1% of the nominal value of such Special Voting Share, which is then allocated to the Special Dividend Reserve. Only the holders of Special Voting Shares hold entitlement to the balance of the Special Dividend Reserve. The distribution of any amounts from the Special Dividend Reserve can only be authorized with the approval of the general meeting of the holders of Special Voting Shares upon proposal of the Board. The power to vote upon the distribution from the Special Dividend Reserve will be the only power that is granted to that meeting. The Special Voting Shares will not have any other economic entitlement.

Further, pursuant to the Articles of Association, the Company shall 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 obligation to pay up the Special Voting Shares upon their issuance will be fully settled against the special capital reserve. There will not be any additional payments required from those being issued the Special Voting Shares.

Pursuant to the Terms and Conditions, any amendment to the Terms and Conditions of the Special Voting Shares (other than merely technical, non-material amendments and unless such amendment is required to ensure compliance with applicable law or regulations or the listing rules of any securities exchange on which the Common Shares are listed) may only be made with the approval of the General Meeting.

Upon completion of the Demerger, on the Settlement Date, Monte Titoli credited the accounts of the financial intermediaries participating with Monte Titoli with respect to the Common Shares distributed to beneficiaries holding CNH Industrial common shares pursuant to the Allotment Ratio and Computershare registered the Special Voting Shares in the Loyalty Register in the name of the holders of CNH Industrial special voting shares. In this regard, each CNH Industrial Shareholder that was registered in the CNH Industrial Loyalty Register immediately prior to the Demerger becoming effective was registered in the Loyalty Register, for the corresponding number of Common Shares such CNH Industrial Shareholder received pursuant to the Allotment Ratio. If such CNH Industrial shareholder also held CNH Industrial special voting shares, by operation of law they received a number of Special Voting Shares equal to the number of Common Shares for which it was registered in the Loyalty Register. If such CNH Industrial Shareholder was registered in the CNH Industrial Loyalty Register electing to receive CNH Industrial special voting shares upon completion of the required holding period, it also was registered in the Company's Loyalty Register electing to receive Special Voting Shares upon completion of the required holding period, whereby the holding period to receive Special Voting Shares was shortened with the period for which such holder of Common Shares had already been registered in the CNH Industrial Loyalty Register.

DISCLOSURES PURSUANT TO EU-DIRECTIVE ON TAKEOVERS

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

In accordance with Dutch rules implementing the EU Takeover Directive, the Company makes the following disclosures:

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

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

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

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

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

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

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

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

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

j. The Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of the Dutch Financial Supervision Act *(Wet op het financieel toezicht)*, provided that some of the loan agreements guaranteed by the Company contain clauses that, as it is customary for such financial transactions, may require early repayment or termination in the event of a change of control of the guarantor or the borrower. In certain cases, that requirement may only be triggered if the change of control event coincides with other conditions, such as a credit rating downgrade.
k. Under the terms of the Iveco Group Equity Incentive Plan ("Iveco Group EIP") and the terms of engagement entered into with certain executive officers, executives may be entitled to receive severance payments of up to one (1) times their annual cash compensation and accelerated vesting of awards under plans issued under the Iveco Group EIP if, within twenty-four months of a Change of Control (as defined therein), the executive's employment is involuntarily terminated (other than for Cause, as defined therein) by the relevant entity of the Iveco Group or is terminated by the participant for Good Reason (as defined therein).

COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE

While the Company endorses the principles and best practice provisions of the DCGC, its current corporate governance structure deviates from the following best practice provisions as follows:

- Under best practice provision 5.1.1, in case of a one-tier governance structure, the majority of the management board should be made up of non-executive directors and the requirements for independence stipulated in best practice provisions 2.1.7 and 2.1.8 should apply to the non-executive directors. In its initial composition after the Demerger, the Board of Directors was composed of two Executive Directors and six Non-executive Directors, out of which four qualified as independent. The April 2022 General Meeting redefined the composition of the Board, by appointing as a seventh Non-executive Director Mr Ribadeau-Dumas, who does not qualify as independent pursuant to the DCGC criteria and can be considered to be affiliated with the Company's over 10% shareholder Exor (where he is a partner). Considering also Mr. Nasi (another non-independent Non-executive Director) can be considered to be affiliated with Exor (where he serves as Vice Chairman of the board of directors) and its parent company Giovanni Agnelli B.V. (where he serves as a Director, such entity qualifying as the ultimate reporting entity with the AFM of the interest in the Company), the Company acknowledges it is not in compliance with best practice provision 2.1.7 (i) and 2.1.7 (iii). Nevertheless the Company is of the opinion that (i) in light of the major shareholding of Exor (and Giovanni Agnelli B.V.), it is appropriate that more than one affiliate with Exor (including a member of the family, which controls Giovanni Agnelli B.V.) has a seat in its Board as a Non-Executive Director, while (ii) the present composition of the Board (focused on expertise and experience more than formal independence) remains correctly balanced and can assure an effective supervision by fully accountable Non-executive Directors of the correct discharge of the duties entrusted to the executive ones, as the evaluation performed by the Board assessed and confirmed.
- Under best practice provision 2.3.4, more than half of the members of the committees should be independent within the meaning of best practice provision 2.1.8. For the ESG Committee and the Human Capital and Compensation Committee the majority of the members in those two committees is not independent. The Company is of the opinion that this composition will enhance the effectiveness and constitute a fair and adequate representation of persons having the necessary expertise and experience, even if those persons would not, formally speaking, be considered 'independent' within the meaning of provision 2.3.4.
- The Board has not appointed a vice-chairman in the sense of best practice provision 2.3.7 of the DCGC. Nevertheless, the Board Regulations provide that in the absence of the Non-Executive Director entrusted with the duties attributed by the DCGC to the chair of the management board in one-tier companies any other Non-Executive Director chosen by a majority of the Directors present at a meeting shall preside at meetings of the Board of Directors. The Company considers the above sufficient to ensure that the role and function assigned by the DCGC to the vice-chairman is properly discharged.
- Pursuant to best practice provision 4.1.8 of the DCGC, every Executive and Non-Executive Director nominated for appointment should attend the Annual General Meeting at which votes will be cast on his/her nomination. Since, pursuant to the Articles of Association, the term of office of Directors is approximately one year, such period expiring on the day the first Annual General Meeting of Company shareholders is held in the following calendar year, all members of the Board of Directors are nominated for (re)appointment each year. By publishing the relevant biographical details and curriculum vitae of each nominee for (re)appointment, the Company ensures that the Company's general meeting of shareholders is well informed in respect of the nominees for (re)appointment and in practice only the Executive Directors will therefore – as a rule – attend the Annual General Meeting.
- The Company does not have a retirement schedule as referred to in paragraph 2.2.4 of the DCGC. Pursuant to the Articles of Association, the term of office of Directors is approximately one year, such period expiring on the day the first Annual General Meeting of Company shareholders is held in the following calendar year.
- Under best practice provision 5.1.3, the chairperson of the board should be an independent Non-Executive Director. In accordance with section 14(2) of the Articles of Association, the Board entrusted to an independent Non-Executive Director the duties attributed by the DCGC to the chair of the management board in one-tier companies (or to the chairman of the supervisory board in two-tier companies) and granted to such independent Non-Executive Director the title of 'Senior Non-Executive Director' (so as to distinguish such Director from the Chairperson of the Company, who is an Executive Director). As a consequence, despite the difference in corporate titles, the Company believes it complies with best practice provision 5.1.3, as the current Senior Non-Executive Director satisfies the requirements described in best practice provision 5.1.3 of the DCGC.

REPORT OF THE NON-EXECUTIVE DIRECTORS

Supervision

The Board of the Company is structured as a one-tier board, made up of Executive Directors and Non-Executive Directors. Details of the current composition and the actual functioning of the Board in 2022 (including the participation by individual members to the meetings) are set forth in the section “Board of Directors”.

The Non-Executive Directors are responsible for the supervision of the policy and the general course of affairs of the Company and its affiliated enterprise, including the implementation of the Company’s long-term value creation strategy, as carried out on a day-by-day basis by the Executive Directors. The Non-Executive Directors perform this task independently and critically vis-à-vis one another, the Executive Directors, and any particular interest involved.

With a view of exercising their supervisory role, in 2022 the Non-Executive Directors regularly discussed the Company’s business plans and strategy, their implementation and evolution, and the risks associated with them with the Executive Directors and the SLT. In so doing, they focused on performance and strategy of the single Business Units, cash flow and debt management, tax, ESG related matters (including the Company’s purpose and mission), compliance matters and regulatory developments, investment opportunities and relevant transactions, executive compensation, major litigations, the effectiveness of the Company’s internal risk management and control systems, as well as the integrity and quality of the financial reporting, reviewing the Company’s periodic disclosure. In this connection, it is customary that a portion of each meeting of the full Board is organized as an executive session of the Non-Executive Directors, which gives them opportunity of unbiased analysis of the Company’s general affairs.

According to the Articles of Association, the Board of Directors has allocated certain specific responsibilities to the Audit Committee, the ESG Committee and the Human Capital & Compensation Committee, which are entirely made up of Non-Executive Directors. Details on the manner in which these Committees have carried out their duties, their composition, the numbers of meetings which took place in 2022 and the main topics discussed are set forth in the corresponding sections of this Report.

Independence

The non-executive directors are required by Dutch law to act solely in the interest of the issuer. The Dutch Corporate Governance Code further recommends that its requirements for independence of the supervisory board apply to the non-executive members of a one-tier board.

The Non-Executive Directors of the Company have determined that only four (Mr. Erginbilgic, Ms. Kairisto, Mr. Persson and Mr. Simonelli) out of the seven Non-Executive Directors in charge qualify as independent in accordance with the Dutch Corporate Governance Code. In addition, two Non-Executive Directors (Mr. Nasi and Mr. Ribadeau-Dumas) can be considered to be affiliated with Exor, which owns over 10% of the Company’s outstanding shares.

Whilst the Company acknowledges that this is not in compliance with best practice provision 2.1.7 of the DCGC (as discussed in the section “Compliance with the Dutch Corporate Governance Code” of this Report), the Non-Executive Directors are of the opinion that the Company otherwise meets the independence requirements set forth in best practice provision 2.1.10 of the DCGC.

Evaluation

In 2022 the evaluation of the Board, its Committees and individual members (Executive Directors and Non-Executive Directors alike), consisted of a self-assessment, performed through a written questionnaire, addressing an array of items (under the captions Profile, Responsibilities and Functioning), with an invitation to comment on the various topics. The response rate was 100%.

The replies were tabulated by the Board Secretary and represented the basis for subsequent one-to-one conversations with the Chairperson and final collective discussion.

For a more comprehensive overview of the evaluation process (how it was carried out and what its conclusions have been), reference is made to the ad hoc paragraph included in the section “Board practice”.

RESPONSIBILITY STATEMENT UNDER THE DUTCH FINANCIAL MARKETS SUPERVISION ACT

The Board of Directors is responsible for preparing the Annual Report, inclusive of the Consolidated and Company Financial Statements and Board Report, in accordance with Dutch law and International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union (IFRS).

In accordance with Section 5:25c, paragraph 2 of the Dutch Financial Markets Supervision Act, the Board of Directors states that, to the best of its knowledge, the Consolidated and Company Financial Statements prepared in accordance with IFRS as adopted by the European Union provide a true and fair view of the assets, liabilities, financial position and profit or loss for the year of the Company and its subsidiaries and that the Board Report provides a true and a fair view of the performance of the business during the financial year and the position at balance sheet date of the Company and its subsidiaries, together with a description of the principal risks and uncertainties that the Company and the Group face.

RESPONSIBILITY STATEMENT UNDER THE DUTCH CORPORATE GOVERNANCE CODE

Based on the assessment performed, the Board of Directors believes that, as of 31 December 2022, the Group's and the Company's Internal Control over Financial Reporting is considered effective and that (i) the Board Report provides sufficient insights into any material weaknesses in the effectiveness of the internal risk management and control systems (please refer to section "Risk Management and Internal Control System" of this Annual Report), (ii) the internal risk management and control systems are designed to provide reasonable assurance that the financial reporting does not contain any material inaccuracies (please refer to section "Iveco Group Internal Audit and Internal Control System" of this Annual Report), (iii) based on the current state of affairs, it is justified that the Group's and the Company's financial reporting is prepared on a going concern basis (refer to the Notes to the Consolidated Financial Statements of this Annual Report and the Notes to the Company Financial Statements of this Annual Report for additional information on the basis of preparation), and (iv) the Board Report states those material risks and uncertainties that are, in the Board of Director's judgment, relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the Board Report (please refer to the chapter "Risk Factors" of this Annual Report).

The above, however, does not imply that Iveco Group can provide certainty as to the realisation of strategic business and financial objectives, nor can the Company's Internal Control over Financial Reporting be expected to prevent or detect all misstatements, errors, fraud or violation of laws or regulations.

2 March 2023

Suzanne Heywood

Chair

Gerrit Andreas Marx

Chief Executive Officer

RESPONSIBILITY STATEMENT UNDER THE DUTCH FINANCIAL MARKETS SUPERVISION ACT

The Board of Directors is responsible for preparing the Annual Report, inclusive of the Consolidated and Company Financial Statements and Board Report, in accordance with Dutch law and International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union ("EU-IFRS").

In accordance with Section 5:25c, paragraph 2 of the Dutch Financial Markets Supervision Act, the Board of Directors states that, to the best of its knowledge, the Consolidated and Company Financial Statements prepared in accordance with EU-IFRS provide a true and fair view of the assets, liabilities, financial position and profit or loss for the year of the Company and its subsidiaries and that the Board Report provides a true and a fair view of the performance of the business during the financial year and the position at balance sheet date of the Company and its subsidiaries, together with a description of the principal risks and uncertainties that the Company and the Group face.

2 March 2023

The Board of Directors

Suzanne Heywood

Gerrit Andreas Marx

Tufan Erginbilgic

Essimari Kairisto

Linda Knoll

Alessandro Nasi

Olof Persson

Benoît Ribadeau-Dumas

Lorenzo Simonelli

REMUNERATION REPORT

Letter from the Human Capital and Compensation Committee Chair

Dear Stakeholders,

With this annual Remuneration Report, the objective is to provide you with clear and comprehensive disclosure of the Company's executive compensation policies and decisions during the year with respect to our Executive and Non-Executive Directors. This first full-year report for the newly formed Iveco Group recognises the strong performance our senior leaders demonstrated during the first year of operations while laying a solid foundation for continued growth, profitability, and sustainable long-term value creation.

New Beginning

On 1 January 2022, Iveco Group successfully separated from CNH Industrial N.V. (the "Demerger"), establishing a stand-alone entity publicly traded on the Euronext Milan stock exchange (MI: IVG) consisting of Commercial and Specialty Vehicles, Powertrain and related Financial Services businesses.

Iveco Group's purpose is to be: Home of unique people and brands that power your business and mission to advance a more sustainable society. This purpose reflects the reason the Company exists and illustrates how the products and services positively impact customers, stakeholders, and the communities where it operates.

The eight brands are each a major force in its specific business: IVECO, a pioneering commercial vehicles brand that designs, manufactures, and markets heavy, medium, and light-duty commercial trucks; FPT Industrial, a global leader in a vast array of advanced powertrain technologies in the agriculture, construction, marine, power generation, and commercial vehicles sectors; IVECO BUS and HEULIEZ, mass-transit and premium bus and coach brands; IDV, for highly-specialised defence and civil protection equipment; ASTRA, a leader in large-scale heavy-duty quarry and construction vehicles; MAGIRUS, the industry-reputed firefighting vehicle and equipment manufacturer; and IVECO CAPITAL, the financing arm which supports them all.

The Demerger allowed Iveco Group to make a new beginning, focusing on core businesses and customers and developing its own strategic roadmap with more flexibility to address global trends, market outlooks, and competitive dynamics that uniquely impact its businesses. Although Iveco Group began the year as a new separate public entity, its businesses and brands have long and impressive histories, are known for their innovative products, and are well-positioned to successfully compete against their peers. As an independent industrial powerhouse, Iveco Group is better able to realise its full potential in terms of financial performance, shareholder and broader stakeholder value generation, and sustainability commitments.

With the advantage of a deep-rooted shared culture, Iveco Group defined corporate values which express the way the approximately 34,000 employees around the world work: 1) We go beyond the obvious 2) We contribute diverse strengths 3) We take ownership 4) We do what is right 5) We collaborate to win. These values, through the 2022 Performance Management Process ("PMP"), are translated into how our employees are evaluated (in addition to the achievement of individual and team performance objectives) and in turn are rewarded.

A key element of our compensation philosophy is to drive organisation-wide alignment with shared Company goals and values, and to reward achievement of those goals in a manner consistent with our purpose and values. These values are reinforced through the Company's Remuneration Policy and pay programmes.

Executive and Non-Executive Directors in 2022

The Board of Directors of Iveco Group N.V. is a one-tier Board structure consisting of two Executive Director roles with managerial responsibilities: the Chair, Suzanne Heywood, and the CEO, Gerrit Marx. In addition, there are seven Non-Executive Directors with supervisory Board responsibilities. All were appointed effective 1 January 2022 except for Mr. Benoît Ribadeau-Dumas who was appointed at the 2022 Annual General Meeting (AGM) on 13 April 2022. The term of office of all Directors is for the period expiring on the day of the first Annual General Meeting of shareholders to be held in 2023, subject to reappointment upon shareholder approval.

Mr. Marx was the former President of the Commercial & Specialty Vehicles segment in CNH Industrial, and during the Demerger transition in 2021, he was the acting CEO of the "On-Highway" businesses, which included Powertrain technologies. Mr. Marx brought relevant experience and proven successes to lead the newly formed Iveco Group. Lady Heywood, with her in-depth understanding of CNH Industrial, brought extensive experience to Iveco Group and provides adept guidance. Together, the Executive Directors led Iveco Group to successfully execute its strategic objectives for 2022.

Going beyond

"We go beyond" is a mindset shared throughout the organisation to move forward together towards a more connected and increasingly automated net-zero future, with the common goal of ensuring access to reliable and sustainable mobility. The approach calls for taking courageous steps with like-minded partners to better meet the current and future needs of customers. At the core of all the Company does, this mindset represents everyone in such way as to become the corporate tagline: Iveco Group – We go beyond.

The same concept was the underlying theme extensively presented and illustrated at 'BEYOND – Iveco Group Days', a 5-day event held in July 2022 to showcase Iveco Group's ability to innovate both its product and service offerings in a fast-changing landscape that requires unravelling the future of road transport and urban mobility with emerging powertrain technologies, smart factories, and completely new business models. At

BEYOND – Iveco Group Days, the Company introduced three focus areas to its stakeholders: Technology, Sustainability, and Partnership.

The event allowed the Group to show how it fully embraces change, seeing it as an opportunity to aim higher, think bolder, and question established industry paradigms for the greater good of a more sustainable society. All the brands put their latest products and services on display to give visitors a first-hand look at the mobility of tomorrow.

Sustainability is at the foundation of every Group initiative and this event was no exception. The brands highlighted solutions that are advancing a carbon zero future and the event itself was as environmentally friendly as possible. Any residual CO_2 emissions generated by the week-long programme were offset through collaboration with LifeGate Zero Impact, an organisation dedicated to activities of reforestation and safeguarding of natural parks and reserves.

BEYOND – Iveco Group Days was also an opportunity to discuss and exchanged ideas with valuable partners, a tangible result of our "Iveco Group Way", an approach that calls us to collaborate with game-changing organisations who can help us drive the energy transition forward. Sharing the stage with our leaders were representatives from companies that have joined us in mutually beneficial strategic partnerships, such as Hyundai, Nikola, Amazon, Shell, PLUS, Air Liquide, Microvast, and Enel X, among many others. All shared their wide breadth of know-how for the ultimate benefit of our joint customers.

2022 Business Context

While still driving towards the future, Iveco Group successfully balanced its operational goals for 2022, despite numerous challenges. The Company closed its first year with a solid performance, on the back of favourable volume and mix and net price realization more than offsetting higher year over year production cost due to increased energy costs and inflation representing the main challenge for our operations. In addition, the Company successfully launched several new products including the eDAILY, the Nikola Tre BEV in its European configuration, the new E-WAY, our 100% electric city bus, the FPT Cursor XC13 engine, a new generation of e-axles for medium and heavy commercial vehicles, and a new battery pack for buses. Innovative products like these confirm our commitment to offering industry changing innovations and creating increased value for our customers.

The solid 2022 results came despite difficulties on the supply side. Component shortages, in particular with semiconductors, put considerable pressure on cost and delivery commitments. Diligent supply chain management kept the disruption to a minimum, especially in the first half of the year. Commercial operations were successful with price recovery to offset the product cost increases. Laser focus on inventory levels with tight control on working capital throughout the year also helped preserve relative profitability. Furthermore, available liquidity was maintained at levels that allowed Iveco Group to keep investing in its new energy future.

We, the Human Capital and Compensation Committee ("the Committee"), believe the Executive Directors' remuneration in 2022 is consistent with the Company's achievements of its strategic objectives to create sustainable long-term value for all stakeholders. Throughout this report, we aim to show the clear link between performance and the executive compensation actions taken in 2022.

On behalf of my fellow members on the Committee, Tufan Erginbilgic and Alessandro Nasi, I would like to express our appreciation for both Gerrit and Suzanne's leadership and the accomplishments delivered by the entire Iveco Group team in 2022.

With this, I present to you our 2022 Remuneration Report.

Sincerely,

Linda Knoll

Chair of the Human Capital and Compensation Committee

Remuneration Policy Available on the Website

The Remuneration Policy is designed to competitively reward the achievement of both short-term and long-term performance goals, to help drive cultural transformation organisation-wide, and to attract, motivate, and retain highly qualified senior executives who are committed to performing their roles in the long-term interest of our shareholders and other stakeholders. Within the scope of the Remuneration Policy, the remuneration of the Executive Directors is determined by the Board of Directors, at the recommendation of the Committee. This annual Remuneration Report describes how the pay programmes and practices of the Executive and Non-Executive Directors were implemented in 2022, in accordance with the Remuneration Policy which was last approved by shareholders in December 2021. A copy of the Remuneration Policy is available on the Company's website, www.ivecogroup.com. In 2022, there was no deviation from the Remuneration Policy.

Lastly, in 2022, the Company submitted its first Remuneration Report (in a simplified form) to the General Meeting of Iveco Group Shareholders for an advisory vote and 99.98% of the share capital represented at the meeting voted in favour. A full Remuneration Report for 2021 was not published given the "On-Highway" businesses were still part of CNH Industrial during 2021 and the Demerger and the subsequent listing on the Milan stock exchange took place on 3 January 2022.

Company Highlights

The foundation of Iveco Group's Remuneration Policy is pay for performance. The key 2022 Company achievements, successes, and developments were driven by a pay philosophy that rewards the achievement of the goals.

Highlights of financial performance in 2022 (*)

Iveco Group registered a very solid 2022 financial performance, despite a challenging environment with ongoing supply chain issues, increased raw material and energy costs, and political instability.

The positive results of the following key performance indicators* demonstrate this solid performance:

- Net revenues of Industrial Activities were €14,165 million, up 13.1% compared to 2021, mainly due to higher volumes and positive price realization.
- Adjusted EBIT of €527 million, a €151 million increase compared to 2021, with positive price realization, higher volumes and better mix more than offsetting higher raw material and energy costs. Adjusted EBIT margin at 3.7%, up 70 basis points compared to 2021.
- Adjusted Net Income of €225 million (€85 million increase compared to 2021), which primarily excludes a negative impact in connection with our operations in Russia and in Ukraine, due to the impairment of certain assets, spin-off costs, a negative impact from the first-time adoption of the hyperinflationary accounting in Türkiye, and the gain on the final step of Chinese joint ventures' restructuring. Adjusted net income also excludes the effects deriving from the gain on the disposal of certain fixed assets in Australia, as well as from the loss for the impairment of certain research and development costs and other assets, primarily related to the bus business, because of the acceleration in emission-related technological transition.
- Adjusted diluted Earnings Per Share ("Adjusted diluted EPS") of €0.78, up €0.35 compared to 2021.
- Net cash of Industrial Activities at €1,727 million, up €664 million compared to 31 December 2021, mainly due to the operating performance and working capital improvement.

The 2022 results of the variable pay plan metrics similarly show a positive Company performance, over-achieving the targets set. Details on the Annual Bonus Plan results are outlined in the Short-Term Incentives section of this report.

(*) Includes EU-IFRS and non-IFRS financial measures derived from financial information prepared in accordance with IFRS. Refer to the "Annex" at the end of the Remuneration Report for the definition of the non-IFRS financial measures mentioned in this report. Reconciliations of non-IFRS metrics referenced in the above list to EU-IFRS metrics can be found on the Board Report, Section "Report on Operations – Operating and Financial Review", in the Annual Report.

Environmental, Social and Corporate Governance (ESG) Highlights

Iveco Group is committed to a better future, integrating sustainability in its day-to-day activities. The full combination of environmental and social considerations with economic objectives enables the Company to identify potential risks and additional development opportunities, resulting in a process of continuous improvement that creates long-term value.

The Company is driven by a deeply rooted commitment to help stop and reverse climate change, a challenge accepted and to work towards. The Group has ambitious plans in terms of ESG, and it is raising the bar regarding its commitment to a sustainable future. The Group is inclusive in its approach, seeks diversity of mindset and experience, and is committed to integrity - always and everywhere - to ensure that it makes a difference.

Iveco Group has identified its sustainability priorities, guaranteeing better alignment with its core business. The four priorities that underpin the strategy are:

- Carbon Footprint: to reduce CO_2 emissions from manufacturing processes along the entire value chain (supply and logistics) and from the product range, aiming for net zero carbon emissions by 2040.
- Workplace and Product Safety: to minimise the risk of workplace injuries through effective preventive and protective measures, and to ensure Company products have the highest safety standards.
- Lifecycle Thinking: to implement solutions that efficiently minimise the impact of products and processes through a circular product lifecycle approach.
- Inclusion and Engagement: to build ever-stronger relationships with stakeholders, continuing to work proactively and effectively to create an inclusive work environment.

Working to strengthen our journey towards a sustainable future, Iveco Group intends to achieve its 4 strategic priorities by setting clear objectives along the entire value chain, with specific reference to its people, its direct operations, its products and services, and its valued partners. The Sustainability Strategic Targets the Iveco Group has defined are also a part of its Strategic Business Plan.

Among the four priorities, those connected with the performance incentive plan are related to:

Carbon Footprint

Conscious of the urgency of the climate change challenge and the major role that decarbonisation will play, Iveco Group has set the ambitious goal of reaching net zero carbon by 2040 – ten years before the target set by the Paris Agreement – in accordance with The Climate Pledge that it signed. Emissions reduction starts with energy usage (Scope 1 and Scope 2 CO_2 emissions): its plants have specific systems and processes designed to reduce energy consumption and limit the use of fossil fuels, favouring electricity from renewable sources.

A 20% reduction in Scope 1 & 2 emissions by 2024 is an objective for the 2022-2024 LTI performance share unit awards, with a weight of 20% of the overall award opportunity which provides a significant incentive to internally align to meet the SBP carbon footprint commitment.

Inclusion and Engagement

The pursuit of a fully inclusive environment, where diversity – in all its forms – is truly valued and everyone is encouraged to fulfil their potential, is the basis of a more effective, attractive and resilient organisation. Iveco Group is committed to building ever-stronger relationships with stakeholders, continuing to work proactively and effectively to create an inclusive work environment

The increase the number of women in management roles to at least 23% by 2026 is a strategic ESG goal to add diversity in decision making and leadership roles, and it is a KPI in the 2022 Company Bonus Plan to provide goal alignment and incentive to progress towards reaching the 2026 objective.

For additional information please refer to the section "Our Commitment to Sustainability".

Business Highlights

The Company's financial performance in 2022 reflected the commitment of its businesses to meet the needs of customers with innovative products launched across all segments. Additionally, strategic acquisitions strengthened its position in the different industries even further. The business segments' product and service achievements were vital to the overall performance of Iveco Group in 2022 and will remain so for the future. Below are some highlights from 2022.

Commercial and Specialty Vehicles

- An agreement for the supply of fuel cells by HTWO, a Hyundai brand, was signed for future IVECO BUS hydrogen buses. Relevant advantages are expected in terms of performance and emissions.
- IVECO BUS committed to restarting production in Italy of vehicles that have state-of-the-art technologies, including those linked to electric battery and hydrogen propulsions. The plant's opening is scheduled for spring 2023 and will result in forecasted incremental volumes versus expectations outlined in our Strategic Business Plan: more than 3,000 low- and zero-emission buses in the first few years.
- A new bus production line was inaugurated in Türkiye, marking another important milestone in the Bus business development for the production of additional volumes for the Crossway range and of the new Streetway, the efficient city bus optimised for sustainable urban mobility.
- The plant in Výsoké Mýto, Czech Republic, home of the IVECO BUS Crossway range, reached the milestone of 150,000 buses produced.
- IVECO BUS won the bid to provide up to 253 buses for the renewal of the Prague Public Transit Company fleet.
- The launch of mild-hybrid Urbanway CNG expanded IVECO BUS urban offer with a more attractive, economical, and environmentally efficient bus.
- IVECO BUS won the bid to deliver 130 DAILY Scudato CNG buses to the city of Valledupar in Colombia, marking a major step forward for the brand in Latin America.
- The 'Sustainable Bus of the Year' award was given to IVECO BUS for the Crossway Low Entry Hybrid Natural Gas, biomethane compatible bus.
- A Memorandum of Understanding was signed by IVECO BUS and Via, a transit tech company, to offer IVECO BUS customers the possibility to purchase tailored software for on-demand transport solutions through the dealer network.
- The launch of new IVECO eDAILY at IAA Transportation 2022 in September generated tremendous excitement and interest, resulting in impressive initial and on-going order bookings. This light commercial vehicle will be an ideal option for short-haul journeys.
- The order books for the European configuration of the Nikola Tre Battery Electric Vehicle (BEV) were opened at IAA Transportation 2022. The truck will be built by IVECO in the Ulm, Germany plant and is based on the IVECO S-WAY heavy-duty truck. Deliveries are scheduled in the first half of 2024.
- Also at IAA Transportation 2022, a working prototype of the eDAILY Fuel Cell Electric Vehicle (FCEV) was unveiled. This represents the future potential of IVECO's bestselling and longest production-running large van. The eDAILY FCEV will be equipped with Hyundai's 90 kW hydrogen fuel cell system and 140 kW e-motor, and a battery pack by FPT Industrial.
- The beta version of the Nikola Tre Fuel Cell Electric Vehicle (FCEV), which will enter the European market in 2024, was also unveiled in Hanover at the IAA trade fair. Like the Nikola Tre BEV, the FCEV model is based on the first-ever electric modular platform for articulated heavy-duty trucks, for missions of approximately 800 km in its initial launch configurations.
- At the Fenetran trade fair in Brazil, the Group announced development of the Euro VI engine line, which meets requirements of the Program for the Control of Air Pollution by Motor Vehicles which will become mandatory in the country in 2023. The Euro VI portfolio includes the IVECO Daily 35-160, the first Euro VI commercial vehicle presented to the Brazilian market, the Daily Hi-Matic, the first light cargo vehicle with an automatic gearbox, and the eDAILY, a fully electric version aimed at urban missions. In the heavy-duty segment, the IVECO S-WAY launched in Brazil days before the show included a model that ensures up to 15% reduction in fuel consumption versus the previous truck range. The S-WAY powered by biomethane also debuted with its best-in-class gas engine and related autonomy in the market, while significantly reducing CO_2 emissions.
- IVECO joined Plus, a global provider of self-driving truck technology, to integrate Plus autonomous trucking technology into IVECO's latest-generation S-WAY heavy-duty truck for a pilot in Europe and China. Proof of concept for Level 2 Autonomy (partial driving automation) was completed in China and is underway in Europe.
- The Valladolid plant produced its 700,000th IVECO Daily, an important milestone reached within 30 years of operations. As a pioneer in light transport at its origin, the Iveco Daily truck continues to enjoy great success.

- IVECO and Gruber Logistics introduced the IVECO-S WAY LNG for transporting abnormal loads weighing up to 50 tonnes. This is the first alternative fuel-powered vehicle for these exceptional missions.
- MAGIRUS delivered Central Europe's first CNG-powered tank pumper to the Radeberg fire brigade on the final stop of the brand's "Experience the Future" roadshow.
- MAGIRUS delivered the first FireBull to Brazil. The FireBull is the world's first tracked fire engine, a MultiStar combination vehicle with several portable fire pumps that combines the highly efficient AirCore extinguishing technology, flexible set-up options and the extremely all-terrain PowerBully chassis from Kässbohrer Geländefahrzeug AG to form a unique, versatile special firefighting vehicle.
- MAGIRUS introduced its "Next Generation Firefighting" portfolio at the SICUR trade fair in Madrid. The lineup included the MAGIRUS M32L-AT NB with SmartControl which offers a telescoping arm on its articulated turntable ladder to open up areas of application that conventional ladders cannot reach. The new turntable ladder generation with SmartControl represents a further, fundamental step in user-friendliness, precise control, and ergonomic operation.
- Iveco Defence Vehicles launched its new IDV logo, bolstering its brand identity and recognition in the specialised Defence Vehicles segment.
- IDV launched the Modular Military Range vehicle which ranges from 4x4 to 10x10 on a common chassis design, and can be installed with either military type or militarised/civilian type unprotected cabins for a wide variety of applications.

Powertrain

- FPT Industrial launched an all new, multi-fuel-capable heavy-duty engine: the XC13. The XC13 engine combusts a range of liquid as well as gaseous fuels, including bio-methane, hydrogen, and a blend of both called Hythane. The base engine was designed with multiple versions to offer maximum component standardisation and easy integration into the final product. The new engine features a unique DNA for on-road multi-applications and is immediately compatible with a range of different market requirements and emission regulations, serving as a primary contributor to achieving short- and mid-term fleet CO_2 emissions targets.
- Installed with the latest sustainable and smart factory technology, the ePowertrain plant was inaugurated in Turin at the end of 2022 to produce:
  - Electric transfer boxes and battery packs for Light Commercial Vehicles, such as our new eDAILY
  - Electric axles for Heavy-Duty Vehicles, such as the Nikola Tre
  - Battery packs for buses, such as the Crossway Low Entry
  - Electric rear and front axles for sports cars
- FPT Industrial reached an agreement with Blue Energy Motors to supply natural gas engines for LNG heavy-duty trucks in the India market. This was followed by the announcement that our brand had entered into an agreement to make a minority investment in Blue Energy Commercial Vehicles, the zero-emission truck technology company headquartered in Pune, India.
- FPT Industrial marked the production of 10,000 units of high quality After Treatment Systems (ATS) in Chongqing, China, achieving zero defects in all the deliveries, a testament to the team's strict adherence to quality control measures throughout the entire product manufacturing process. The ATS component enables FPT Industrial to comply with the latest emission standards implemented in China.
- FPT Industrial celebrated 150,000 engines in Argentina, a proud manufacturing milestone which confirms the dedication and commitment of the production team to pursue excellence in quality and efficiency in its production processes.
- World Biogas Expo 2022, the world's leading trade show dedicated to the biogas industry which opens the way to energy independence for farmers, was held and FPT Industrial showcased its solution for Power Generation fueled by renewable resources: the Smart Hybrid Hub. This is the world's first variable-speed low-pressure natural gas, hybrid, multi-mode, genset concept designed and built entirely by FPT Industrial.
- FPT Industrial unveiled its new keel-cooled C16 600 Hp marine engine at Nor-Shipping in Oslo. Keel cooling is a solution to effectively cool engines operating in sandy, muddy or shallow water, which leads to reduced downtime and financial and operational advantages.
- FPT Industrial began powering CASE Construction Equipment's new E-Series crawler excavators with powerful and efficient Stage V engines, ensuring optimal combustion efficiency and low running costs. To allow the use of renewable fuels, the NEF Stage V engines fitted on all the E-Series models are compatible with EN15940-compliant fuels, such as the increasingly popular HVO (Hydrogenated Vegetable Oils).

Financial Services

- IVECO CAPITAL celebrated 25 years of collaboration with CNH Industrial Capital Europe in the European Joint Venture, an effort that brings together Iveco Group, CNH Industrial, and BNP Paribas Leasing Solutions to offer finance, lease, rental, and insurance solutions to the Iveco Group brands, customers, and dealers.
- Through IVECO CAPITAL, Iveco Group announced the creation of a new entity, GATE – Green & Advanced Transport Ecosystem, a long-term, all -inclusive rental model for electric trucks and vans, which will powerfully support the industry's energy transition. The GATE roadmap involves exploring, designing, developing, and implementing new ways to bundle services, including an all-inclusive, pay-per-use concept where customers lease electric vehicles. With green equipment at its core, the ecosystem will deliver sustainable solutions to customers, who can define the level of support and flexibility they require to run their business and make the most of all the services GATE will make available, including maintenance & repair, connectivity and telematics, financing, insurance, energy, and additional ancillary services.

- An active Financial Services Community was established on the Company Intranet to provide Financial Services team members the tools and training required to continuously develop skills in this area. Best practices, industry news, and tips for increasingly efficient work habits are discussed on this interactive tool that aims to increase engagement across the Function.
- Iveco Capital participated in trade shows to highlight the solutions it offers for tomorrow's innovations. As a major player in the energy transition of the truck and commercial vehicle industry, Iveco Capital solutions for efficient and sustainable logistics were showcased in key cities around the world.

Corporate Initiatives

- The Group launched Driving Operations Together (DOT), its new operational performance programme to reinforce accountability and drive continuous operational efficiencies. DOT sums up the core of the Manufacturing Function and aims to reach outstanding levels of performance and organisational excellence as a unified team. The Group's 28 plants around the world were involved in the roll out of DOT and manufacturing colleagues join together with non-manufacturing team members to ensure best-in-class standards, faster delivery, and continuous improvement.
- A new Platform Management model was launched as the single-entry point for everything related to the product line lifecycle. The heads of the Platforms are at the centre not only of the product lines, but of the entire way in which the Business Units interact around products with Operations and Technology, maintaining full BU accountability for all past, present, and future product lines. The Platform teams ensure delivery of the best in quality, cost, and customer-centric technology on-time, partnering with subject matter experts from the various functions that jointly contribute to a great product and customer experience.
- The DRIVE Transformation programme was kicked off. This comprehensive programme aims to accelerate the transformation of the Company and deliver on the Strategic Business Plan initiatives. To ensure effective implementation of the related initiatives, training was extended to 313 employees worldwide; 97 initiatives and projects are already in force.
- With Gallup, in March a Company-wide survey was administered: Voice Engagement Survey. 86% of the Iveco Group people voiced their opinions and submitted their responses to the questionnaire. The input provided contributed to the defining of the Company Purpose and Values by the Senior Leadership Team and CEO, reflecting Executives' willingness to give everyone the opportunity to shape the culture of the Group and increase engagement across the Company.
- Iveco Group continued to collaborate with Politecnico di Torino in the University's 2nd edition of the High-Level Apprenticeship Master's Programme in "Digitalisation and Autonomous Commercial Vehicles for Carbon-Free Logistics". The Master's programme lasts 24 months and is geared towards the recruitment on a long-term basis of young talent. It is an important investment in specific skills designed to face new freight transport challenges. Selected candidates attend the course and work with IVECO and FPT Industrial brand experts.
- As part of Iveco Group's sustainability journey, the Company joined Open-es, a free, open platform to monitor the sustainable development of supply chains. Suppliers were invited to take part in a dedicated workshop to help them understand the platform's features and demonstrate their readiness to collaborate with Iveco Group and the Open-es community, further improving mutual sustainability performances.
- The new San Mauro Parts Logistics Centre officially opened and within the first months the depot doubled volumes to receive spare parts from over 800 suppliers and Iveco Group production plants and to manage 50,000 different products. By the end of 2022, the Centre was packaging 1.5 million units per month.
- Iveco Group committed to a new R$1 billion (nearly €200 million) 5-Year investment cycle in Latin America, strengthening the Company's sustainable growth prospects in the region.
- Over the year, Iveco Group provided support to the victims of the war in Ukraine, beginning with assisting employees and their families to get to safe locations and giving them what they needed to live comfortably. The Group also donated a combined total of over €570,000 to non-profit organisations working in the field to help over 30,000 victims of the war. The Company's brands donated vehicles and equipment to different organisations assisting refugees and first responders in the conflict zone. Finally, together with contributions from Iveco Group employees, three non-profit organisations received funding to provide medical care, basic needs, and emotional support for children and vulnerable people impacted by the war.

Business strategy and remuneration connections

To ensure that the Remuneration Policy remains well aligned with the Group' strategic and operational priorities, the Company has developed variable remuneration systems, both short- and long-term, based on metrics that reflect the ambitious business strategy pillars to be achieved in upcoming years. The Remuneration Policy focuses on four key areas:

1. Profitability
2. Financial strength
3. Value creation
4. Environment and Diversity

The performance measures of the Short-Term Incentives ("STI") and Long-Term Incentives ("LTI"), and the link to strategy for the 2022 performance year are set out below:

STI performance measures

Metrics	Link to Company strategy
Profitability	
Adjusted EBIT	Aligned with the Company's goal of economic and financial sustainability in the short term
Financial strength	
Cash Conversion Ratio	Aligned with the Company's financial priorities, reflecting the ability to generate cash to service and reduce debt, pay dividends, repurchase shares, and fund investment in our future business
Environment & Diversity	
YOY % increase of women graded Manager/Sr Professional and above	Consistent with the Company's ESG strategies to create a more inclusive and diverse work environment where all employees feel empowered, engaged, and valued

LTI performance measures

Metrics	Link to Company strategy
Profitability	
Adjusted EBIT Margin %	Aligned with the Company's goal of economic and financial sustainability in the long term
Value creation	
Relative TSR	The ultimate goal of the Company is to be able to create a sustainable and lasting value over time for shareholders
Environment & Diversity	
CO_2 reduction %	Consistent with the Company's ESG strategies to reduce CO_2 emissions from manufacturing processes along the entire value chain (supply and logistics) and from the product range, aiming for net zero carbon emissions by 2040

Compensation philosophy

The quality of Iveco Group leaders and their commitment to the Company are fundamental for success. The compensation philosophy supports the business strategy and growth objectives in a diverse and ever-evolving global market. The Remuneration Policy is designed to competitively reward the achievement of long-term performance goals and to attract, motivate and retain highly qualified senior executives who are committed to performing their roles in the long-term interests of the Company, its shareholders, and other stakeholders in line with our purpose and values.

The Remuneration Policy, which balances both European and Global pay practices, supports the need to compete internationally for top talent and leaders, given our extensive worldwide presence, and does not discriminate based on gender, age, nationality, social status or cultural background.

The Company has instilled a strong performance culture over the years largely through a longstanding pay for performance philosophy and rigorous performance management process that the leaders' model, instruct, and coach throughout the organisation. A key element of the compensation philosophy is to use incentive pay to drive organisation-wide alignment with shared company goals and values, and to reward achievement of those goals in a manner consistent with the purpose and values.

Remuneration Principles

The following principles guide efforts to provide compensation to Directors, and other senior leaders, consistent with the Group's business goals and core values:

Alignment with Iveco Group's Strategy	Pay for Performance	Competitiveness	Long-Term Shareholder Value Creation	Compliance	Risk Prudence
Compensation is strongly linked to the achievement of targets aligned with the Company's publicly disclosed objectives	Compensation must reinforce a performance-driven culture, based on merit. As such, the majority of pay is linked directly to the Company's performance through short-term and long-term variable pay instruments for Executive Directors and other senior leaders	Compensation will be competitive relative to the comparable market and at a level to attract, retainy, and motivate very effective leaders and highly qualified executives in a global Company	Targets triggering any variable compensation payment should align with the interests of shareholders and other stakeholders	Compensation policies and plans are designed to comply with applicable laws and corporate governance requirements	The compensation structure will avoid incentives that encourage unnecessary or excessive risk taking that could adversely impact the Company

Iveco Group prioritises:	Iveco Group avoids:
• a simple and transparent remuneration structure at all levels of the organisation	• Executive Director contracts that contain separation payments in excess of 12 months' pay
• pay for performance and scenario analyses to test the link between pay and performance	• remuneration that encourages Executive or Non-Executive Directors to take any unnecessary or excessive risks or to act in their own interests
• pay ratios within the Company in establishing Executive Directors' pay	• rewarding below threshold performance
• appropriate incentive pay programmes to balance the short-term and long-term focus and drive the achievement of short-term and long-term goals	• granting loans or give guarantees to Executive or Non-Executive Directors
• aligned goals and values organisation-wide through incentive pay and rigorous performance management	
• predetermined stretch goals for incentive pay programmes	
• robust stock ownership and share retention guidelines	
• claw-back policies incorporated into the incentive plans	
• a double trigger for change of control provisions, meaning both 1) a change of control and 2) an involuntary termination of employment without "Cause" (as defined in the Iveco Group N.V. Equity Incentive Plan) must apply	

Compensation Peer Group

A key principle of the compensation philosophy is to provide a competitive compensation structure that will attract, motivate, and retain highly qualified senior executives.

The Company periodically benchmarks its executive compensation programme and the compensation offered to Executive Directors against peer companies, and it monitors compensation levels and trends in the market. The Committee strives to develop a compensation peer group that best reflects all aspects of Iveco Group's business and considers, among other things, public listing, related industries, geographic reach, and revenue proximity.

Given the structure of Iveco Group's Executive Director roles, two separate peer groups were identified for the best compensation comparison of each role. For the CEO role, the selected peers are predominately based in Europe except for direct competitors who are U.S. based. Specific to the Executive Chair role, an all-European peer group was selected for the compensation benchmark.

The selected groups shown in the table below provide meaningful comparisons to the relevant talent market for the respective Executive Director roles:

CEO Peer Group		Chair Peer Group	
Company	**Country**	**Company**	**Country**
Cummins	USA	ACS- Actividades de Construccion y Servicios	Spain
Daimler Truck Holding	Germany	Ariston Group	Italy
Faurecia	France	Atlantia	Italy
Knorr-Bremse	Germany	Brembo	Italy
Oshkosh	USA	Compagnie de Saint Gobain	France
Paccar	USA	Dassault Systems	France
Plastic Omnium	France	De'Longhi	Italy
Rheinmetall	Germany	EssilorLuxottica	France
Schaeffler	Germany	Ferrari	Italy
Traton	Germany	Ferrovial	Spain
Valeo	France	Volvo	Sweden
Volvo	Sweden		

Overview of Remuneration Elements

The Executive Directors' 2022 compensation was consistent with key principles of the Remuneration Policy, competitively set compared to the relevant benchmarks and structured to reinforce the pay for performance compensation philosophy.

The following table summarises the primary remuneration elements for the CEO and Chair, Executive Directors, as specified in the Remuneration Policy.

Remuneration Element	Description	Terms & Conditions	2022 Implementation
Base Salary	• Fixed cash compensation set competitively relative to appropriate peer group when attracting new talent and maintaining competitive levels in line with internal increases and other moderating factors on-going	• Base salary takes into consideration the Executive Director's skills, experience, scope of responsibilities, and the competitive market	• CEO annual base salary of €750,000 • Chair annual base salary of €250,000
Short-Term Variable	• Subject to the achievement of annually pre-established, challenging financial and other designated performance objectives	CEO Annual bonus linked to the following objectives • Adjusted EBIT MM Euro – 50% • Cash Conversion Ratio % - 35% • YOY % increase of women graded Manager/Sr Professional and above) – 15% • Chair does not participate in the short-term incentive plan, given long-term strategy- focus of the role	CEO • Target bonus is 110% of his base salary (€825,000) and maximum is 2 times target or 220% of base salary (€1,650,000) • Per the Company Bonus Plan (CBP) design and the predetermined goals, the overall company performance achieved in 2022 was 176%. The 2022 performance bonus to be paid in 2022 is €1,452,000 (see the specific short-term variable section below, for details of goals achieved and payout earned)
Long-Term Variable	• To align Executive Directors' interests with Company strategic goals and reward for sustained long-term value creation • 100% based on Company performance awards (Performance Share Units or PSUs) • The Company performance component is subject to the achievement of predetermined challenging performance and market objectives, covering a 3-year performance period • Equity holding period of five years from grant aligns with Dutch Corporate Governance Code ("DCGC") • In conjunction with the Demerger, outstanding CNH Industrial equity awards, which included a split of PSUs and RSUs, were converted to IVG share units.	CEO • The 2022-2024 LTI award was valued at four times the annual base salary: • The Company performance share units (PSUs) are capped at 200% of target. • Based on the 3-year average Adjusted EBIT %, the 3- year cumulative relative TSR and the CO_2 emission reduction Chair • The 2022-2024 LTI award was valued at three times the annual base salary • The Company performance share units (PSUs) are capped at 200% of target	CEO • €3,000,000 annual target (400% of base salary); maximum 2 times the target. • All PSUs • A higher LTI leverage than peer group results in total direct compensation in upper quartile • The CEO's grants were effective in May 2022. No vesting occurred in 2022. The final payout is determined only at the end of the vesting period, Chair • €750,000 annual target (300% of base salary); maximum 2 times the target. • All PSUs • The Chair's LTI is higher than the peer group, reflecting our bias towards performance based compensation, but her total direct compensation, including this, still remains in the bottom quartile compared to similar roles • The Chair's LTI grant was made on 5 May 2022. • No vesting occurred during 2022.
Post-Employment Benefits	• Retirement benefits to provide future income security • Severance protection regulates the indemnity to be recognised in case of early involuntary employment termination	• Benefits for CEO and Chair are in-line with the Remuneration Policy. • The CEO's non- compete and non-solicitation period is 12 months to align with the limit of the severance protection	• CEO: • Retirement benefits in line with other Germany salaried employees • Severance protection of 12 months' base salary,consistent with DCGC best practice. Chair • No retirement benefits or severance provisions
Other Benefits	• Retain executives through a total reward approach • Enhance executive security and productivity	• Benefits for our CEO and Chair are consistent with the Remuneration Policy and market practice	CEO: • Company car, health, life, accident, and disability insurance, and tax assistance. • Tax equalization for any non-German sourced employment income

Remuneration Element	Description	Terms & Conditions	2022 Implementation
Share ownership guidelines	• Our Board recognises the critical role that executive share ownership has in aligning the interests of management with those of shareholders	• Iveco Group's share ownership guidelines require Executive Directors to acquire IVG common shares with a value of 5-times base salary within five years of appointment to the Board	CEO • As of the end of 2022, the CEO's IVG shareholdings of 80,698 shares represent 0.60 times the base salary as of the end of 2022. Chair: • As of the end of 2022, the Chair's IVG shareholdings of 64,338 shares represent 1.43 times her base salary as of the end of 2022.

2022 Realized Pay

The tables below show the key components of total direct compensation realized in 2022, base salary, and short- and long-term incentives, to provide additional perspective.

CEO

The CEO's realized compensation related to the 2022 performance year compared to his annual Total Direct Compensation (TDC) at target variable pay levels is shown below:

Pay Element (Euro)	2022 Realized and paid	2022 at Target
Base Salary	750,000	750,000
2022 STI (1)(2)	1,452,000	825,000
2022 LTI (3)	—	3,000,000
Total Direct Compensation (4):	**2,202,000**	**4,575,000**

Notes:

(1) Target was 110% and maximum 220% of base salary. The actual % achieved for 2022 Company performance is 176% of target.

(2) Note that the realized STI will be paid in March 2023.

(3) In 2022, 518,850 PSUs were granted but none vested.

(4) Not included in the total realized compensation are the Company provided fringe benefits and pension or similar benefits, which are included in the Summary Remuneration table.

Chair

The Chair's realized compensation related to the 2022 performance year:

Pay Element (Euro)	2022 Realized and paid	2022 at Target
Base Salary	250,000	250,000
2022 STI	—	—
2022 LTI (1)	—	750,000
Total Direct Compensation (2):	**250,000**	**1,000,000**

Notes:

(1) In 2022, 129,710 PSUs were granted but none vested.

(2) Not included in the total realized compensation are the Company provided fringe benefits and pension or similar benefits, which are included in the Summary Remuneration table.

In accordance with the Dutch Corporate Governance Code, the Committee discussed with the CEO and the Chair their respective 2022 compensation, and each are fully aligned with the compensation awarded.

Internal Pay Ratios

When setting the Executive Directors' compensation, the Committee considers both the appropriate external benchmark as well as the internal pay ratios within the Company. Although the primary consideration is market competitiveness to attract and retain highly qualified senior executives in a large, global, complex organisation, a baseline internal comparison is set for tracking future year pay trends between executives' compensation and employees' compensation.

In line with the guidance under the DCGC, the pay ratio and trend are disclosed in the annual Remuneration Report. The basis of the pay ratio comparison uses the prevalent Dutch methodology of determining the ratio between the total annual remuneration of the CEO, including all remuneration components, and the average employee compensation (including all labour costs, using the accounting value of equity awards).

The average employee compensation corresponds to the total personnel costs reported in the Annual Report, which excludes Executive Director compensation, divided by the average year Full-Time Equivalent ("FTE") reported in the Annual Report, less the CEO who is included in the total average year FTE.

The first year of Iveco Group's history, 2022, is shown in the table, which will set the trend for future years' reports.

Internal Pay Ratio	2022[1]
CEO compensation €	5,784,778
Average Employee compensation €	56,252
CEO Pay Ratio	102.8

Notes:

(1) The compensation is as reported in the Summary Remuneration table.

For perspective, the Company`s key performance metrics for 2022 are shown below:

Selected Performance Data [1]	2022	2021
Adjusted EBIT (€ million)	527	376
Adjusted Net Income (€ million)	225	140
Adjusted Diluted Earnings/(Loss) per share (€)	0.78	0.43

Notes:

(1) Includes non-IFRS metrics derived from financial information prepared in accordance with EU-IFRS. Refer to the "Annex" at the end of the Remuneration Report for the definition of the non-IFRS financial measures mentioned in this report.

2022 Remuneration of the Executive Directors

The following is intended to expand on the general implementation of the Remuneration Policy in 2022 and provide additional context for understanding the actual compensation paid in 2022.

Base Salary

The base salary for the Executive Directors takes into consideration the executive's skills, scope of job responsibilities, experience, competitive market, and compensation peer group pay comparisons.

For 2022, Mr. Marx's base salary was €750,000. In determining Mr. Marx's salary, the Committee considered factors such as leadership, development of people and new culture, prior experience, and potential at Iveco Group. The base salary is currently positioned below the first quartile of our compensation peer group, but with total direct compensation at target positioned slightly above the third quartile, leveraging the variable incentive component of pay to align to strategic objectives.

The Chair`s salary was defined effective 1 January 2022, at €250,000 annually.

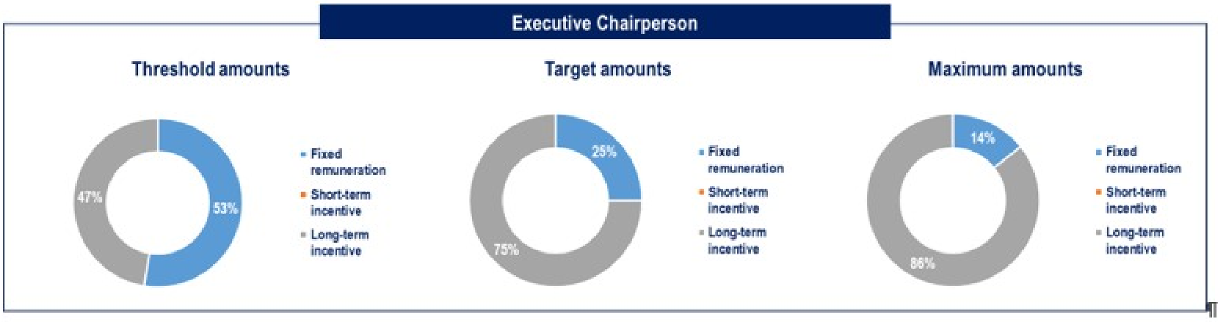
Base salary increases are not guaranteed for Executive Directors and their agreements do not contemplate automatic base salary increases. Salary increases will be made considering those awarded to the Company's wider employee population. No increases in base salary are planned for either Executive Director in 2023.

Variable Pay

The variable components of the Executive Directors' remuneration, both the short- and the long-term incentives, where applicable, demonstrate our commitment to shareholders and sustainable long-term value creation by using metrics that align with our business strategy of delivering exceptional operating performance and shareholder returns.

Eligible variable compensation of the Executive Directors is contingent on the achievement of pre-established, challenging financial and other designated performance objectives.

The Executive Chair's and CEO's compensation packages are structured as follows:



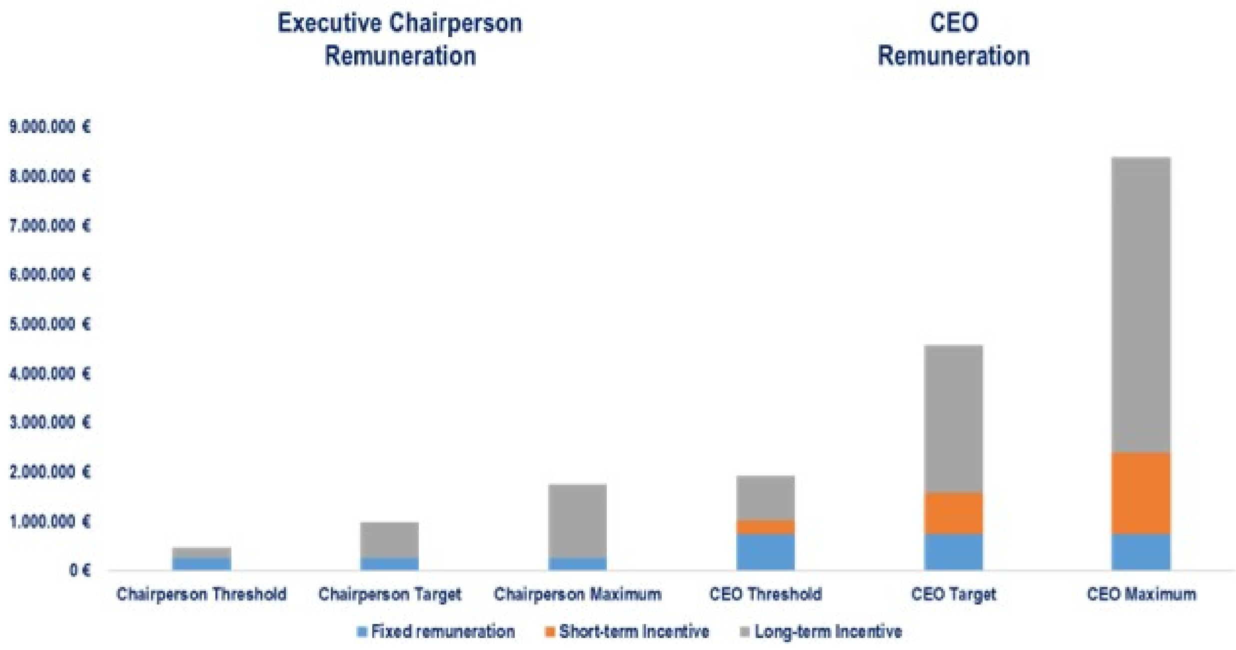
As the two graphs show, a significant portion of the compensation opportunities is delivered in equity recognized through long-term performance, the vesting and value of which are intended to align the executives' interests with shareholder returns.

Scenario Analyses

Scenario analyses are carried out annually to examine the relationship between the performance criteria chosen and the possible outcomes of variable remuneration of the Executive Directors. Such analyses reviewed the link of pay for performance for the full range of outcomes, at threshold results for any payout, at target results, and outstanding results where the variable pay opportunity is capped. The analyses are done at target setting, monitored throughout the year and upon determining the final payout. For the 2022 financial year, the Company found a strong link between remuneration and performance and concluded that the chosen performance criteria supported the Company's strategic objectives, and the resulting earned awards were appropriate under both the short-term and long-term incentive components, where applicable, of total remuneration.

The following table and chart describe compensation levels that the Executive Chair and the CEO could receive in 2023 under the approved Remuneration Policy and different scenarios in a calendar year, assuming a constant share price (*i.e.,* no appreciation).

Executive Director	Element of remuneration	Performance scenario		
		Threshold	Target	Maximum
Executive Chair	Fixed remuneration	€250,000		
	Short-term Incentive	n.a.	n.a.	n.a.
	Long-term Incentive	90%	300%	600%
CEO	Fixed remuneration	€750,000		
	Short-term Incentive	37.4%	110%	220%
	Long-term Incentive	120%	400%	800%



In the event of performance below the set threshold, both in the short- and long-term, the Chair and CEO will be recognized with fixed remuneration only.

Short-Term Incentives

The primary objective of short-term variable incentives is to focus on the business priorities for the current or following year. The CEO is eligible for participation in the annual incentive plan. The Chair is not eligible for participation. The CEO's short-term variable incentive compensation is based on achieving short-term (annual) financial and other designated goals proposed by the Human Capital and Compensation Committee and approved by the Chair and Non-Executive Directors each year.

2022 Company Bonus Plan

The Human Capital and Compensation Committee approved the 2022 Company Bonus Plan design which included financial measures of consolidated Adjusted EBIT, cash conversion ratio %, and one ESG measure: % increase of women in management positions to improve the Gender Balance in decision making and leadership roles.

The table below shows the metrics, weighting, and predetermined goals:

KPIs	Weighting	Threshold	Target	Max
Adjusted EBIT MM Euro	50%	410	456	592
Cash Conversion Ratio %	35%	80%	100%	130%
YOY % increase of women graded Manager/Sr Professional and above	15%	n/a	1.0%	1.5%

Note: Refer to the "Annex" at the end of the Remuneration Report for the definition of the non-IFRS financial measures mentioned in this report.

For performance below the threshold level (target level as regards the ESG metric), no pay-out will occur.

- The target incentive for the CEO's annual bonus programme is 110% of base salary, linked to approved targets each year.
- Achieving threshold performance earns 40% of target incentive for 44% of base salary (except for the ESG metric which has the threshold set at target).
- Maximum payout is 200% of target incentive, equal to 220% of base salary.
- No individual performance adjustment factor applies to the CEO's annual bonus.

In cases where the Company performance falls between the Threshold, Target, and Maximum levels, linear interpolation will be used to calculate the award.

CEO's 2022 Company Bonus Plan Performance Factor Calculations:

Corporate Measures		Weight	Threshold	Target	Maximum	Results	Results vs. Targets	Overall
Adjusted EBIT MM Euro	a)	50%	410	456	592	527	115.6%	76.0%
2022 Bonus Euro	b)		165,000	412,500	825,000	627,000		
Cash Conversion Ratio %	a)	35%	80 %	100 %	130 %		257.8%	70.0%
2022 Bonus Euro	b)		115,500	288,750	577,500	577,500		
% increase of women graded Manager/Sr Professional and above	a)	15%	n/a	1.0 %	1.5 %		3.5%	30.0%
2022 Bonus Euro	b)		—	123,750	247,500	247,500		
TOTAL %	a)	100%						
2022 Bonus Euro	b)		280,500	825,000	1,650,000	1,452,000		176.0%

Per the Company Bonus Plan (CBP) design and the predetermined goals, the overall Company performance achieved in 2022 was 176% for a payout of €1,452,000 for the CEO.

Background on the 2022 Results

As previously illustrated, Iveco Group successfully balanced its operational goals for 2022, despite numerous challenges. The Company closed its first year with a solid performance on the two financial metrics of the CBP, Adjusted EBIT and Cash Conversion Ratio.

The above-target achievement on Adjusted EBIT was driven by favourable volume and mix and net price realization more than offsetting higher year over year production cost due to increased energy costs and inflation representing the main challenge for our operations.

The Iveco Group achieved an outstanding result on the cash conversion goal through the strong Adjusted EBIT results and laser focus on inventory levels with tight control on working capital throughout the year. Furthermore, available liquidity was maintained at levels that allowed Iveco Group to keep investing in its new energy future.

The excellent achievement on the % increase of women in managerial positions demonstrates the commitment of our leaders towards Diversity to achieve our 2026 target.

Long-Term Incentives

The Committee and the Board of Directors believes that the equity awards are competitive in the market and consistent with our compensation philosophy. Along with the share ownership and share retention requirements in place for the Executive Directors, the plan design links the Executive Directors' compensation opportunity to increasing shareholder value, which is core to our "pay for performance" compensation philosophy.

Iveco Group offers long-term incentives to the Executive Directors and key leaders to drive sustainable long-term value creation. This key element of the Company's compensation philosophy is used with the aim to drive organisation-wide alignment with shared strategic Company goals and values, and to reward achievement of those goals in a manner consistent with the Company's purpose and values. Aligning to the Company's strategic targets and transforming the culture are vital to successfully executing the business strategy.

Equity-based compensation is critical to achieving this alignment because it (1) directly ties compensation to the long -term goals established in the strategy, (2) links senior management and employees' long-term performance and interests with those of our shareholders and (3) discourages imprudent risk-taking. Equity-based compensation is also integral to the Company's Remuneration Policy and a key component of the pay for performance philosophy.

On 25 February 2022, the Board of Directors approved an equity incentive plan in which employees and executive directors may participate. This Iveco Group N.V. Equity Incentive Plan (the "EIP") is an umbrella programme defining the terms and conditions for any subsequent long-term incentive programme. A copy of the EIP is available on the Company's website (www.ivecogroup.com).

The Board of Directors also approved a new Long-Term Incentive Programme ("LTIP") tied to the Company's five-year Strategic Business Plan which spans in total over a five-year performance period, 2022 through 2026, consistent with the Company's strategic time horizon presented at the Company's Investors' Day event on 18 November 2021. Shareholders at the 13 April 2022 AGM voted in favour to allow up to a maximum of 16 million common shares which may be issued under the LTIP, of which 4 million (rights to subscribe for) common shares are reserved for issuance to the Executive Directors.

Awards under the LTIP are intended to consist of three consecutive annual grants:

- The initial grant in 2022 covers the performance period 2022 -2024 ("LTIP 2022-2024 Award"), followed by
- a grant in 2023 covering the 2023-2025 performance period ("LTIP 2023-2025 Award") and ending with

- a grant in 2024 covering the 2024-2026 performance period ("LTIP 2024-2026 Award").

Under the LTIP, performance share rights ("PSUs"), representing the right to receive one common share in the capital of the Company, will be awarded to the Chair and to the Chief Executive Officer. A combination of Performance Share Rights (PSUs) and Restricted Share Rights (RSUs), each representing the right to receive one common share in the capital of the Company, will be awarded to members of the Senior Leadership Team (SLT) and other key members of the Group.

The PSUs will be subject to the achievement of certain performance targets as further described below, while the RSUs will be subject only to the participant's continuing service as officer, director, or employee of the Company; both PSUs and RSUs are also subject to acceptable individual performance.

2022 -2024 LTIP Awards

On 5 May 2022, the Company awarded the first annual cycle of awards under the LTIP for the 2022-2024 performance period.

Executive Directors' Awards
2022-2024 LTIP Awards
The following was awarded to the Executive Directors under the LTIP on 5 May 2022:

	Number of Share Units Granted	
	CEO	**Chair**
2022-2024 LTIP PSUs	**518,850**	**129,710**
Average Annual Target		
* % of Salary	400%	300%
* € (€5.78/unit FV@ Grant)	€3,000,000	€750,000
Maximum Award (2X target)		
* % of Salary	800%	600%
* euro	€6,000,000	€1,500,000

The PSU awards vest subject to achievement of Company performance goals for the performance period.

Awards forfeit in full upon any type of termination, except in the case of an involuntary termination other than for Cause within 24 months of a change of control as defined in the EIP. Executive Directors must hold shares earned under the award for a period of 5 years from grant date.

Company Performance Metrics

Company Performance is measured against pre-defined performance goals, reinforcing sustainable long-term value creation, and linked to our Strategic Business Plan.

For the three-year period, 2022-2024, the three independent metrics, weighting, target goals and pay-out are shown in the table below:

KPIs	Weight	Measurement	Performance / Payout	Threshold	Target	Outstanding
Adjusted EBIT Margin %	**40%**	3-year average	**Performance**	3.8%	4.2%	5.5%
			Payout	50%	100%	200%
Relative TSR (1)	**40%**	3-year cumulative	**Performance**	below median (< 5th place)	Median ranking (5th in peer group of 9)	1st place ranking
			Payout	—%	100%	200%
CO_2 reduction %	**20%**	3-year cumulative	**Performance**	18.0%	20.0%	22.0%
			Payout	50%	100%	200%

Note: Refer to the "Annex" at the end of the Remuneration Report for the definition of the non-IFRS financial measures mentioned in this report.

(1) The peer group includes Iveco Group N.V. and the following companies: AB Volvo, Cummins Inc., Daimler Truck Holding AG, Deutz AG, Nikola, PACCAR, Inc., Rheinmetall AG, Traton SE. The Relative TSR peer group may be adjusted by the Committee in its sole discretion during the Performance Period as a result of mergers and acquisitions, de-listings, takeover offers, etc. In this event, an-appropriate benchmark peer would be identified and proposed for inclusion in the peer group.

Stretch objectives have been set for each of the metrics reflecting the Company's long- term priorities to deliver strong, profitable growth, increase shareholder value and contribute to a more sustainable environment. The payout ranges from 50% of target award to a cap of 200% of target award. The Adjusted EBIT Margin % and CO_2 Reduction % metrics payout 50% of target award at threshold, 100% at target achievement and capped at 200% of target award for outstanding performance. No payout below threshold results. Relative TSR only pays out at or above target (median ranking) and is also capped at 200% of target award for 1st place ranking among the comparator companies.

In cases where the Company performance falls between the Threshold, Target and Outstanding levels, linear interpolation will be used to calculate the award.

For performance below the threshold level (target level as regards the relative TSR) no pay-out will occur.

Vesting period

The PSUs vest on 28 February 2025 after the end of the Performance Period and subject to the level of achievement of the performance criteria of each metric.

The Executive Directors have only been awarded PSUs. The 2022-2024 LTI Plan offers an RSU component for other key leaders participating which vest in full on 28 February 2025, subject to acceptable individual performance and remaining in an eligible position throughout the vesting period.

CNH Industrial Legacy Awards -- 2021-2023 LTIP Awards from the Demerger

Executive Directors, the Senior Leadership Team, and other key executives participated in the CNH Industrial Long-Term Incentive Plan prior to the Demerger and formation of Iveco Group as a stand-alone public entity.

Provisions under the CNH Industrial N.V. Equity Incentive Plan ("CNHI EIP") required adjusting outstanding equity awards on an equitable basis in the event of a change in the capital structure of the Company, such as the Demerger. As anticipated in the prospectus of the Demerger to shareholders, the outstanding awards under the CNHI EIP were rolled over to Iveco Group N.V. as per the effective date of the Demerger, after which such awards entitle the holder, subject to its terms, to Iveco Group Common Shares. The rollover included appropriate adjustment mechanisms to ensure that the value of the unvested awards granted to all the beneficiaries under such plan remained unchanged, in accordance with the CNHI EIP.

For Iveco Group participants, the Committee approved converting the unvested awards granted under the CNHI EIP at the time of the Demerger to Iveco Group equity awards with an adjustment factor of 1.5578.

The equitable adjustment, which was done in early 2022, considered post-Demerger share prices of both Iveco Group and CNH Industrial using a 10-day volume weighted average price. The conversion ratio for Iveco Group participants' awards compared the combined Iveco Group and CNH Industrial share prices (before the 5:1 Demerger Allotment Ratio) to the Iveco Group share price.

IVG price:	€10.63
CNHI price:	€14.43
Combined Price	€16.56 = €2.13 (€10.63 IVG ÷5) + €14.43
Iveco Group Conversion Ratio	€16.56/€10.63 = 1.5578

This adjustment applied as well to Gerrit Marx's legacy 2021-2023 LTIP equity awards granted in December 2020 by CNH Industrial for his role in CNH Industrial as President of Commercial & Specialty Vehicles business segments.

The treatment of the 2021-2023 LTIP awards for the CEO was done in the same manner as all other CNH Industrial LTIP participants at the time of the Demerger who were transferred to Iveco Group.

No legacy awards held by the Chair were transferred to Iveco Group as those continue with CNH Industrial in her continued role with CNH Industrial.

Company Performance Metrics

For the PSUs, as the performance period, 2021-2023, spanned pre- and post-Demerger periods, the Company performance goals were aligned to Iveco Group only goals as approved by the Committee and by the Board of Directors.

Metric	Weighting
Adjusted diluted Cumulative EPS €	50%
Industrial ROIC % (3 years average)	50%

Note: Refer to the "Annex" at the end of the Remuneration Report for the definition of the non-IFRS financial measures mentioned in this report.

The payout of the two independent metrics ranges from 50% at threshold results to a cap of 200% at or above outstanding results.

The PSU metrics also include a Relative TSR multiplier per the ranking among an industry peer group that will adjust the shares earned per the achievement of the Adjusted diluted EPS and Industrial ROIC objectives, by +/- 25%. The Committee approved measuring the multiplier on a prorated basis with one-third (Year 2021 out of the 3-year 2021-2023 period) weighting based on CNH Industrial's ranking among the original CNH Industrial peer group and two-thirds (Year 2022 and 2023) weighting based on a new Iveco Group only peer group.

The two periods' peer group are the following:

Year 1: 2021 CNH Industrial TSR Peer Group

AB Volvo
AGCO Corporation
Caterpillar Inc.
Deere & Co.
Komatsu Ltd.
Kubota Corporation
Cummins Inc.
Paccar Inc.
Traton SE

Rank	Percentile	Modifier
1	100%	1.25
2	89%	1.25
3	78%	1.25
4	67%	1.17
5	56%	1.06
6	45%	0.95
7	33%	0.83
8	22%	0.75
9	11%	0.75
10	0%	0.75

Year 2 & 3: 2022 & 2023 Iveco Group TSR Peer Group

AB Volvo
Daimler Truck Holding AG
Deutz AG
Nikola
PACCAR, Inc.
Rheinmetall AG
Traton SE
Cummins Inc.

Rank	Percentile	Modifier
1	100,0%	1,25
2	87,5%	1,25
3	75,0%	1,25
4	62,5%	1,125
5	50,0%	1,00
6	37,5%	0,875
7	25,0%	0,75
8	12,5%	0,75
9	0,0%	0,75

The PSUs awarded under the 2021-2023 LTIP performance cycle will vest on 28 February 2024, based on the achievement of each target of Adjusted diluted EPS and Industrial ROIC, determined independently, and as adjusted according to the TSR multiplier. The RSUs will vest in two equal installments on 30 April 2023 and 30 April 2024. Both awards are subject to favourable individual performance and remaining with the Company through the respective vesting dates.

Post-Employment and Other Benefits

The CEO receives customary pension and other benefits in-line with the Remuneration Policy, which provide basic assurances of loss income protection and retirement income. No post-employment benefits are available to the Chair.

Pension and Retirement Savings

The CEO participates in the same Company-sponsored retirement savings programmes available to all German salaried employees.

Other Benefits

For the CEO, the Group offers customary perquisites and fringe benefits, such as a Company car, medical insurance, accident insurance, tax preparation assistance, relocation, and limited personal usage of aircraft but did not use this benefit in 2022. Furthermore, in the event of an involuntary termination of employment other than for Cause, the CEO is entitled to twelve months' base salary, while remaining subject to restrictive covenants, such as non-competition and non-solicitation for a period of one year.

The Chair does not have severance protection nor participates in Iveco Group benefit programmes. The Chair does have limited personal usage of corporate-provided aircraft but did not use this benefit in 2022.

For any personal use of corporate aircraft, the Executive Directors are responsible for taxes on the benefit.

Tax Equalisation

The CEO, as a function of the global nature of the role in the Company, may be subject to tax on employment income in multiple countries and will be subject to the Company's tax equalisation policy on all employment earnings. For the Chair, no tax equalisation is applicable.

Stock Ownership

Our Board recognises the critical role that Executive Director stock ownership has in aligning the interests of management with those of shareholders. Accordingly, the Executive Directors are subject to share ownership guidelines which require each Executive Director to own Iveco Group shares with an aggregate value of at least 5x base salary within five (5) years from the start of their respective assignments. The Committee assesses on an annual basis the Executive Directors' progress toward meeting this objective. As of 31 December 2022, the CEO owned 80,698 shares of which 38,400 were acquired through market purchases, and the Chair owned 64,338 shares of which 38,461 were acquired through market purchases. With a share price of €5.56 on 31 December 2022, the fair market value of the at year-end 2022 was €448,519 and €357,591, respectively. The CEO's shareholdings represent 0.60 times his annual base salary, and the Chair's represents 1.43 times her annual base salary.

In addition, the Executive Directors are subject to a holding period of five years from grant date for all awards granted to them which aligns with Dutch Corporate Governance Code ("DCGC").

Recoupment of Incentive Compensation (Clawback Policy)

The Board is dedicated to maintaining and enhancing a culture focused on integrity and accountability. The Recoupment Policy in the Company's Equity Incentive Plan, which defines the terms and conditions for any subsequent long-term incentive programme, and the Company Bonus Plan, which defines the short-term incentive programme, as well as in any executive employment agreements, authorises the Company to recover, or "claw back" incentive compensation with the ability to retroactively make adjustments if any cash or equity incentive award is predicated upon achieving financial results and the financial results are subject to an accounting restatement.

No recoupment of incentive compensation was warranted under any incentive plan during 2022.

Terms of engagement

Each of the Executive Directors is engaged by the Company pursuant to a written agreement for an indefinite period of time and are employed at will, meaning either party can terminate the engagement at any time. The Executive Directors are also appointed by shareholders annually.

Remuneration for Non-Executive Directors

The remuneration of Non-Executive Directors is governed by the Iveco Group N.V. Remuneration Policy. The current remuneration structure for the Non- Executive Directors is consistent with the Remuneration Policy, as shown in the table below.

Non-Executive Director Compensation		Annual Fees
Annual Cash Retainer	EUR	110,000
Additional retainer for Audit Committee member	EUR	22,000
Additional retainer for Audit Committee Chair	EUR	30,000
Additional retainer for member of other Board committees	EUR	18,000
Additional retainer for Chair of other Board committees	EUR	22,000

The Non-Executive Directors receive their annual retainer fee, committee membership, and committee chair fee payments (collectively, "Fees") only in cash Remuneration of Non-Executive Directors is fixed and not dependent on the Company's financial results. Non-Executive Directors are not eligible for variable compensation and do not participate in any Company incentive plans. Consistent with the Remuneration Policy, Non-Executive Directors do not receive benefits upon termination of their service as directors.

Upon the recommendation of the Human Capital and Compensation Committee, the Board resolved to implement share ownership guidelines for the Non-Executive Directors. Non-Executive Directors are required to own Company shares in an aggregate amount of not less than 1x their annual retainer fee, which is €110,000, within 24 months of appointment to the Board. The Non-Executive Directors are expected to hold Company shares as a long-term investment and, as such, are expected to hold their Company shares while on the Board and for an additional three months after their Board service terminates.

IMPLEMENTATION OF REMUNERATION POLICY IN 2022

The following table summarises remuneration paid or awarded (in Euro) to Iveco Group N.V. Directors for the year ended 31 December 2022 (the "Summary Remuneration Table"):

Board of Directors	Position	Year	Fixed Remuneration: Base Salary or Fees	Fixed Remuneration: Fringe Benefits (1)	Variable Remuneration: One-year Variable (2)	Variable Remuneration: Multi-year Variable (3)	Extraordinary Items	Pension & Similar Benefits (4)	Total	Proportion of fixed to variable remuneration (5)
HEYWOOD , Suzanne	Chair	01/01/2022 31/12/2022	250,000	—	—	118,431	—	44,033	412,464	248 %
MARX, Gerrit	CEO	01/01/2022 31/12/2022	750,000	57,882	1,452,000	3,466,936	—	57,960	5,784,778	18 %
ERGINBILGIC, Tufan	Director	01/01/2022 31/12/2022	146,000	—	—	—	—	25136	171,136	N/A
KAIRISTO, Essimari	Director	01/01/2022 31/12/2022	140,000	—	—	—	—	—	140,000	N/A
KNOLL, Linda	Director	01/01/2022 31/12/2022	150,000	—	—	—	—	—	150,000	N/A
NASI, Alessandro	Director	01/01/2022 31/12/2022	150,000	—	—	—	—	—	150,000	N/A
PERSSON, Olof	Director	01/01/2022 31/12/2022	132,000	—	—	—	—	22,776	154,776	N/A
RIBADEAU-DIMAS, Benoit	Director	01/01/2022 31/12/2022	79,260	—	—	—	—	—	79,260	N/A
SIMONELLI, Lorenzo	Director and Senior Non-Executive Director	01/01/2022 31/12/2022	132,000	—	—	—	—	—	132,000	N/A

Notes

(1) The amount includes the use of transportation (Company car and personal usage of aircraft) and company cost of life and health insurance benefits.

(2) The 2022 amount represents the bonus approved for the performance year and paid in 2023.

(3) The amounts represent the Company's share-based compensation (SBC) expense under applicable accounting standards relating to grants issued to the Executive Directors.

(4) For the CEO, the amount includes Company contributions to company and national social security (retirement) programs.

(5) Ratio of the percentage of fixed pay elements over the percentage of variable pay elements. Variable elements include variable incentives, extraordinary items, and the pension benefits derived from variable remuneration and extraordinary items. The Non-Executive Directors have no variable compensation elements, so this ratio is not applicable.

The following table summarises remuneration paid or awarded (in Euro) to Directors of Iveco Group N.V. for roles held in subsidiaries of Iveco Group N.V. for the year ended 31 December 2022:

Board of Directors	Position	Year	Fixed Remuneration		Variable Remuneration		Extraordinary Items	Pension & Similar Benefits	Total Remuneration	Proportion of fixed to variable remuneration
			Fees	Fringe Benefits	One-year Variable	Multi-year Variable				
NASI, Alessandro	Chairman Iveco Defence S.p.A.	2022	150,000	—	—	—	—	3,321	153,321	n/a

Year-Over-Year Remuneration

As 2022 is the first year for the newly formed Iveco Group, there is no past remuneration of Directors to disclose.

Share Ownership

Collectively, the Executive Directors and Non-Executive Directors own less than one percent of our outstanding common shares. The Company has established share ownership guidelines for both the Executive Directors and Non-Executive Directors. The following table summarises the number of Iveco Group common shares owned by Directors as of 31 December 2022.

Directors	Common Shares	Special Voting Shares
Gerrit Marx	80,698 (1)	—
Suzanne Heywood	64,338 (2)	—
Alessandro Nasi	69,798	—
Essimari Kairisto	7,535	—
Linda Knoll	29,465	—
Lorenzo Simonelli	2,865	—

(1) of which 38,400 were acquired through market purchases.

(2) of which 38,461 were acquired through market purchases.

SHARE AWARDS

The following table summarises unvested performance share units and restricted share units held by Executive Directors and Non-Executive Directors as of 31 December 2022 with reference to the 2022-2024 LTIP :

Table - Shares awarded or due to the Directors for the reported financial year

The main conditions of share option plans						Information regarding the reported financial year							
						Opening Balance(3)	During the year			Closing Balance(3)			Accounting Expense (1)(3)
Name of Director, position	Award Name	Performance Period	Award Date	Vesting Date	End of Holding Period	Share Awarded at the Beginning of the Period	Share Awarded FMV at Grant (€000s)	Share Forfeited	Share Vested FMV at Grant (€000s)	Share Subject to a Performance Condition	Shared Unvested	Shares Subject to a Holding Period (1)	€000s
MARX Gerrit, CEO	2022-2024 PSU(2)	01/01/2022 31/12/2024	05/05/2022	28/02/2025	05/05/2027	—	518,850 2,027,000	—	— —	518,850	518,850	518,850	473,732
HEYWOOD Suzanne, Chair	2022-2024 PSU(2)	01/01/2022 31/12/2024	05/05/2022	28/02/2025	05/05/2027	—	129,710 507,000	—	— —	129,710	129,710	129,710	118,430
			Total Shares:			**—**	**648,560**	**—**	**—**	**648,560**	**648,560**	**648,560**	
			Total FMV (€000s)				**2,534,000**		**—**				**592,162**

Notes:

(1) Share-based compensation (SBC) expense recorded in 2022 under applicable accounting standards relating to grants awarded to the Executive Directors under the 2022-2024 LTI Plan.

(2) The first 3-year LTIP performance cycle as solely Iveco Group began 1 January 2022 and covers performance through 31 December 2024. The Executive Directors have only PSU awards, so all is subject to performance conditions.

(3) Under the CNHI Legacy Plan, the 2021-2023 performance cycle began pre-Demerger as CNH Industrial and awards were converted to Iveco Group share unit awards at time of Demerger based on the relative share price of CNH Industrial and Iveco Group shares post-spin (10-day volume weighted share price). The awards consist of a Company performance component, with potential vesting of 696,759 PSUs, and an individual performance component, with potential vesting of 167,713 RSUs. The PSUs vest at the end of the performance cycle and the RSUs vest in two equal annual installments in 2023 and 2024.

Executive Officers' Compensation

The aggregate amount of compensation paid to or accrued for Executive Officers that held office during 2022 was approximately €14.9 million, including €1.8 million in pension and similar benefits paid or set aside by us. The aggregate amounts included those paid to or accrued for 13 Executives as of 31 December 2022.

Independence of Compensation Consultant

The Human Capital and Compensation Committee's charter provides that the Committee has sole authority to engage the services of independent compensation external advisors. While the Committee did not engage independent compensation external advisors in 2022, the Committee was occasionally advised by representatives of Mercer, Freshfields Bruckhaus Deringer LLP, and Legance on executive compensation matters. The Committee found that the information provided by such advisors provided important perspectives about market practices for executive compensation, the levels and structure of the compensation programme, and compensation governance.

During 2022, the foregoing advisors performed services such as:

a. Provided regulatory education to the Committee

b. Provided benchmarking on peer Company analysis and selection

c. Provided information and advice relating to executive compensation matters

During 2022 the Committee reviewed the factors influencing independence and determined that no conflict of interest exists with respect to Mercer, Freshfields Bruckhaus Deringer, and Legance.

Changes to 2023 Remuneration

The following table summarises the Executive Directors' current remuneration effective since January 2022. No changes are expected for 2023.

Remuneration Element	CEO	Chair
Annual Base Salary	€750,000 ▪ Effective 1 January 2022 ▪ Positioned below lower quartile of peer group for comparable CEO role	€250,000 ▪ Effective 1 January 2022 ▪ Positioned below lower quartile of peer group for comparable Executive Chair only role
Short-Term Variable	▪ 110% of base salary at target; 220% of base at maximum	▪ No participation in annual bonus plan
Long-Term Variable	▪ €3,000,000 annual target (400% of base salary); maximum 2X target. ▪ All PSUs ▪ Higher LTIP leverage than peer group results in total direct compensation in upper quartile	▪ €750,000 annual target (300% of base salary); maximum 2X target ▪ All PSUs ▪ The Chair's LTIP is higher than the peer group, reflecting our bias towards performance based compensation, but her total direct compensation, including this, still remains in the bottom quartile compared to similar roles
Post-Employment Benefits	▪ Retirement savings benefits available to German- based salaried employees ▪ Qualifying termination in an amount equal to 12 months' base salary, consistent with Dutch Corporate Governance Code best practice	
Other Benefits	▪ German benefits including company car, health, life, accident, and disability insurance, and tax assistance ▪ Tax equalization for any non-German sourced employment income ▪ Limited personal usage of private aircraft service; taxable benefit will be the CEO's tax responsibility	▪ Limited personal usage of private aircraft service; taxable benefit will be the Chair's tax responsibility

2023 Pay Element – Euro Annualised

	CEO		Chair	
	at Target	at Maximum	at Target	at Maximum
Base Salary	750,000	750,000	250,000	250,000
2022 STI	825,000	1,650,000	N/A	N/A
2022 LTI	3,000,000	6,000,000	750,000	1,500,000
Total Direct Compensation	**4,575,000**	**8,400,000**	**1,000,000**	**1,750,000**

ANNEX

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 charges and non-recurring items, after tax.

Adjusted Diluted EPS: is computed by dividing Adjusted Net Income/(Loss) attributable to Iveco Group N.V. by a weighted-average number of common shares outstanding during the period that takes into consideration potential common shares outstanding deriving from the Iveco Group share-based payment awards, when inclusion is not anti-dilutive. When we provide guidance for adjusted diluted EPS, we do not provide guidance on an earnings per share basis because the IFRS measure will include potentially significant items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end.

Adjusted EBIT Margin % is Adjusted EBIT divided by Net Revenue.

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 Iveco Group 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.

Average Industrial Invested Capital: is defined as the average of the ending balance of the current year plus the prior for Industrial Activities' (x) third party debt plus (y) equity (excluding non-controlling interests) less goodwill.

Cash Conversion Ratio %: resulting ratio (in %) of Free Cash flow of Industrial Activities (numerator) over Adjusted Net Income Iveco Group (denominator).

Industrial Return on Invested Capital (Industrial ROIC): Industrial ROIC is a ratio of Adjusted EBIT (after-tax) over Average Industrial Invested Capital. For the 3 year period, the measurement for Industrial ROIC is the 3 year average. Adjusted EBIT (after-tax) is defined as Adjusted EBIT less JV income multiplied by (1 – estimated long term tax rate), with JV income then added back.

CO_2 Emissions Reduction % ("CO_2 Reduction %"): The CO_2 emissions reduction will measure the percentage change of the CO_2 Emissions levels at the end of 31 December 2024 versus the baseline at the end of 2019. The absolute CO_2 emissions is measured in tons of CO_2 emissions per hours of production in the manufacturing processes from Scope 1 and Scope 2 sources as defined:

- Scope 1 emissions are direct emissions from owned or controlled sources
- Scope 2 emissions are indirect emissions from the generation of purchased energy

Gender Balance**:** Year over Year % improvement of women graded Manager/Senior Professional & above.

Relative Total Shareholder Return ("Relative TSR"): for the 2022-2024 Plan is the annualised rate of return, reflecting stock price performance (adjusted for dividends paid) over the cumulative performance period, beginning 1 January 2022 and ending 31 December 2024, using a 30-day average. Iveco Group N.V.'s Total Shareholder Return ("TSR") is compared to the TSR of the comparator group, to determine the percentile ranking over the Performance Period.

Total Shareholder Return (TSR): for the 2021-2023 Plan with respect to a corporation means the annualized rate of return reflecting stock price performance (adjusted for dividends paid) over the same cumulative performance period, beginning 1 January 2021 and ending 31 December 2023. The TSR peer group may be adjusted by the Committee in its sole discretion during the performance period as a result of mergers and acquisitions, de-listings, takeover offers, etc. In this event, an appropriate benchmark peer would be identified and proposed for inclusion in the peer group.

MAJOR SHAREHOLDERS

Following the Demerger becoming effective on 1 January 2022, the Company's issued share capital was divided into 271,215,400 Common Shares and 74,243,570 Special Voting Shares. No further changes occurred in 2022, but 26,164 Special Voting Shares were surrendered to the Company following the de-registration of the corresponding Qualifying Common Shares from the Loyalty Register and are held as treasury shares by the Company.

The following table sets forth information with respect to ownership of the Company's share capital of 3% or more as of 31 December 2022 based on public regulatory filings by direct and indirect shareholders and other sources available to the Company.

Holder	Number of Common Shares held	Number of Special Voting Shares held	Percentage of overall issued shares held (1)	Percentage of total voting rights (2)
Giovanni Agnelli B.V. (3)	73,385,580.00	73,385,580.00	42.49 %	42.49 %
Norges Bank	21,980,948.00 (4)	—	6.36 %	6.36 %
Morgan Stanley (5)	12,637,055.00 (6)	—	3.66 %	3.66 %
Southpoint Capital Advisors LP	11,442,687.00 (7)	—	3.32 %	3.32 %

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

(2) For the purpose of this column of the table, the percentages refer to both the Iveco Group Common Shares and the Iveco Group Special Voting Shares. The percentages of the total voting rights are calculated based on the number of issued shares excluding treasury shares, since no voting rights may be exercised for any share held by the Company.

(3) Held via Exor N.V.

(4) Based on regulatory filings with the AFM, on 19 July 2022, Norges Bank held (i) directly (actual) 19,567,544 Common Shares and (ii) directly (potential) 2,413,404 Common Shares.

(5) Held via Morgan Stanley & Co. LLC, Morgan Stanley & Co. International plc, and Morgan Stanley Smith Barney LLC.

(6) Based on regulatory filings with the AFM, on 1 December 2022, Morgan Stanley held (i) indirectly (actual) 1,402,642 Common Shares, (ii) indirectly (potential) 11,234,412 Common Shares, and (iii) indirectly (short) 1 Common Share.

(7) Based on regulatory filings with the AFM, on 11 March 2022, Southpoint Capital Advisors LP held as part of an equity swap 11,452,687 Common Shares.

The Company's Common Shares are listed on the Euronext Milan. They are accepted for clearance through the book-entry facilities of Monte Titoli S.p.A. which has its offices at Piazza degli Affari 6, Milan, Italy.

The Special Voting Shares are neither listed nor tradable and are transferable only in very limited circumstances and only together with the Common Shares to which they are associated (see Section Corporate Governance of the present Report).

SUBSEQUENT EVENTS AND OUTLOOK

SUBSEQUENT EVENTS

Iveco Group has evaluated subsequent events through 2 March 2023, which is the date the financial statements were authorized for issuance, and identified the following:

- On 24 January 2023, IDV, the brand of Iveco Group specialised in defence and civil protection equipment, announced it entered into an agreement to acquire 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.

OUTLOOK

Based on current industry outlook, solid order backlog and no signs of increasing order cancellations, Iveco Group is expecting the following preliminary financial outlook for 2023:

- Consolidated Adjusted EBIT between €550 million and €590 million
- Net revenues of Industrial Activities(**) up from 2% to 3% versus full year 2022
- Adjusted EBIT of Industrial Activities between €460 million and €500 million
- SG&A costs of Industrial Activities ~ 6% of net revenues
- Net cash of Industrial Activities(***) ~ €2.0 billion
- Investments of Industrial Activities(****) up from 10% to 15% versus full year 2022.

(*) Financial Outlook 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.

(***) Excluding share buy-backs and extraordinary transactions.

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

2 March 2023

The Board of Directors

Suzanne Heywood
Gerrit Andreas Marx
Tufan Erginbilgic
Essimari Kairisto
Linda Knoll
Alessandro Nasi
Olof Persson
Benoît Ribadeau-Dumas
Lorenzo Simonelli

IVECO GROUP CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

CONSOLIDATED INCOME STATEMENT

(€ million)	Note	**2022**	**2021**
Net revenues	(1)	14,357	12,651
Cost of sales	(2)	12,389	10,881
Selling, general and administrative costs	(3)	936	825
Research and development costs	(4)	473	481
Result from investments:	(5)	(5)	27
Share of the profit/(loss) of investees accounted for using the equity method		(5)	27
Gains/(losses) on the disposal of investments	(14)	33	8
Restructuring costs	(6)	15	36
Other income/(expenses)	(7)	(106)	(168)
EBIT		**466**	**295**
Financial income/(expenses)	(8)	(206)	(115)
PROFIT/(LOSS) BEFORE TAXES		**260**	**180**
Income tax (expense) benefit	(9)	(101)	(104)
PROFIT/(LOSS) FOR THE PERIOD		**159**	**76**

PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		147	52
Non-controlling interests		12	24

(in €)			
BASIC EARNINGS/(LOSS) PER COMMON SHARE	(11)	**0.54**	**0.19**
DILUTED EARNINGS/(LOSS) PER COMMON SHARE	(11)	**0.54**	**0.19**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Note	2022	2021
PROFIT/(LOSS) (A)		**159**	**76**
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on the remeasurement of defined benefit plans	(21)	77	42
Net change in fair value of equity investments at fair value through other comprehensive income	(21)	(172)	(95)
Tax effect of Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss	(21)	(15)	(1)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss, net of tax (B1)		**(110)**	**(54)**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedging instruments	(21)	(14)	7
Exchange gains/(losses) on translating foreign operations	(21)	(11)	17
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(21)	(36)	(17)
Tax effect of Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	(21)	7	(4)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss, net of tax (B2)		**(54)**	**3**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX (B) = (B1) + (B2)		**(164)**	**(51)**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**(5)**	**25**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		(19)	(8)
Non-controlling interests		14	33

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ million)	Note	**At 31 December 2022**	**At 31 December 2021**
ASSETS			
Intangible assets	(12)	1,511	1,314
Property, plant and equipment	(13)	3,097	3,055
Investments and other non-current financial assets:	(14)	237	582
Investments accounted for using the equity method		150	310
Equity investments measured at fair value through other comprehensive income		62	224
Other investments and non-current financial assets		25	48
Leased assets	(15)	70	58
Defined benefit plan assets	(22)	—	15
Deferred tax assets	(9)	700	646
Total Non-current assets		**5,615**	**5,670**
Inventories	(16)	2,838	2,651
Trade receivables	(17)	341	318
Receivables from financing activities	(17)	4,378	2,909
Current tax receivables	(17)	95	110
Other current receivables and financial assets	(17)	339	3,902
Prepaid expenses and other assets		68	47
Derivative assets	(18)	50	50
Cash and cash equivalents	(19)	2,288	897
Total Current assets		**10,397**	**10,884**
Assets held for sale	(20)	1	6
TOTAL ASSETS		**16,013**	**16,560**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

(€ million)	Note	**At 31 December 2022**	**At 31 December 2021**
EQUITY AND LIABILITIES			
Issued capital and reserves attributable to owners of the parent		2,354	2,289
Non-controlling interests		37	22
Total Equity	(21)	**2,391**	**2,311**
Provisions:		2,108	1,931
Employee benefits	(22)	510	621
Other provisions	(23)	1,598	1,310
Debt:	(24)	4,433	5,785
Asset-backed financing	(24)	3,149	1,926
Other debt	(24)	1,284	3,859
Derivative liabilities	(18)	46	43
Trade payables	(25)	3,690	3,133
Tax liabilities	(9)	107	49
Deferred tax liabilities	(9)	25	11
Other current liabilities	(26)	3,213	3,297
Total Liabilities		**13,622**	**14,249**
TOTAL EQUITY AND LIABILITIES		**16,013**	**16,560**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	Note	2022	2021
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(19)	**897**	**463**
B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:			
Profit/(loss)		159	76
Amortization and depreciation (net of vehicles sold under buy-back commitments and operating leases)		560	567
(Gains)/losses on disposal of:			
Property plant and equipment and intangible assets (net of vehicles sold under buy-back commitments)		(96)	(1)
Investments		5	(8)
Other non-cash items	(33)	13	11
Dividends received		4	16
Change in provisions	(33)	277	126
Change in deferred income taxes		(11)	43
Change in items due to buy-back commitments(a)	(33)	18	49
Change in operating lease items(b)	(33)	(29)	3
Change in working capital	(33)	507	(343)
TOTAL		**1,407**	**539**
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)		(777)	(564)
Consolidated subsidiaries and other equity investments		(30)	(44)
Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)		75	14
Net change in receivables from financing activities	(33)	(1,320)	(117)
Change in current securities		29	85
Other changes		683	581
TOTAL		**(1,340)**	**(45)**
D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Issuance of other medium-term borrowings (net of repayment)		442	63
Net change in other financial payables and derivative assets/liabilities	(33)	904	(151)
Dividends paid		(1)	—
TOTAL		**1,345**	**(88)**
Translation exchange differences		(21)	28
E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**1,391**	**434**
F) CASH AND CASH EQUIVALENTS AT END OF YEAR	(19)	**2,288**	**897**

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ million)	Invested capital and earnings reserves (*)	Share capital	Treasury shares	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 equity
	Attributable to the owners of the parent											
AT 31 DECEMBER 2020	**2,572**					**2**	**(256)**	**(190)**	**87**	**53**	**68**	**2,336**
Dividends distributed	—					—	—	—	—	—	(76)	**(76)**
Total comprehensive income/(loss) for the period	52					3	9	39	(94)	(17)	33	**25**
Other changes[1]	29					—	—	—	—	—	(3)	**26**
AT 31 DECEMBER 2021	**2,653**	**—**	**—**	**—**	**—**	**5**	**(247)**	**(151)**	**(7)**	**36**	**22**	**2,311**
Allocation of combined invested capital following the Demerger of CNH Industrial	(2,653)	3	—	2,294	356	—	—	—	—	—	—	—
Dividends distributed	—	—	—	—	—	—	—	—	—	—	(1)	**(1)**
Share-based compensation expense	—	—	—	17	—	—	—	—	—	—	—	**17**
Total comprehensive income/(loss) for the period	—	—	—	—	147	(8)	(8)	58	(172)	(36)	14	**(5)**
Other changes[2]	—	—	—	—	63	—	—	4	—	—	2	**69**
AT 31 DECEMBER 2022	**—**	**3**	**—**	**2,311**	**566**	**(3)**	**(255)**	**(89)**	**(179)**	**—**	**37**	**2,391**

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

(2) 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 years ended 31 December 2021 and 2020, Iveco Group did not comprise a separate parent company or group of entities. The amounts at 31 December 2021 and 2020, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BACKGROUND

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

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

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

Iveco Group 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.

BASIS OF PREPARATION

These consolidated financial statements together with the notes thereto of Iveco Group at 31 December 2022 (the “Consolidated Financial Statements”) were authorized for issuance by the Board of Directors of Iveco Group N.V. on 2 March 2023 and have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. The designation “IFRS” also includes International Accounting Standards (“IAS”), as well as all interpretations of the IFRS Interpretations Committee (“IFRIC”).

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 Russia-Ukraine conflict, the supply chain issues, energy and inflation costs, and the COVID-19 pandemic, the Group’s assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern, in view also of the measures already undertaken by the Group to preserve cash and contain costs, and to preserve its industrial and financial flexibility and its strong liquidity position. These Consolidated Financial Statements are prepared using the euro as the presentation currency.

Method of preparation of comparative data for 2021

Comparative data for the year ended 2021 and at 31 December 2021 (in the following the “Combined Financial Statements”) have been prepared in connection with the Demerger and have been derived from the Consolidated Financial Statements and accounting records of CNH Industrial. The Combined Financial Statements have been prepared to represent the combined historical results of operations, financial position and cash flows of the Iveco Group business structure that is controlled by the Company following the Demerger. The Combined Financial Statements are presented as if the entities controlled directly or indirectly by CNH Industrial until the Demerger and that are controlled by the Company afterwards, together with other assets and liabilities, had been combined for all periods presented.

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

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

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

- Where they did not correspond to a separate legal entity, assets and liabilities attributable to the Group's operations were identified and recognized in the Combined Financial Statements by adjusting equity.
- Income and expenses attributable to operations were allocated on a basis consistent with the allocation of the assets and liabilities that generated them or the legal entities to which they relate. In particular, corporate general and administrative functions costs in the areas of corporate governance, including senior management, corporate responsibility and other corporate functions, such as tax, legal, investor relations, treasury, communication functions, were not charged or allocated to the Iveco Group business in the past. The Combined Financial Statements included a reasonable allocation of these corporate general and administrative functions costs, primarily based on headcount.
- All the items resulting from transactions between entities remaining in the CNH Industrial Group and entities being transferred to Iveco Group were included in those Combined Financial Statements as items relating to third parties.
- Income tax expense or benefit, deferred income tax assets and liabilities and income tax receivables and liabilities attributable to Iveco Group were determined based on actual taxation. In certain cases, entities being transferred to the Iveco Group business have historically been included in consolidated tax filing groups with other entities that were not transferred to the Iveco Group business. In these instances, the current and deferred taxes presented in the Combined Financial Statements have generally been calculated considering the effects resulting from these entities participating in their respective group tax filings.
- Dividends and other equity transactions between Iveco Group and CNH Industrial Group were recognized directly in the Invested capital and retained earnings attributable to owners of Iveco Group.

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

SIGNIFICANT ACCOUNTING POLICIES

Format of the financial statements

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

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

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

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

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

Joint ventures

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

Associates

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

Investments in other companies

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

Transactions eliminated on consolidation

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

Foreign currency transactions

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

Consolidation of foreign entities

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

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

The Group applies IAS 29 - *Financial reporting in hyperinflationary economies* for its subsidiaries that prepare their financial statements in a functional currency of a hyperinflationary economy. According to this standard, at the reporting date, the amount of non-monetary assets and liabilities is redetermined using a general price index before being translated into euro. The financial statements of these subsidiaries are then translated at the closing spot rate.

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

	Average 2022	At 31 December 2022	Average 2021	At 31 December 2021
U.S. dollar	1.105	1.067	1.183	1.133
Pound sterling	0.853	0.887	0.860	0.840
Swiss franc	1.005	0.985	1.081	1.033
Brazilian real	5.439	5.568	6.378	6.310
Polish Zloty	4.687	4.690	4.565	4.597
Czeck Koruna	24.566	24.116	25.640	24.858
Argentine peso(1)	188.906	188.906	116.239	116.239
Turkish lira(2)	19.953	19.953	10.512	15.234

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

(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.

Business combinations

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

- the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group and the equity interests issued in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred;
- at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at that date, except for deferred tax assets and liabilities, assets and liabilities relating to employee benefit arrangements, liabilities or equity instruments relating to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire, assets (or disposal groups) that are classified as held for sale, which are measured in accordance with the relevant standard;
- goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a gain from a bargain purchase;
- non-controlling interest is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The selection of the measurement method is made on a transaction-by-transaction basis;
- any contingent consideration arrangement in the business combination is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination in order to determine goodwill. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are recognized retrospectively, with corresponding adjustments to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which may not exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date. Any changes in fair value after the measurement period are recognized in profit or loss.

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

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

Fair value measurement

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

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

In addition, fair value measurements are categorized within the fair value hierarchy, described as follows, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) on the market;
- Level 3 — inputs that are not based on observable market data.

Intangible assets

Goodwill

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

Development costs

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

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

All other development costs are expensed as incurred.

Intangible assets with indefinite useful lives

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

Other intangible assets

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

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

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

Property, plant and equipment

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

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

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

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

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

Land is not depreciated.

Lease accounting policy

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

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

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

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

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

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

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

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

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

Borrowing costs

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

All other borrowing costs are expensed when incurred.

Impairment of assets

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

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

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

Financial instruments

Presentation

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

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

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

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

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

Measurement

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

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

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

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

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

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

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

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

Derivatives financial assets and liabilities are measured either at fair value through other comprehensive income (when in a hedging relationship) or at fair value through profit or loss (refer to "Derivative financial instruments" below).

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

Derivative financial instruments

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks. In accordance with IFRS 9 - *Financial Instruments*, derivative financial instruments qualify for hedge accounting only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, there is an economic relationship between the hedging instrument and the hedged item, credit risk does not dominate the value changes that result from the economic relationship, and the hedging ratio in the hedging relationship reflects the actual quantity of the hedging instruments and the hedged item. Further details on qualifying criteria are included in Note 18 “Derivative assets and derivative liabilities” and Note 30 “Information on financial risks”.

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

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

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

Transfers of financial assets

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

- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, it derecognizes the financial asset and recognizes separately as assets or liabilities any possible rights and obligations created or retained in the transfer;
- if the Group retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset;
- if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case:

- if the Group has not maintained control, it derecognizes the financial asset and recognizes separately as assets and liabilities any possible rights and obligations created or retained in the transfer;
- if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

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

Inventories

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

Assets and liabilities held for sale

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

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

Employee benefits

Pension plans

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

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

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

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

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

Post-employment plans other than pensions

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

Defined contribution plans

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

Share-based compensation plans

The Group provides additional benefits to the key executive officers and select employees through equity compensation plans (stock grants). In accordance with IFRS 2 – *Share-based Payment*, these plans represent a component of recipient remuneration. The compensation expense, corresponding to the fair value of the instruments at the grant date, is recognized in profit or loss on a straight-line basis over the requisite service period for each separately vesting portion of an award, with the offsetting credit recognized directly in equity. Any subsequent changes to fair value do not have any effect on the initial measurement.

Provisions

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

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

Revenue recognition

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

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

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

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

Sales of goods

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

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

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

The cost of incentives, if any, are estimated at the inception of a contract at the amount that is expected to be paid and is recognized as a reduction to revenue at the time of the sale. If a vehicle contract transaction has multiple performance obligations, the cost of incentives is allocated entirely to vehicle as the intent of the incentives is to encourage sales of vehicles. If the estimate of the incentive changes following the sale to the customer, the change in estimate is recognized as an adjustment to revenue in the period of the change. Iveco Group grants sales incentives to support sales of its products to retail customers. At the later of the time of sale or the time an incentive is announced to dealers, Iveco Group records the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. Subsequent adjustments to sales incentive programs related to products/vehicles previously sold are recognized as an adjustment to revenues in the period the adjustment is determinable. The determination of sales allowances requires management to make estimates based upon historical data, estimated future market demand for products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things.

With reference to the sales to dealers accompanied by "floor plan" agreements under which the Group offers wholesale financing including "interest-free" financing for a specified period of time (which also vary by geographic market and product line), two separate performance obligations exist. The first performance obligation consists of the sale of the vehicle from Industrial Activities to the dealer. Concurrent with the sale of the vehicle, Industrial Activities offers to the dealer wholesale financing through loans extended by Financial Services. Industrial Activities compensates Financial Services for the cost of the interest-free period. This cost has been determined to represent a cash sale incentive on the initial sale of the good, and therefore it should be recognized upfront as a reduction of net sales of Industrial Activities. The second performance obligation consists of a credit facility extended by Financial Services to the dealer. The remuneration for this performance obligation is represented by the compensation received from Industrial Activities for the period of the interest-free financing and by the interest charged to dealer for the remaining period. This remuneration is recognized by Financial Services over the period of the outstanding exposure.

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

Rendering of services

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

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

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

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

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

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

Finance and interest income

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

Rents and other income on operating leases

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

Cost of sales

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

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

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

Research and development costs

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

Government grants

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

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

Income taxes

Income taxes include all taxes based upon the taxable profits of the Group. Taxes on income are recognized in profit or loss except to the extent they relate to items recognized directly in equity or in other comprehensive income, in which case the related tax effects are recognized directly in equity or in other comprehensive income.

Provisions for income taxes arising on the future distribution of a subsidiary’s undistributed profits are only made when there is a current intention to distribute such profits.

Deferred taxes are provided using the full liability method. They are calculated on all temporary differences between the tax bases of assets or liabilities and the corresponding carrying amounts in the Consolidated Financial Statements, except for those arising from non-tax-deductible goodwill and investments in subsidiaries where it is possible to control the reversal of the basis differences and reversal will not take place in the foreseeable future.

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

Dividends

Dividends payable by the Group are reported as a change in equity in the period in which they are approved by the Company’s shareholders at the Annual General Meeting of Shareholders (“AGM”).

Earnings per share

Basic earnings per share are calculated by dividing the Profit/(loss) attributable to owners of the parent by the weighted average number of common shares outstanding during the year. Special voting shares are not included in the earnings per share calculation as they are not eligible for dividends and have only limited economic rights. For diluted earnings per share, the weighted average number of common shares outstanding is adjusted assuming conversion of dilutive potential common shares.

Use of estimates

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

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

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

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

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

Allowance for doubtful accounts

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

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

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

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

Allowance for obsolete and slow-moving inventory

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

Recoverability of non-current assets

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

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

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

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

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

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

Sales allowances

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

Product warranties

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

Pension and other post-employment benefits

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

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

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

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

Recognition of deferred tax assets

At 31 December 2022, Iveco Group had net deferred tax assets, including tax loss carry forwards, of €927 million, of which €252 million are not recognized in the financial statements. The corresponding totals at 31 December 2021 were €864 million and €229 million. Management has recognized deferred tax assets it believes are probable to be recovered considering amounts from budgets and plans consistent with those used for other purposes within Iveco Group, for example impairment testing, as discussed in the paragraph "Recoverability of non-current assets" above. Iveco Group believes the amount of recognized deferred tax assets is appropriate, despite the risk of actual future results potentially being less than results included in these forecasts, considering many of the recognized net deferred tax assets relate to temporary differences and tax losses which, to a significant extent, may be recovered over an extended time period, but do not expire based on currently enacted tax law.

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

Contingent liabilities

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

Global Supply Chain, energy costs, and COVID-19 pandemic

Global supply chain remains challenging, as well as increased energy costs and inflation, representing the main challenge for the Group operations. Furthermore, the Group remains cautious about future impacts on its end-markets and business operations of restrictions on social interactions and business operations to limit the resurgence of the COVID-19 pandemic.

Climate related matters

The Company has established specific functions and structures within its respective business units to monitor the relevant emerging policies and regulatory developments at local and global level (especially in Europe, where regulatory pressure is greater). The resulting analyses are incorporated into the Company's strategy to ensure full compliance with applicable laws. The shifts in consumer preferences and demand towards sustainable transport solutions, driven by both an increase in climate-related awareness and more stringent regulations, may result in potential risks for manufacturers that must adapt to the evolving market. To counter this, Iveco Group applies these shifts to the development of its product portfolio to steer R&D focus towards sustainable technologies (e.g., biofuels, electric and hydrogen propulsion technologies) and ensure the resilience of its business model. To ensure the timely delivery of its strategy, the Company has established specific targets linked to the environmental performance of its manufacturing processes, logistics, and product portfolio. Iveco Group developed a scenario analysis which led to the identification of the Internal Price of Carbon (IPoC), an indicator that enables management to prioritise energy-saving projects based on the Group's ability to generate the greatest reduction in CO_2 emissions. The IPoC is used as a decision making tool whenever an initiative is presented to the Company's Investment Committee.

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

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

In particular, considering the financial statements information are presented through historical values which, by their nature, do not fully capture future events, all significant assumptions and estimates underlying the preparation of the following items were subject to an analysis in order to identify and address the new uncertainties related to climate changes which could affect the business: going concern, inventory management, property, plant and equipment, goodwill, brands, intangible assets with a finite life, tax reliefs, revenue recognition, provisions and onerous contracts.

The analysis conducted were based on the Group strategy outlined in the context of the global supply chain environmental targets and did not highlight any critical situations that cannot be attributable to, and addressed, in the ordinary course of the business.

In particular, one of the performance metrics foreseen in the equity incentive plan (2022-2024 LTIP Awards) in which employees and executive directors participate is the CO_2 emissions reduction. This could impact the future amount of the recognition of share-based payment expense in the income statement.

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 our 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.

The increased risk resulting from the Russia-Ukraine conflict is described in section "Risk Factors - Political or Financial instability in countries where the Group operates" of this Annual Report.

New standards and amendments effective from 1 January 2022

- On 14 May 2020 the IASB issued *Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)* to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use and clarifying the meaning of "testing whether an asset is functioning properly". These amendments are effective retrospectively from 1 January 2022. These amendments had no impact on these Consolidated Financial Statements.
- On 14 May 2020 the IASB issued *Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)* specifying that the cost of fulfilling a contract comprises the costs that relate directly to the contract, including both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. These amendments are effective retrospectively from 1 January 2022. These amendments had no impact on these Consolidated Financial Statements.
- On 14 May 2020 the IASB issued the *Annual Improvements to IFRS 2018-2020 Cycle*. The most important topics addressed in these amendments are: (i) on *IFRS 9 - Financial Instruments* clarifying which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability; and (ii) on *IFRS 16 - Leases* removing an illustrative example of reimbursement for leasehold improvements. These amendments are effective from 1 January 2022. These improvements had no impact on these Consolidated Financial Statements.

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

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

- On 12 February 2021 the IASB issued the *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies,* requiring to disclose the material accounting policy information rather than the significant accounting policies. Furthermore, the amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective from 1 January 2023. The Group does not expect any material impact from the adoption of these amendments.
- On 12 February 2021 the IASB issued the *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.* The amendments clarify how to distinguish changes in accounting policies (generally also applied retrospectively to past transactions and other past events) from changes in accounting estimates (applied prospectively only to future transactions and other future events). This amendment is effective from 1 January 2023. The Group does not expect any material impact from the adoption of these amendments.
- 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. The Group does not expect any material impact from the adoption of these amendments.

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

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

- On 22 September 2022, the IASB issued *Lease liability in a Sale and Leaseback (Amendments to IFRS 16)* specifying the requirements that, after the commencement date, a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment applies retrospectively to annual reporting periods beginning on or after 1 January 2024, with early application permitted. At the date of these Consolidated Financial Statements, the European Union has not yet completed its endorsement process for this amendment.

SCOPE OF CONSOLIDATION

The Consolidated Financial Statements of the Group as of 31 December 2022 include the Company and 91 consolidated subsidiaries.

At 31 December 2022, excluded from consolidation are 3 subsidiaries that are either dormant or generate a negligible volume of business: their proportion of the Group's assets, liabilities, financial position, and earnings is immaterial. All such subsidiaries are accounted for using the cost method and represent in aggregate less than 0.01 percent of Group revenues, equity and total assets.

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

BUSINESS COMBINATIONS

There were no significant business combinations in 2022 or 2021.

For completeness, in 2022 Iveco Group transferred to a third party the entire share capital in its French subsidiary 2H Energy, active in the production of generating sets and turnkey solutions.

COMPOSITION AND PRINCIPAL CHANGES

1. Net revenues

The following table summarizes Net revenues for the years ended 31 December 2022 and 2021:

(€ million)	**2022**	**2021**
Commercial and Specialty Vehicles	12,100	10,318
Powertrain	3,960	3,750
Eliminations and Other	(1,895)	(1,548)
Total Industrial Activities	**14,165**	**12,520**
Financial Services	281	195
Eliminations and Other	(89)	(64)
Total Net revenues	**14,357**	**12,651**

The following table disaggregates Net revenues by major source for the years ended 31 December 2022 and 2021:

(€ million)	**2022**	**2021**
Revenues from:		
Sales of goods	13,253	11,646
Rendering of services and other revenues	632	603
Rents and other income on assets sold with a buy-back commitment	280	271
Revenues from sales of goods and services	**14,165**	**12,520**
Finance and interest income	162	99
Rents and other income on operating lease	30	32
Total Net Revenues	**14,357**	**12,651**

During the years ended 31 December 2022 and 2021, revenues included €456 million and €399 million, respectively, relating to the reversal of contract liabilities outstanding at the beginning of each period. Refer to Note 26 "Other current liabilities" for additional details on contract liabilities.

As of 31 December 2022, the aggregate amount of the transaction price allocated to remaining performance obligations related to extended warranties/maintenance and repair contracts, and transactions for the sale of vehicles with a buy-back commitment, was approximately €2.2 billion (approximately €2.3 billion at 31 December 2021). As of 31 December 2022, Iveco Group expects to recognize revenue on approximately 32% and 76% of the remaining performance obligations over the next 12 and 36 months, respectively, (approximately 29% and 73% as of 31 December 2021, respectively), with the remaining recognized thereafter.

2. Cost of sales

Cost of sales amounted to €12,389 million in 2022 and €10,881 million in 2021. In 2022, cost of sales includes €31 million related to the impairment of certain assets in connection with operations in Russia and Ukraine.

3. Selling, general and administrative costs

Selling, general and administrative costs amounted to €936 million in 2022, up €111 million compared to 2021, primarily due to emerging corporate costs.

4. Research and development costs

In 2022, Research and development costs of €473 million (€481 million in 2021) comprise all the research and development costs not recognized as assets in the year, amounting to €244 million (€238 million in 2021), the amortization of capitalized development costs of €214 million (€227 million in 2021) and the impairment of capitalized development costs of €15 million (€16 million in 2021). During 2022, the Group capitalized new development costs of €390 million (€271 million in 2021). The costs in both periods were primarily attributable to spending on engine development activities associated with emission requirements and continued investment in new products.

5. Result from investments

In 2022 and 2021 Iveco Group's share in the net profit or loss of the investees accounted for using the equity method amounted to a loss of €5 million and a gain of €27 million, respectively.

6. Restructuring costs

Iveco Group incurred restructuring costs of €15 million and €36 million in 2022 and 2021, respectively.

7. Other income/(expenses)

This item consists of miscellaneous costs which cannot be allocated to specific functional areas, such as accruals for various provisions not attributable to other items of Cost of sales or Selling, general and administrative costs, net of income arising from operations which is not attributable to the sale of goods and services. Other expenses were €106 million and €168 million in 2022 and 2021, respectively. In both periods, this item primarily included legal costs, indirect taxes, and the separation costs related to the spin-off of the Iveco Group business. In 2022, this item also included the negative impact of €14 million deriving from the first-time adoption of hyperinflation accounting in Türkiye, in accordance with IAS 29 - *Financial reporting in Hyperinflationary Economies*, effective from 1 January 2022, and the €52 million gain from the disposal of certain fixed assets in Australia. In 2021, this item also included a pre- and after-tax-loss of €21 million from the valuation at their recoverable amount of certain assets classified as held for sale.

8. Financial income/(expenses)

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

(€ million)	2022	2021
Financial income (a)	**56**	**32**
Interest and other financial expenses (b)	**175**	**95**
Net (income) expenses from derivative financial instruments	13	(42)
Exchange rate differences and other	(100)	(10)
Total net income/(expenses) from derivative financial instruments, exchange differences and other (c)	**(87)**	**(52)**
Net financial income/(expenses) (a) - (b) + (c)	**(206)**	**(115)**

Interest earned and other financial income may be analyzed as follows:

(€ million)	2022	2021
Interest income from banks	47	7
Interest and financial income from financial assets at amortized cost	—	2
Other interest income and financial income	9	23
Total Interest earned and other financial income	**56**	**32**

Interest cost and other financial expenses may be analyzed as follows:

(€ million)	2022	2021
Bank interest expenses	8	3
Interest expenses related to lease liabilities	5	5
Commission expenses	3	5
Other interest cost and other financial expenses	159	82
Total Interest cost and other financial expenses	**175**	**95**

Capitalized borrowing costs amounted to €15 million and €4 million in 2022 and 2021, respectively.

Other interest cost and other financial expenses include, amongst other things, interest cost on asset-backed financing and factoring cost.

9. Income tax (expense) benefit

The Company and its subsidiaries have substantial worldwide operations. The Company's subsidiaries incur tax obligations in the jurisdictions in which they operate. The Group's income tax expenses or benefits as reported in its consolidated income statement for the years ended 31 December 2022 and 2021 consist primarily of income tax expenses or benefits related to subsidiaries of the Company.

Income tax (expense) benefit for the years ended 31 December 2022 and 2021 consisted of the following:

(€ million)	**2022**	**2021**
Current taxes	(108)	(82)
Deferred taxes	(11)	(21)
Taxes relating to prior periods	18	(1)
Total Income tax (expense) benefit	**(101)**	**(104)**

The Company is incorporated in the Netherlands but is a tax resident of Italy. The reconciliation of the differences between the theoretical income taxes at the parent statutory rate and the total income taxes is presented based on the Italian national statutory corporation tax rate of 24% in force during each of Iveco Group's calendar year reporting periods presented in these Consolidated Financial Statements. A reconciliation of Iveco Group's income tax expense for the years ended 31 December 2022 and 2021 is as follows:

(€ million)	**2022**	**2021**
Theoretical Income tax (expense) at the parent statutory rate	**(62)**	**(43)**
Foreign income taxed at different rates	8	14
Deferred tax assets not recognized and write-down	(47)	(34)
Italian IRAP taxes	(14)	(9)
Taxes relating to prior years	18	(1)
Use of tax losses for which no deferred tax assets were recognized	7	9
Change in tax rate or law	(5)	2
Other	(6)	(42)
Total Income tax (expense) benefit	**(101)**	**(104)**

The effective tax rates for 2022 and 2021 were 38.8% and, 57.8%, respectively. The effective tax rate reduction in 2022 was primarily driven by prior year taxes, the reduction of certain other discrete items occurred in 2021, partially offset by deferred tax assets not recognized which in 2022 mainly reflects the effect of Russian and Ukrainian asset impairment.

At 31 December 2022, undistributed earnings in certain subsidiaries totaled approximately €3.7 billion (€2.6 billion at 31 December 2021) for which no deferred tax liability has been recorded because the remittance of earnings from certain jurisdictions would incur no tax or such earnings are indefinitely reinvested. Iveco Group has determined the amount of unrecognized deferred tax liability relating to the €3.7 billion undistributed earnings is approximately €79 million and related to withholding taxes and incremental local country income taxes in certain jurisdictions. Dividend income in Italy is generally exempt at 95% from income taxes.

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

The components of net deferred tax assets at 31 December 2022 and 2021 are as follows:

(€ million)	At 31 December 2021	Recognized in income statement	Charged to equity	Translation differences and other changes	At 31 December 2022
Deferred tax assets arising from:					
Taxed provisions	435	95	—	12	542
Inventories	89	6	—	(6)	89
Taxed allowances for doubtful accounts	53	(4)	—	(1)	48
Provision for employee benefits	54	(10)	(12)	9	41
Intangible assets	1	—	—	7	8
Lease liabilities	53	(2)	—	(32)	19
Fixed assets	31	(3)	—	(3)	25
Measurement of derivative financial instruments	7	(8)	7	(10)	(4)
Other	88	(18)	—	(2)	68
Total	**811**	**56**	**(5)**	**(26)**	**836**
Deferred tax liabilities arising from:					
Accelerated depreciation	(55)	2	—	34	(19)
Inventories	(5)	4	—	(3)	(4)
Provision from employee benefits	1	(1)	(3)	2	(1)
Capitalization of development costs	(46)	1	—	(6)	(51)
Other	(80)	23	—	(8)	(65)
Total	**(185)**	**29**	**(3)**	**19**	**(140)**
Theoretical tax benefit arising from tax loss carryforwards and tax credits	238	(8)	—	1	231
Adjustments for assets whose recoverability is not probable	(229)	(29)	—	6	(252)
Total net deferred tax assets	**635**	**48**	**(8)**	**—**	**675**

(€ million)	At 31 December 2022	At 31 December 2021
Deferred tax assets	700	646
Deferred tax liabilities	(25)	(11)
Net deferred tax assets	**675**	**635**

The increase of €40 million in net deferred tax assets during 2022 was mainly due to the income tax gain of €48 million recognized in the income statement as a result of the reversal of temporary differences, tax losses and taxes related to prior periods.

The decision to recognize deferred tax assets is made for each legal entity in the Group by critically assessing whether the conditions exist for the future recoverability of such assets on the basis of actual results, as well as updated strategic business plans and accompanying tax plans. For this reason, the total theoretical future tax benefits arising from deductible temporary differences of €836 million at 31 December 2022 and €811 million at 31 December 2021, and tax loss and credit carryforwards of €231 million at 31 December 2022 and €238 million at 31 December 2021, were reduced by €252 million at 31 December 2022 and €229 million at 31 December 2021.

Net recognized deferred tax assets include €121 million at 31 December 2022 (€136 million at 31 December 2021) of tax benefits arising from tax loss carryforwards and tax credits. At 31 December 2022, a further tax benefit of €110 million (€102 million at 31 December 2021) arising from tax loss carryforwards and tax credits has not been recognized.

At 31 December 2022, tax liabilities primarily include uncertain income tax amounts of €21 million (€21 million at 31 December 2021) and other tax payables.

The totals of deductible and taxable temporary differences and accumulated tax losses at 31 December 2022, together with the amounts for which deferred tax assets have not been recognized, analyzed by estimated year of reversal or expiry, are as follows:

		Year of expiry					
(€ million)	Total at 31 December 2022	2023	2024	2025	2026	Beyond 2026	Unlimited/ indeterminable
Temporary differences and tax losses:							
Deductible temporary differences	3,040	876	685	462	366	651	—
Taxable temporary differences	(531)	(107)	(90)	(89)	(84)	(161)	—
Tax losses and tax credits	873	152	26	23	24	25	623
Temporary differences and tax losses for which deferred tax assets have not been recognized	(824)	(207)	(101)	(88)	(89)	(158)	(181)
Temporary differences and tax losses	**2,558**	**714**	**520**	**308**	**217**	**357**	**442**

Iveco Group files income tax returns in multiple jurisdictions and is subject to examination by taxing authorities throughout the world. Iveco Group has open tax years from 2010 through 2021. Due to the global nature of Iveco Group's business, transfer pricing disputes may arise, and Iveco Group may seek correlative relief through competent authority processes. Further, as various ongoing audits are concluded, or as the applicable statutes of limitations expire, it is possible Iveco Group's amount of unrecognized tax benefits could change during the next twelve months. Iveco Group does not believe the resolution of any outstanding tax examinations will have a material effect on Iveco Group's results of operations, statement of financial position, or cash flows.

10. Other information by nature of expense

The income statement includes personnel costs for €1,943 million in 2022 (€1,792 million in 2021).

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

	2022	2021
Manager	2,014	1,826
Professional	5,029	4,726
Salaried	5,091	5,215
Hourly	22,706	21,781
Average number of employees	**34,840**	**33,548**

11. Earnings per share

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

		2022	2021
Basic:			
Profit/(loss) attributable to the owners of the parent	€ million	147	52
Weighted average common shares outstanding – basic	million	271	271
Basic earnings/(loss) per common share	€	**0.54**	**0.19**

Diluted:			
Profit/(loss) attributable to the owners of the parent	€ million	147	52
Weighted average common shares outstanding – basic	million	271	271
Effect of dilutive potential common shares (when dilutive):			
Share compensation plans	million	1	—
Weighted average common shares outstanding – diluted	million	272	271
Diluted earnings/(loss) per common share	€	**0.54**	**0.19**

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.

For the year ended 31 December 2022, 2.7 million shares (consisting of share grants) were outstanding but not included in the calculation of diluted earnings per share as the impact of these shares would have been anti-dilutive.

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

For additional information on the share-based payment awards, see Note 21 "Equity".

12. Intangible assets

In 2022 and 2021, changes in the carrying amount of Intangible assets were as follows:

(€ million)	Goodwill	Development costs externally acquired	Development costs internally generated	Patents, concessions and licenses	Other intangible assets externally acquired	Advances and intangible assets in progress externally acquired	Total
Gross carrying amount Balance at 31 December 2020	**71**	**1,603**	**2,022**	**545**	**83**	**32**	**4,356**
Additions	—	175	96	13	6	35	**325**
Divestitures, translation differences and other changes	—	(7)	(33)	40	(6)	(31)	**(37)**
Balance at 31 December 2021	**71**	**1,771**	**2,085**	**598**	**83**	**36**	**4,644**
Additions	—	239	151	23	8	37	**458**
Divestitures, translation differences and other changes	(1)	(37)	(14)	23	(1)	(25)	**(55)**
Balance at 31 December 2022	**70**	**1,973**	**2,222**	**644**	**90**	**48**	**5,047**
Accumulated amortization and impairment losses Balance at 31 December 2020	**1**	**1,414**	**1,119**	**497**	**65**	**—**	**3,096**
Amortization	—	184	43	24	6	—	**257**
Impairment losses	—	16	—	—	7	—	**23**
Divestitures, translation differences and other changes	—	(1)	(39)	3	(9)	—	**(46)**
Balance at 31 December 2021	**1**	**1,613**	**1,123**	**524**	**69**	**—**	**3,330**
Amortization	—	170	44	30	4	—	**248**
Impairment losses	—	8	7	—	—	—	**15**
Divestitures, translation differences and other changes	—	(40)	(14)	(1)	(2)	—	**(57)**
Balance at 31 December 2022	**1**	**1,751**	**1,160**	**553**	**71**	**—**	**3,536**
Carrying amount at 31 December 2021	**70**	**158**	**962**	**74**	**14**	**36**	**1,314**
Carrying amount at 31 December 2022	**69**	**222**	**1,062**	**91**	**19**	**48**	**1,511**

Goodwill and intangible assets with indefinite useful lives

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

(€ million)	At 31 December 2022	At 31 December 2021
Commercial and Specialty Vehicles	53	53
Powertrain	4	5
Financial Services	12	12
Goodwill net carrying amount	**69**	**70**

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

Goodwill impairment test is performed at the cash generating unit level, the segment level, comparing the recoverable amount of the cash generating unit to the carrying amount to determine if there is an impairment loss. The results of the impairment tests obtained in 2022 and 2021 confirmed the absence of an impairment loss.

The vast majority of goodwill, representing approximately the 77% of the total, related to Commercial and Specialty Vehicles and, as such, the following discussion relates to the impairment testing performed at year-end for this cash-generating unit.

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

Discount rate assumptions include an assessment of the risk inherent in the future cash flows of the cash-generating unit. The discount rate before taxes selected was approximately 15.6% at 31 December 2022 and 11.8% at 31 December 2021.

Expected cash flows used under the income approach are developed in conjunction with budgeting and forecasting processes. Iveco Group used 5 years in both 2022 and 2021 of expected cash flows for Commercial and Specialty Vehicles as the Company believes that these periods reflect the underlying market cycle for its business. Furthermore, instead of including a terminal value, an additional 5-year discounted cash flow has been included at the end of the projection period in order to conservatively reflect the remaining value that the cash-generating unit is expected to generate.

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

Development costs

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

Development costs are tested for impairment at the cash-generating unit level. Impairment of development costs in 2022 primarily refers to the bus business, as a consequence of the acceleration in emission-related technological transition.

13. Property, plant and equipment

In 2022 and 2021, changes in the carrying amount of Property, plant and equipment were as follows:

(€ million)	Land	Industrial buildings	Plant, machinery and equipment	Right-of-use assets	Assets sold with a buy-back commitment	Other	Total
Gross carrying amount Balance at 31 December 2020	**122**	**1,097**	**4,905**	**322**	**2,150**	**429**	**9,025**
Additions	—	26	173	61	586	40	**886**
Divestitures, translation differences and other changes	(5)	51	55	(32)	(762)	(30)	**(723)**
Balance at 31 December 2021	**117**	**1,174**	**5,133**	**351**	**1,974**	**439**	**9,188**
Additions	4	30	187	51	412	98	**782**
Divestitures, translation differences and other changes	(5)	(27)	(37)	(43)	(360)	(24)	**(496)**
Balance at 31 December 2022	**116**	**1,177**	**5,283**	**359**	**2,026**	**513**	**9,474**
Accumulated depreciation and impairment losses Balance at 31 December 2020	**3**	**738**	**4,027**	**119**	**779**	**327**	**5,993**
Depreciation	—	27	189	69	220	25	**530**
Impairment losses	—	—	1	—	2	—	**3**
Divestitures, translation differences and other changes	—	33	39	(35)	(403)	(27)	**(393)**
Balance at 31 December 2021	**3**	**798**	**4,256**	**153**	**598**	**325**	**6,133**
Depreciation	—	32	198	68	215	14	**527**
Impairment losses	—	—	2	—	2	—	**4**
Divestitures, translation differences and other changes	(4)	(31)	(51)	(45)	(144)	(12)	**(287)**
Balance at 31 December 2022	**(1)**	**799**	**4,405**	**176**	**671**	**327**	**6,377**
Carrying amount at 31 December 2021	**114**	**376**	**877**	**198**	**1,376**	**114**	**3,055**
Carrying amount at 31 December 2022	**117**	**378**	**878**	**183**	**1,355**	**186**	**3,097**

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

In 2022, Commercial and Specialty Vehicles recognized an impairment loss of €2 million on Assets sold with a buy-back commitment (€2 million in 2021) and of €2 million on Plant, machinery and equipment (nil in 2021). The losses were recognized in the Cost of sales.

Other changes mainly include the reclassification of the prior year balances for Advances and tangible assets in progress to the appropriate categories when the assets were effectively acquired and put into operation, as well as the reclassification to Inventory of Assets sold with a buy-back commitment (€98 million in 2022 and €183 million in 2021) that are held for sale at the agreement expiry date.

At 31 December 2022, right-of-use assets refer primarily to lease contracts for industrial buildings for €127 million (€133 million at 31 December 2021), plant, machinery and equipment for €16 million (€16 million at 31 December 2021), and other assets for €40 million (€49 million at 31 December 2021). For a description of the related lease liabilities, refer to Note 24 "Debt".

Short-term and low-value leases are not recorded in the statement of financial position. Iveco Group recognizes lease expense (€11 million and €9 million in 2022 and 2021, respectively) in the income statement for these leases on a straight-line basis over the lease term.

Land and industrial buildings and plant, machinery and equipment pledged as security for debt and other commitments were immaterial at 31 December 2022 and 2021.

Iveco Group had contractual commitments of €149 million and €54 million for the acquisition of property, plant and equipment at 31 December 2022 and 2021, respectively.

14. Investments and other non-current financial assets

(€ million)	**At 31 December 2022**	**At 31 December 2021**
Investments accounted for using the equity method	150	310
Equity investments measured at fair value through other comprehensive income	62	224
Other investments	11	13
Total Investments	223	547
Non-current financial receivables and other non-current securities	14	35
Total Investments and other financial assets	**237**	**582**

At 31 December 2022 and 2021, no Non-current financial receivables had been pledged as security.

Investments

Changes in Investments in 2022 and 2021 are set out below:

(€ million)	**At 31 December 2021**	**Revaluations / (Write-downs)**	**Acquisitions and capitalizations**	**Fair value remeasurements**	**Translation differences, disposals and other changes**	**At 31 December 2022**
Investments in:						
Joint ventures	182	(5)	—	—	(63)	**114**
Associates	128	—	—	—	(92)	**36**
Equity investments measured at fair value through other comprehensive income	224	—	10	(172)	—	**62**
Unconsolidated subsidiaries and other	13	—	1	—	(3)	**11**
Total Investments	**547**	**(5)**	**11**	**(172)**	**(158)**	**223**

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

Revaluations and Write-downs include the Group's share of the profit or loss for the year of investments accounted for using the equity method for a loss of €5 million in 2022 (a gain of €27 million in 2021).

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

In 2022, Other changes primarily reflects the liquidation of the investment in the joint venture SAIC IVECO Commercial Vehicle Investment Company Limited (amounting to €166 million at 31 December 2021) following the final step of Chinese joint ventures' restructuring. This final step resulted in a gain of €36 million in the income statement in item Gains/(losses) on disposal of investments.

Equity investments measured at fair value through other comprehensive income mainly include the €52 million fair value of the approximately 5.0% 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 2022, Iveco Group recorded in Other comprehensive income a pre- and after-tax loss of €172 million (a pre-tax loss of €95 million and an after-tax loss of €94 million during 2021) from the remeasurement at fair value of the investment in Nikola.

Iveco S.p.A. and Nikola Corporation are jointly developing cab over battery-electric vehicle ("BEV") and hydrogen fuel cell electric vehicle ("FCEV") trucks, which will be manufactured in Europe through a legal entity 50/50 owned by Iveco S.p.A. and Nikola Corporation (Nikola Iveco Europe GmbH), and in the U.S. by Nikola Corporation.

At 31 December 2022, Equity investments measured at fair value through other comprehensive income also included a minor investment in a non-listed company in India acquired during 2022, considered strategic in nature.

Investments in joint ventures

Interests in joint ventures are accounted for using the equity method. A summary of investments in joint ventures at 31 December 2022 and 2021 is as follows:

	At 31 December 2022		At 31 December 2021	
	% of interest	(€ million)	% of interest	(€ million)
CIFINS S.p.A.	50.00 %	104	— %	—
SAIC IVECO Commercial Vehicle Investment Company Limited	— %	—	50.0 %	166
Other joint ventures		10		16
Total Investments in joint ventures		**114**		**182**

Interests in joint ventures consist of 4 companies at 31 December 2022 (4 companies at 31 December 2021) and mainly include 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. The 24.95% investment in CNH Capital Europe S.A. indirectly held by Iveco Group through CIFINS S.p.A. at 31 December 2022, was included in the combined financial statements at 31 December 2021 as investments in associates.

At 31 December 2022 and 2021, summarized financial information relating to the joint ventures of the Group material at these dates, respectively, prepared in accordance with EU-IFRS, is as follows:

(€ million)	**At 31 December 2022**	**At 31 December 2021**
	CIFINS S.p.A.	**SAIC IVECO Ltd.**
Cash and cash equivalents	1	128
Non-current assets	207	—
Current assets	—	207
Total Assets	**208**	**335**
Debt	—	—
Other liabilities	—	—
Total Liabilities	**—**	**—**
Total Equity	**208**	**335**

	2022	**2021**
(€ million)	**CIFINS S.p.A.**	**SAIC IVECO Ltd.**
Result from investments	27	15
Profit/(loss) before taxes	27	15
Income tax (expenses)	—	—
Profit/(loss) from continuing operations	**27**	**15**
Profit/(loss) from discontinued operations	—	—
Profit/(loss)	**27**	**15**
Total Other comprehensive income, net of tax	**—**	**—**
Total Comprehensive income	**27**	**15**

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

	At 31 December 2022	**At 31 December 2021**
(€ million)	**CIFINS S.p.A.**	**SAIC IVECO Ltd.**
Total Equity	**208**	**336**
Group's interest (%)	50	50
Pro-quota equity	**104**	**168**
Adjustments made by using the equity method	—	(2)
Carrying amount	**104**	**166**

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

(€ million)	At 31 December 2022	At 31 December 2021
Non-current assets	—	—
Current assets	5,681	5,209
Total Assets	**5,681**	**5,209**
Debt	4,984	4,605
Other liabilities	282	231
Total Liabilities	**5,266**	**4,836**
Total Equity	**415**	**373**

(€ million)	2022	2021
Net revenues	150	113
Profit/(loss) before taxes	81	73
Profit/(loss) from continuing operations	**56**	**48**
Profit/(loss) from discontinued operations	—	—
Profit/(loss)	**56**	**48**
Total Other comprehensive income, net of tax	**—**	**—**
Total Comprehensive income	**56**	**48**

Investments in associates

A summary of investments in associates at 31 December 2022 and 2021 is as follows:

	At 31 December 2022		At 31 December 2021	
	% of interest	(€ million)	% of interest	(€ million)
Transolver Finance Establecimiento Financiero de Credito S.A.	49.9 %	36	49.9 %	35
Other associates(1)		—		93
Total Investments in associates		**36**		**128**

(1) The 24.95% investment in CNH Capital Europe S.A. indirectly held by Iveco Group through CIFINS S.p.A. at 31 December 2022, was included in the combined financial statements at 31 December 2021 as investments in associates.

Summarized financial information relating to Transolver Finance Establecimiento Financiero de Credito S.A., material associate of the Group, is as follows:

(€ million)	At 31 December 2022	At 31 December 2021
Non-current assets	451	382
Current assets	16	23
Total Assets	**467**	**405**
Debt	392	332
Other liabilities	2	2
Total Liabilities	**394**	**334**
Total Equity	**73**	**71**

(€ million)	2022	2021
Net revenues	13	11
Profit/(loss) before taxes	4	5
Profit/(loss) from continuing operations	**4**	**5**
Profit/(loss) from discontinued operations	—	—
Profit/(loss)	**3**	**4**
Total Other comprehensive income, net of tax	**—**	**—**
Total Comprehensive income	**3**	**4**

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

(€ million)	At 31 December 2022	At 31 December 2021
Total Equity	**73**	**71**
Group's interest (%)	49.90	49.90
Pro-quota equity	**36**	**35**
Adjustments made by using the equity method	—	—
Carrying amount	**36**	**35**

15. Leased assets

This item changed as follows in 2022 and 2021:

(€ million)	At 31 December 2021	Additions	Depreciation	Translation differences, disposals and other changes	At 31 December 2022
Gross carrying amount	114	45	—	(33)	**126**
Less: Depreciation and impairment	(56)	—	(27)	27	**(56)**
Net carrying amount of Leased assets	**58**	**45**	**(27)**	**(6)**	**70**

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

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

At 31 December 2022, minimum lease payments receivable for assets under non-cancelable operating leases amount to €85 million (€73 million at 31 December 2021) and fall due as follows:

(€ million)	At 31 December 2022	At 31 December 2021
Less than one year	31	29
One to two years	25	21
Two to three years	16	15
Three to four years	7	6
Four to five years	4	2
More than five years	2	—
Total Undiscounted lease payments	**85**	**73**

No leased assets have been pledged as security at 31 December 2022 and 2021.

16. Inventories

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

(€ million)	At 31 December 2022	At 31 December 2021
Raw materials	649	657
Work-in-progress	332	453
Finished goods	1,857	1,541
Total Inventories	**2,838**	**2,651**

At 31 December 2022, Inventories included assets which are no longer subject to operating lease arrangements or buy-back commitments and were held for sale for a total amount of €11 million (€49 million at 31 December 2021). Total Inventories increased €187 million compared to 31 December 2021, primarily to serve the solid order backlog and due to increased inflation.

At 31 December 2022, the amount of Inventories measured at net realizable value (estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale) is €750 million (€546 million at 31 December 2021).

During 2021, Commercial and Specialty Vehicles recognized impairment losses of €24 million in Inventories.

There were no inventories pledged as security at 31 December 2022 and 2021.

17. Current receivables and Other current financial assets

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

(€ million)	At 31 December 2022	At 31 December 2021
Trade receivables	341	318
Receivables from financing activities	4,378	2,909
Current tax receivables	95	110
Other current receivables and financial assets:		
Other current receivables	313	3,848
Other current financial assets	26	54
Total Other current receivables and financial assets	339	3,902
Total Current receivables and Other current financial assets	**5,153**	**7,239**

An analysis of Current receivables and Other current financial assets by due date is as follows:

	At 31 December 2022				At 31 December 2021			
(€ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Trade receivables	325	4	12	**341**	318	—	—	**318**
Receivables from financing activities	4,230	52	96	**4,378**	2,819	86	4	**2,909**
Current tax receivables	88	7	—	**95**	99	11	—	**110**
Other current receivables	292	14	7	**313**	3,824	14	10	**3,848**
Other current financial assets	26	—	—	**26**	54	—	—	**54**
Total Current receivables and Other current financial assets	**4,961**	**77**	**115**	**5,153**	**7,114**	**111**	**14**	**7,239**

Trade receivables

As of 31 December 2022 and 2021, Iveco Group had trade receivables of €341 million and €318 million, respectively. Trade receivables are shown net of allowances for doubtful accounts of €21 million and €40 million at 31 December 2022 and 2021, respectively. The allowances are determined using the simplified approach as permitted by IFRS 9 for trade receivables, consisting in the use of lifetime expected loss.

Changes in the allowances for doubtful accounts during 2022 and 2021, were as follows:

(€ million)	At 31 December 2022	At 31 December 2021
Opening balance	**40**	**30**
Provision	2	2
Use and other changes	(21)	8
Ending balance	**21**	**40**

The allowances at 31 December 2022 and 2021 have been determined using the following expected loss rates:

		At 31 December 2022					At 31 December 2021				
		Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total	Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total
Expected loss rate (in %)	%	1%	11%	—%	50%	6%	6%	—%	—%	68%	11%
Gross carrying amount	€ million	286	53	1	22	362	324	4	2	28	358
Allowances for doubtful accounts	€ million	(4)	(6)	—	(11)	(21)	(21)	—	—	(19)	(40)

Trade receivables have significant concentrations of credit risk in Commercial and Specialty Vehicles segment. There is not a disproportionate concentration of credit risk in any geographic region.

The Industrial Activities businesses sell a significant portion of their trade receivables to Financial Services and provide compensation to Financial Services at approximate market interest rates.

In 2022 and 2021, trade receivables for an amount of €5 million and €8 million, respectively, were written off by Iveco Group.

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

Receivables from financing activities

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

(€ million)	At 31 December 2022	At 31 December 2021
Retail:		
Retail financing	10	10
Finance leases	57	60
Total Retail	**67**	**70**
Wholesale:		
Dealer financing	4,156	2,805
Total Wholesale	**4,156**	**2,805**
Other	155	34
Total Receivables from financing activities	**4,378**	**2,909**

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

Wholesale receivables arise primarily from the sale of goods to dealers and distributors and, to a lesser extent, the financing of dealer operations. Under the standard terms of the wholesale receivable agreements, these receivables typically have “interest-free” periods of up to twelve months and stated original maturities of up to twenty-four months, with repayment accelerated upon the sale of the underlying equipment by the dealer. During the “interest free” period, Financial Services is compensated by Industrial Activities based on market interest rates. After the expiration of any “interest-free” period, interest is charged to dealers on outstanding balances until Iveco Group receives payment in full. The “interest-free” periods are determined based on the type of equipment sold and the time of year of the sale. Iveco Group evaluates and assesses dealers on an ongoing basis as to their credit worthiness. Iveco Group may be obligated to repurchase the dealer’s equipment upon cancellation or termination of the dealer’s contract for such causes as change in ownership, closeout of the business, or default. There were no significant losses in 2022 and 2021 relating to the termination of dealer contracts.

Iveco Group assess and monitors the credit quality of its financing receivables based on whether a receivable is classified as Performing or Non-Performing. Financing receivables are considered past due if the required principal and interest payments have not yet been received as of the date such payments were due. Delinquency is reported on financing receivables greater than 30 days past due. Non-performing financing receivables represent loans for which Iveco Group has ceased accruing finance income. These receivables are generally 90 days delinquent. Finance income for non-performing receivables is recognized on a cash basis. Accrued interest is charged-off to Interest income. Interest income charged-off was not material for the years ended 31 December 2022 and 2021. Interest accrual is resumed if the receivable becomes contractually current and collections becomes probable. Previously suspended income is recognized at that time.

The aging of Receivables from financing activities as of 31 December 2022 and 2021 is as follows (receivables are primarily related to Europe region):

								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**

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

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

Receivables from financing activities have significant concentrations of credit risk in the Commercial and Specialty Vehicles segment. On a geographic basis, there is not a disproportionate concentration of credit risk in any area. Iveco Group typically retains as collateral a security interest in the vehicles associated with retail notes, wholesale notes and finance leases.

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

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

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

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

Allowance for Credit Losses of Receivables from financing activities

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

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

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

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

Allowance for credit losses activity for the years ended 31 December 2022 and 2021 is as follows:

	Year Ended 31 December 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)	(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**

(€ 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
								Year Ended 31 December 2021
				Retail				**Wholesale**
Opening balance	**32**	**—**	**80**	**112**	**8**	**1**	**82**	**91**
Provision (benefit)	—	—	(2)	(2)	1	—	9	10
Charge-offs, net of recoveries	—	—	(21)	(21)	—	—	(9)	(9)
Transfers	(29)	—	29	—	(1)	(1)	2	—
Foreign currency translation and other	—	—	—	—	—	—	6	6
Ending balance	**3**	**—**	**86**	**89**	**8**	**—**	**90**	**98**
Receivables:								
Ending balance	**44**	**—**	**26**	**70**	**2,718**	**6**	**81**	**2,805**

At 31 December 2022, the change in allowance for credit losses mainly related to the write-offs registered over the period.

Finance lease receivables mainly relate to vehicles leased out under finance lease arrangements. The interest rate implicit in the lease is determined at the commencement of the lease for the whole lease term. The average interest rate implicit in total finance lease receivables varies depending on prevailing market interest rates.

The item may be analyzed as follows, stated gross of an allowance of €59 million at 31 December 2022 (€73 million at 31 December 2021):

(€ million)	At 31 December 2022	At 31 December 2021
Less than one year	45	43
One to two years	20	36
Two to three years	18	16
Three to four years	22	19
Four to five years	11	13
More than five years	—	6
Total Undiscounted receivables for future minimum lease payments	**116**	**133**
Unearned finance income	—	—
Present value of future minimum lease payments	**116**	**133**

Other current receivables

At 31 December 2022, Other current receivables mainly consisted of other tax receivables for VAT and other indirect taxes of €214 million (€225 million at 31 December 2021, and receivables from employees of €9 million (€9 million a 31 December 2021). At 31 December 2021, Other current receivables also included €3,520 million of financial receivables from CNH Industrial that were almost entirely settled following the Demerger.

Other current financial assets

At 31 December 2022 and 2021, Other current financial assets primarily consist of current securities and short-term deposits and investments.

Refer to Note 30 "Information on financial risks" for additional information on the credit risk to which Iveco Group is exposed and the way it is managed by the Group.

Transfers of financial receivables

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

A securitization transaction entails the sale of a portfolio of receivables to a securitization vehicle. This structured entity finances the purchase of the receivables through asset-backed financing. Asset-backed financing are divided into classes according to their degree of seniority and rating: the most senior classes are placed with investors on the market; the junior class, whose repayment is subordinated to the senior classes, is normally subscribed for by the seller. The residual interest in the receivables retained by the seller is therefore limited to the junior securities it has subscribed for. In accordance with IFRS 10 – *Consolidated Financial Statements*, all securitization vehicles are included in the scope of consolidation because the subscription of the junior note of the asset-backed commercial paper by the seller implies its control in substance over the structured entity.

Furthermore, factoring transactions may be either with recourse or without recourse; without recourse transfers include deferred payment clauses (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables), requiring first loss cover, meaning that the transferor takes priority participation in the losses, or requires a significant exposure to the cash flows arising from the transferred receivables to be retained. These types of transactions do not comply with the requirements of IFRS 9 – *Financial Instruments* for the derecognition of the assets, since the risks and rewards connected with collection are not substantially transferred and, accordingly, the Group continues to recognize the receivables transferred by this means in its consolidated statement of financial position and recognizes a financial liability of the same amount under Asset-backed financing (see Note 24 "Debt"). The gains and losses arising from the transfer of these assets are only recognized when the assets are derecognized.

At 31 December 2022 and 2021, the carrying amount of such transferred financial assets not derecognized (constituted entirely of Receivables from financing activities) and the related liability and the respective fair values were as follows:

(€ million)	**At 31 December 2022**	**At 31 December 2021**
Carrying amount of assets	3,353	1,959
Carrying amount of the related liabilities	(3,145)	(1,925)

Liabilities for which the counterparty has the right to obtain relief on the transferred assets:		
Fair value of the assets	3,353	1,959
Fair value of the liabilities	(3,145)	(1,926)
Net position	**208**	**33**

Other financial assets transferred also include the cash with a pre-determined use restricted to the repayment of the securitization debt.

Iveco Group has discounted receivables and bills without recourse having due dates beyond 31 December 2022 amounting to €183 million (€141 million at 31 December 2021, with due dates beyond that date), which refer to trade receivables.

18. Derivative assets and Derivative liabilities

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

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

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

Further description of the risk management exposures and strategies for interest rate and currency risk is presented in Note 30 "Information on financial risks", paragraph "Market risk" together with sensitivity analysis assessing the potential impact of changes in interest rates and foreign currencies.

With regard to hedge accounting, Iveco Group continues to monitor significant developments in order to assess the potential future impacts of the COVID-19 pandemic, as well as of the ongoing supply chain disruptions, the Russia-Ukraine war, cost and availability of energy, and components availability 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 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 €-14 million. If a derivative instrument is terminated because the hedge relationship is no longer effective or because the hedged item is a forecasted transaction that is no longer determined to be probable, the cumulative amount recorded in accumulated other comprehensive income/(loss) is recognized immediately in earnings. Such amounts were insignificant in all periods presented.

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

All of Iveco Group's foreign exchange derivatives are considered Level 2 as the fair value is calculated using market data input and can be compared to actively traded derivatives.

Interest Rate Derivatives

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

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

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

The main sources of hedge ineffectiveness are:

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

Any ineffectiveness is recorded in "Financial income/(expenses)" in the consolidated income statement and its amount was insignificant for all periods presented.

All of Iveco Group's interest rate derivatives outstanding as of 31 December 2022 and 2021 are considered Level 2. The fair market value of these derivatives is calculated using market data input and can be compared to actively traded derivatives.

Financial statement impact of Iveco Group derivatives

The following table summarizes the gross impact of changes in the fair value of derivatives had on other comprehensive income and profit or loss during the years ended 31 December 2022 and 2021:

(€ million)	2022	2021
Cash flow hedges		
Recognized in Other comprehensive income (effective portion):		
Foreign exchange derivatives	(47)	8
Interest rate derivatives	23	—
Reclassified from other comprehensive income (effective portion):		
Foreign exchange contracts – Net revenues	7	3
Foreign exchange contracts – Cost of sales	(34)	(4)
Foreign exchange contracts – Financial income/(expenses)	(6)	2
Interest rate derivatives – Financial income/(expenses)	23	—
Not designated as hedges		
Foreign exchange contracts – Financial income/(expenses)	(54)	(41)

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

	At 31 December 2022		At 31 December 2021	
(€ million)	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Derivatives designated as hedging instruments				
Cash flow hedges:				
Foreign exchange derivatives	34	(32)	43	(26)
Total Cash flow hedges	34	(32)	43	(26)
Total Derivatives designated as hedging instruments	**34**	**(32)**	**43**	**(26)**
Derivatives not designated as hedging instruments				
Foreign exchange derivatives	16	(14)	7	(17)
Total Derivatives not designated as hedging instruments	**16**	**(14)**	**7**	**(17)**
Derivative assets/(liabilities)	**50**	**(46)**	**50**	**(43)**

Derivatives not designated as hedging instruments consist mainly of derivatives (mostly currency-based derivatives) acquired to hedge receivables and payables subject to currency risk and/or interest rate risk which are not formally designated as hedges at Group level. The following table provides, for derivatives designated as hedging instruments, the detail of notional amounts and of the fair vale changes used as a basis to calculate hedge ineffectiveness, and for derivative not designated as hedging instruments, the detail of notional amounts:

	At 31 December 2022		At 31 December 2021	
(€ million)	Notional amount	Fair value changes used as a basis to calculate hedge ineffectiveness	Notional amount	Fair value changes used as a basis to calculate hedge ineffectiveness
Derivatives designated as hedging instruments				
Cash flow hedges:				
Foreign exchange derivatives	1,840	(48)	1,129	(41)
Total Cash flow hedges	1,840	(48)	1,129	(41)
Total Derivatives designated as hedging instruments	**1,840**	**(48)**	**1,129**	**(41)**
Total Derivatives not designated as hedging instruments	1,430	n/a	693	n/a
Total Derivatives	**3,270**	**n/a**	**1,822**	**n/a**

The following table provides the effects of hedged items designated in cash flow hedging relationships:

(€ million)	At 31 December 2022 Cash flow hedge reserve (continuing hedges)	Fair value changes used as a basis to calculate hedge ineffectiveness	At 31 December 2021 Cash flow hedge reserve (continuing hedges)	Fair value changes used as a basis to calculate hedge ineffectiveness
Cash flow hedges:				
Foreign exchange risk	(22)	(48)	7	24

The following table provides an analysis by due date of the notional amount of outstanding derivative financial instruments at 31 December 2022 and 2021:

	At 31 December 2022			
(€ million)	due within one year	due between one and five years	due beyond five years	Total
Currency risk	3,106	164	—	3,270
Total notional amount	**3,106**	**164**	**—**	**3,270**

	At 31 December 2021			
(€ million)	due within one year	due between one and five years	due beyond five years	Total
Currency risk	1,806	16	—	1,822
Total notional amount	**1,806**	**16**	**—**	**1,822**

19. Cash and cash equivalents

Cash and cash equivalents consist of:

(€ million)	At 31 December 2022	At 31 December 2021
Cash at banks	2,032	793
Restricted cash	83	48
Money market securities and other cash equivalents	173	56
Total Cash and cash equivalents	**2,288**	**897**

Amounts shown are readily convertible into cash and are subject to an insignificant risk of changes in value. Restricted cash mainly includes bank deposits that may be used exclusively for the repayment of the debt relating to securitization classified as Asset-backed financing.

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

20. Assets held for sale

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

21.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 par value of one euro cent (€0.01). As of 31 December 2022, 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 (74,217,406 Special Voting Shares outstanding, net of 26,164 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).

Changes in the composition of the share capital of Iveco Group N.V. during 2022 are as follows:

(number of shares)	Iveco Group N.V. Common Shares issued	Less: Treasury shares	Iveco Group N.V. Common Shares outstanding	Iveco Group N.V. loyalty program Special Voting Shares issued	Less: Treasury shares	Iveco Group N.V. loyalty program Special Voting Shares outstanding	**Total Shares issued by Iveco Group N.V.**	**Less: Treasury shares**	**Total Iveco Group N.V. outstanding shares**
Total Iveco Group N.V. shares at 1 January 2022	**271,215,400**	**—**	**271,215,400**	**74,243,570**	**—**	**74,243,570**	**345,458,970**	**—**	**345,458,970**
Capital increase	—	—	—	—	—	—	—	—	—
(Purchases)/Sales of treasury shares	—	—	—	—	(26,164)	(26,164)	—	(26,164)	(26,164)
Total Iveco Group N.V. shares at 31 December 2022	**271,215,400**	**—**	**271,215,400**	**74,243,570**	**(26,164)**	**74,217,406**	**345,458,970**	**(26,164)**	**345,432,806**

During the year ended 31 December 2022:

- 26,164 Special Voting Shares were surrendered to the Company following the de-registration of the corresponding Qualifying Common Shares from the Loyalty Register in accordance with the Special Voting Shares - Terms and Conditions;
- the Company delivered no Common Shares under the Iveco Group Equity Incentive Plan. See paragraph below "Share-based compensation" for further discussion.

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 paragraph "Loyalty voting program" of the Corporate Governance section.

Capital reserves

At 31 December 2022 capital reserves amounted to €2,311 million.

Earnings reserves

Earnings reserves, amounting to €566 million at 31 December 2022, mainly consist of retained earnings and profits attributable to the owners of the parent.

Other comprehensive income/(loss)

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

(€ million)	2022	2021
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:		
Gains/(losses) on the remeasurement of defined benefit plans	77	42
Net change in fair value of equity investments at fair value through other comprehensive income[(1)]	(172)	(95)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss (A)	**(95)**	**(53)**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedging instruments arising during the period	(24)	8
(Gains)/losses on cash flow hedging instruments reclassified to profit or loss	10	(1)
Gains/(losses) on cash flow hedging instruments	(14)	7
Exchange gains/(losses) on translating foreign operations arising during the period	(11)	17
Exchange (gains)/losses on translating foreign operations reclassified to profit or loss	—	—
Exchange gains/(losses) on translating foreign operations	(11)	17
Share of Other comprehensive income/(loss) of entities accounted for using the equity method arising during the period	(36)	10
Reclassification adjustment for the share of Other comprehensive income/(loss) of entities accounted for using the equity method	—	(27)
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(36)	(17)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss (B)	**(61)**	**7**
Tax effect (C)	**(8)**	**(5)**
Total Other comprehensive income/(loss), net of tax (A) + (B) + (C)	**(164)**	**(51)**

(1) In the years ended 31 December 2022 and 2021, Net change in fair value of equity investments at fair value through other comprehensive income includes the remeasurement at fair value of the investment in Nikola Corporation. Refer to Note 14 for additional information on this investment.

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

		2022			2021	
(€ 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:						
Gains/(losses) on the remeasurement of defined benefit plans	77	(15)	62	42	(2)	40
Net change in fair value of equity investments at fair value through other comprehensive income[(1)]	(172)	—	(172)	(95)	1	(94)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	**(95)**	**(15)**	**(110)**	**(53)**	**(1)**	**(54)**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:						
Gains/(losses) on cash flow hedging instruments	(14)	7	(7)	7	(4)	3
Exchange gains/(losses) on translating foreign operations	(11)	—	(11)	17	—	17
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(36)	—	(36)	(17)	—	(17)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	**(61)**	**7**	**(54)**	**7**	**(4)**	**3**
Total Other comprehensive income/(loss)	**(156)**	**(8)**	**(164)**	**(46)**	**(5)**	**(51)**

(1) In the years ended 31 December 2022 and 2021, Net change in fair value of equity investments at fair value through other comprehensive income includes the remeasurement at fair value of the investment in Nikola Corporation. Refer to Note 14 for additional information on this investment.

Share-based compensation

For the year ended 31 December 2022, Iveco Group recognized total share-based compensation expense of €17 million and total tax benefit relating to share-based compensation expense of €4 million. For the year ended 31 December 2021, share-based compensation expense amounted to €18 million, and has been allocated to the Iveco Group based on the awards and terms previously granted to Iveco Group's employees who have historically participated in CNH Industrial's equity compensation plans.

As of 31 December 2022, Iveco Group had unrecognized share-based compensation expense related to non-vested awards of approximately €25 million based on current assumptions related to the achievement of specified performance objectives, when applicable. Unrecognized share-based compensation costs will be recognized over a weighted-average period of 1.5 years.

As part of the Demerger, any awards outstanding under the CNH Industrial Equity Incentive Plan ("CNH Industrial EIP"), and held by directors, officers and other employees vesting in 2022, were accelerated in December 2021 and the related equity incentives were issued by CNH Industrial in CNH Industrial N.V. stock. As a result of the Demerger, remaining outstanding awards vesting in 2023 and 2024 were converted to the entity the participant is employed with post spin. As such, for Iveco Group employees, the underlying stock awards under the CNH Industrial EIP vesting in 2023 and 2024 were converted at the effective date of the Demerger, subject to its terms, to Common Shares of Iveco Group N.V. The conversion of the CNH Industrial EIP included appropriate adjustment mechanisms to ensure that the value of the unvested awards granted to all the beneficiaries under such plan remained unchanged pre and post Demerger for employees in both Iveco Group and CNH Industrial. No incremental cost has been recognized as consequence of the conversion.

On 25 February 2022, the Board of Directors adopted the Iveco Group N.V. Equity Incentive Plan ("the EIP" or "the Plan"). The EIP relates to the grant of stock-based awards to eligible top performers and key leaders of the Company and its subsidiaries. The EIP is an umbrella programme defining the terms and conditions for any subsequent long term incentive programme.

The Board of Directors also approved a new long-term incentive programme ("LTIP"), tied to the Company's five-year Strategic Business Plan which spans in total over a five-year performance period, 2022 through 2026. Shareholders at the 13 April 2022 AGM voted in favor to allow up to a maximum of 16 million common shares which may be issued under the LTIP, of which 4 million (rights to subscribe for) common shares are reserved for issuance to the Executive Directors.

Under the LTIP, performance share rights ("PSUs") representing the right to receive one common share in the capital of the Company, will be awarded to the Chairman and to the Chief Executive Officer. A combination of PSUs and restricted share rights ("RSUs"), each representing the right to receive one common share in the capital of the Company, will be awarded to members of the Senior Leadership Team ("SLT") and other key members of the Group. The PSUs will be subject to the achievement of certain performance targets while the RSUs will be subject only to the participant's continuing service as officer, director or employee of the Company; both PSUs and RSUs are also subject to acceptable individual performance.

Performance Share Units

2021-2023 LTIP Awards from the Demerger

Under the CNH Industrial EIP, 1.9 million of nonvested PSUs on CNH Industrial N.V.'s shares related to Iveco Group key executive officers and select employees where outstanding at 31 December 2021. As a result of the Demerger, such nonvested outstanding PSUs were converted to 3.0 million awards on Iveco Group N.V.'s shares.

The PSUs will vest on 28 February 2024, based on the achievement of each target of Adjusted diluted EPS and Industrial ROIC (the ratio of Adjusted EBIT (after-tax) over Average Industrial Invested Capital), weighted 50% each, determined independently, and adjusted according to the TSR multiplier. The payout of the two independent metrics ranges from 50% at threshold results to a cap of 200% at or above outstanding results. These metrics are considered performance vesting conditions. As such, compensation cost will be accrued based on whether it is considered probable that the performance conditions will be satisfied.

2022-2024 LTIP Awards

In February 2022, the Board of Directors approved the equity incentive plan in which employees and executive directors may participate. In May 2022, the Company issued approximately 2 million of PSUs to its key executive officers and select employees. The Executive Directors (CEO and Chairperson) have only been awarded PSUs.

The PSUs will vest on 28 February 2025 after the end of the performance period, based on the achievement of each target determined independently related to: (i) 3 years average of the Adjusted EBIT Margin %, weighted 40%; (ii) Relative Total Shareholder Return ("Relative TSR" is the annualised rate of return, reflecting stock price performance, and compared to a pre-selected comparator group), weighted 40% and (iii) CO_2% reduction over the 3 years compared to 2019, weighted 20%. The payout ranges from 50% of target award to a cap of 200% of target award. The Adjusted EBIT Margin % and CO_2 Reduction % metrics payout 50% of target award at threshold, 100% at target achievement and capped at 200% of target award for outstanding performance. No payout below threshold results. Relative TSR only pays out at or above target (median ranking) and is also capped at 200% of target award for 1st place ranking among the comparator companies.

The fair values of the awards are calculated using the Monte Carlo Simulation model. As almost all the awards of total awards issued during 2022 were issued on 5 May 2022, the key assumptions utilized to calculate the grant-date fair values for awards issued on this grant date are listed below:

	Key Assumptions for awards issued on 5 May 2022
Grant date stock price (in €)	5.4
Expected Volatility	42 %
Dividend yield	3 %
Risk-free rate	0.47 %

The expected volatility is backed up by the comparator group average due to a limited historic volatility data prior to the grant date. Dividend yield was based on comparison between the management assumption and the external expected dividend yield. The risk-free interest rate was based on the ECB risk-free rate yield curve.

In October 2022, Iveco Group issued 19 thousand PSUs to select employees, set to vest on 28 February 2025.

The following table reflects the activity of PSUs under the 2021-2023 LTIP Awards from the Demerger and the 2022-2024 LTIP Awards during the year ended 31 December 2022:

	2022	
	Performance shares	**Weighted average grant date fair value (in €)**
Nonvested at beginning of year	**3,037,764**	**4.29**
Granted	1,907,289	3.99
Forfeited/Cancelled	(451,581)	4.12
Vested	—	—
Nonvested at end of year	**4,493,472**	**4.18**

Restricted Share Units

2021-2023 LTIP Awards from the Demerger

Under the CNH Industrial EIP, 1.0 million of nonvested RSUs on CNH Industrial N.V.'s shares related to Iveco Group key executive officers and select employees where outstanding at 31 December 2021. As a result of the Demerger, such nonvested RSUs outstanding were converted to 1.6 million awards on Iveco Group N.V.'s shares.

The RSUs will set to vest 50% on 30 April 2023 and 50% on 30 April 2024. The RSUs vest upon a time-based service requirement.

2022-2024 LTIP Awards

In February 2022, the Board of Directors approved the equity incentive plan in which employees and executive directors may participate. In May 2022, the Company issued 1 million of RSUs to its key executive officers and select employees.

The RSUs will vest on 28 February 2025, subject only to the participant’s continuing service as officer, director or employee of the Company. The fair value of the award is measured using the stock price on the grant date adjusted for the present value of future dividends that employees will not receive during the vesting period.

In October and November 2022, Iveco Group issued total 80 thousands RSUs to select employees, set to vest on 28 February 2025.

The following table reflects the activity of RSUs under the 2021-2023 LTIP Awards from the Demerger and the 2022-2024 LTIP Awards during the year ended 31 December 2022:

	2022	
	Restricted shares	**Weighted average grant date fair value (in €)**
Nonvested at beginning of year	**1,618,878**	**4.06**
Granted	1,142,039	4.99
Forfeited/Cancelled	(171,394)	4.27
Vested	—	—
Nonvested at end of year	**2,589,523**	**4.46**

22. Provisions for employee benefits

Iveco Group provides pension, healthcare, and insurance plans and other post-employment benefits to their employees and retirees, either directly or by contributing to independently administered funds. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country in which the Group operates, the benefits generally being based on the employees' remuneration and years of service. Iveco Group provides post-employment benefits under defined contribution and defined benefit plans.

In the case of defined contribution plans, Iveco Group makes contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. Once the contributions have been made, Iveco Group has no further payment obligations. Iveco Group recognizes the contribution cost when the employees have rendered their service and includes this cost by function in Cost of sales, Selling, general and administrative costs and Research and development costs. During the years ended 31 December 2022 and 2021, Iveco Group recorded expenses of approximately €296 million and €259 million, respectively, for its defined contribution plans, inclusive of social security contributions.

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions made by an entity, and sometimes by its employees, into an entity, or fund, that is legally separate from the employer from which the employee benefits are paid. Benefits are generally payable under these plans after the completion of employment. Defined benefit plans are classified by Iveco Group on the basis of the type of benefit provided as Pension plans and Other post-employment benefits.

Pension plans

Pension obligations primarily comprise the obligations of Iveco Group's pension plans in the U.K., Germany and Switzerland.

Under these plans, contributions are made to a separate fund (trust) that independently administers the plan assets. Iveco Group's funding policy is to contribute amounts to the plan equal to the amounts required to meet the minimum funding requirements pursuant to the laws of the applicable jurisdictions. The significant pension plans that we are required to fund are in the U.K. Iveco Group may also choose to make discretionary contributions in addition to the funding requirements. To the extent that a fund is overfunded, the Group is not required to make further contribution to the plan in respect of minimum performance requirements so long as the fund is in surplus.

Other post-employment benefits

Other post-employment benefits consist of obligations for Italian Employee Leaving Entitlements up to 31 December 2006, loyalty bonus in Italy and various other similar plans in France, Germany, and Belgium. Until 31 December 2006, Italian companies with more than 50 employees were required to accrue for benefits paid to employees upon them leaving Italian legal entities. The scheme has since changed to a defined contribution plan. The obligation on our consolidated balance sheet represents the residual reserve for years until 31 December 2006. Loyalty bonus is accrued for employees who have reached pre-defined service seniority and are generally settled when employees leave the company. These plans are not required to be funded and, therefore, have no plan assets. Other post-employment benefits also include plan obligations for healthcare and insurance plans granted to Iveco Group employees in France.

Provisions for employee benefits at 31 December 2022 and 2021 are as follows:

(€ million)	**At 31 December 2022**	**At 31 December 2021**
Post-employment benefits:		
Pension plans	147	221
Other	168	205
Total Post-employment benefits	315	426
Other provisions for employees	137	131
Other long-term employee benefits	58	64
Total Provision for employee benefits	**510**	**621**
Defined benefit plan assets	—	15
Total Defined benefit plan assets	**—**	**15**

The item Other provisions for employees consists of the best estimate at the balance sheet date of short-term employee benefits payable by the Group within twelve months from the end of the period in which the employees render the related service.

The item Other long-term employee benefits consists of the Group's obligation for those benefits generally payable during employment on reaching a pre-defined level of seniority in the company or when a specified event occurs, and reflects the probability of payment and the length of time over which this will be made.

In 2022 and 2021 changes in Other provisions for employees and in Other long-term employee benefits are as follows:

(€ million)	**At 31 December 2021**	**Provision**	**Utilization**	**Change in the scope of consolidation and other changes**	**At 31 December 2022**
Other provisions for employees	131	105	(100)	1	137
Other long-term employee benefits	64	(3)	(4)	1	58
Total	**195**	**102**	**(104)**	**2**	**195**

(€ million)	**At 31 December 2020**	**Provision**	**Utilization**	**Change in the scope of consolidation and other changes**	**At 31 December 2021**
Other provisions for employees	79	155	(53)	(50)	131
Other long-term employee benefits	60	7	(3)	—	64
Total	**139**	**162**	**(56)**	**(50)**	**195**

The amounts recognized in the statement of financial position for pension plans at 31 December 2022 and 2021 are as follows:

(€ million)	Defined benefit obligation 2022	Defined benefit obligation 2021	Fair value of plan assets 2022	Fair value of plan assets 2021	Effect of asset ceiling 2022	Effect of asset ceiling 2021	Net defined benefit balance 2022	Net defined benefit balance 2021
Balance at the beginning of year	**529**	**551**	**323**	**290**	—	—	**206**	**261**
Current service cost	7	7	—	—	—	—	7	7
Interest expenses	5	3	—	—	—	—	5	3
Interest income	—	—	3	2	—	—	(3)	(2)
Past service cost	—	—	—	—	—	—	—	—
Other	1	—	—	—	—	—	1	—
Component of defined benefit cost recognized in the Consolidated Income Statement	**13**	**10**	**3**	**2**	—	—	**10**	**8**
Return on plan assets	—	—	(58)	16	—	—	58	(16)
Remeasurements:								
Actuarial losses/(gains) from changes in demographic assumptions	—	(10)	—	—	—	—	—	(10)
Actuarial losses/(gains) from changes in financial assumptions	(143)	(22)	—	—	—	—	(143)	(22)
Other remeasurements	7	—	—	—	—	—	7	—
Total remeasurements	(136)	(32)	—	—	—	—	(136)	(32)
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	—	—	—	—	33	—	33	—
Components recognized in the Consolidated Statement of Comprehensive Income	**(136)**	**(32)**	**(58)**	**16**	33	—	**(45)**	**(48)**
Contribution by employer	—	—	14	8	—	—	(14)	(8)
Contribution by plan participants	2	2	2	2	—	—	—	—
Benefits paid	(22)	(22)	(13)	(12)	—	—	(9)	(10)
Settlement	—	—	—	—	—	—	—	—
Exchange rate differences	(3)	20	(1)	17	—	—	(2)	3
Other	3	—	2	—	—	—	1	—
Balance at end of year	**386**	**529**	**272**	**323**	33	—	**147**	**206**
Thereof:								
U.K.	132	203	120	176	—	—	12	27
Germany	134	189	—	—	—	—	134	189
Switzerland	111	124	144	139	33	—	—	(15)
Other countries	9	13	8	8	—	—	1	5
Total	**386**	**529**	**272**	**323**	33	—	**147**	**206**
Thereof:								
Net defined benefit liability							**147**	**221**
Net defined benefit asset							**—**	**15**

Other post-employment benefits at 31 December 2022 and 2021 do not have plan assets; therefore, the net liability at the end of each year considered corresponds to the defined benefit obligation at the same date.

The amounts recognized in the statement of financial position for Other post-employment benefits at 31 December 2022 and 2021 are as follows:

(€ million)	Defined benefit obligation 2022	2021
Balance at the beginning of year	**205**	**209**
Current service cost	5	5
Interest expenses	—	—
Component of defined benefit cost recognized in the Consolidated Income Statement	**5**	**5**
Return on plan assets	—	—
Remeasurements:		
Actuarial losses/(gains) from changes in demographic assumptions	—	2
Actuarial losses/(gains) from changes in financial assumptions	(38)	(2)
Other remeasurements	6	5
Total remeasurements	(32)	5
Other	—	1
Components recognized in the Consolidated Statement of Comprehensive Income	**(32)**	**6**
Benefits paid	(10)	(17)
Other	—	2
Balance at end of year	**168**	**205**
Thereof:		
Italy	116	136
France	49	65
Other countries	3	4
Net defined benefit liability	**168**	**205**

The weighted average durations of post-employment benefits obligations are as follows:

	N° of years
Pension plans	11
Other post-employment benefits	9

Assumptions

The following significant assumptions were utilized in determining the funded status at 31 December 2022 and 2021, and the expense of Iveco Group's defined benefit plans for the years ended 31 December 2022 and 2021:

		Assumptions used to determine funded status at year-end
		At 31 December 2022
(in %)	Pension plans	Other post-employment benefits
Weighted-average discount rates	3.63	3.74
Weighted-average rate of compensation increase	2.08	3.54
		At 31 December 2021
(in %)	Pension plans	Other post-employment benefits
Weighted-average discount rates	1.14	0.91
Weighted-average rate of compensation increase	1.95	2.07

		Assumptions used to determine expense at year-end
		At 31 December 2022
(in %)	Pension plans	Other post-employment benefits
Weighted-average discount rates – current service cost	0.60	1.06
Weighted-average discount rates – interest cost	0.95	0.86
Weighted-average rate of compensation increase	1.66	2.06
		At 31 December 2021
(in %)	Pension plans	Other post-employment benefits
Weighted-average discount rates – current service cost	0.35	0.60
Weighted-average discount rates – interest cost	0.50	0.49
Weighted-average rate of compensation increase	1.97	1.75

Assumed discount rates are used in measurements of pension and other post-employment benefit obligations and net interest on the net defined benefit liability/asset. Iveco Group selects its assumed discount rates based on the consideration of equivalent yields on high-quality fixed income investments at the measurement date. The assumed discount rate is used to discount future benefit obligations back to today's euros. The discount rates are based on a benefit cash flow-matching approach and represent the rates at which the benefit obligations could effectively be settled as of the measurement date, 31 December. The benefit cash flow-matching approach involves analyzing Iveco Group's projected cash flows against a high-quality bond yield curve, mainly calculated using a wide population of AA-grade corporate bonds subject to minimum amounts outstanding and meeting other defined selection criteria.

Iveco Group reviews annually the mortality assumptions used in measurements of its pension, healthcare and other post-employment benefit obligations. Consideration is given to the assumptions used in the latest local funding valuations, and the latest tables applicable in each country.

For major plans in France and Germany, Iveco Group uses the spot yield curve approach to estimate the service cost and net interest components by applying the specific spot rates along the yield curve used to determine the benefit obligations to relevant projected cash outflows. For plans in Italy, discount rate is set locally and interest cost is based on first year rate of the Euro Composite AA curve. For all other plans service cost and interest cost are calculated based on a single discount rate.

Assumed discount rates have a significant effect on the amount recognized in the 2022 financial statements. A one percentage point change in the assumed discount rates would have the following effects:

(€ million)	One percentage point increase	One percentage point decrease
Effect on pension plans defined benefit obligation at 31 December 2022	(40)	48
Effect on other post-employment defined benefit obligation at 31 December 2022	(14)	16

Plan assets

The investment strategy for the plan assets depends on the features of the plan and on the maturity of the obligations. Typically, less mature plan benefit obligations are funded by using more equity securities as they are expected to achieve long-term growth exceeding the rate of inflation. More mature plan benefit obligations are funded using more fixed income securities as they are expected to produce current income with limited volatility. Risk management practices include the use of multiple asset classes and investment managers within each asset class for diversification purposes. Specific guidelines for each asset class and investment manager are implemented and monitored. Plan assets do not include treasury shares of the Company or properties occupied by Group companies.

The fair value of plan assets at 31 December 2022 and 2021 may be disaggregated by asset class and level as follows. Fair value levels presented below are described in the "Significant accounting policies – Fair value measurement" section of these Notes.

(€ million)	Fair value of plan assets at 31 December 2022 Total	Level 1	Level 2	Level 3
Equity securities	38	38	—	—
Government bonds	78	78	—	—
Corporate bonds	6	6	—	—
Mutual funds	—	—	—	—
Insurance contracts	9	—	—	9
Other types of investments (1)	62	62	—	—
Cash	27	27	—	—
Real Estate	52	—	52	—
Total	**272**	**211**	**52**	**9**

(1) This category includes primarily commingled funds.

(€ million)	Fair value of plan assets at 31 December 2021 Total	Level 1	Level 2	Level 3
Equity securities	46	46	—	—
Government bonds	79	79	—	—
Corporate bonds	14	14	—	—
Mutual funds	4	—	4	—
Insurance contracts	6	—	—	6
Other types of investments (1)	76	76	—	—
Cash	51	51	—	—
Real Estate	47	—	47	—
Total	**323**	**266**	**51**	**6**

(1) This category includes primarily commingled funds.

Contribution

Iveco Group expects to contribute approximately €8 million to its pension plans in 2023. The benefit expected to be paid from the benefit plans, which reflect expected future years of service, are as follows:

						Expected benefit payments	
(€ million)	2023	2024	2025	2026	2027	2028 to 2031	Total
Post-employment benefits:							
Pension plans	24	25	24	24	23	114	**234**
Other	12	11	11	11	13	79	**137**
Total Post-employment benefits	36	36	35	35	36	193	**371**
Other long-term employee benefits	6	5	6	5	5	31	**58**
Total	**42**	**41**	**41**	**40**	**41**	**224**	**429**

Potential outflows in the years after 2023 are subject to a number of uncertainties, including future asset performance and changes in assumptions.

23. Other provisions

Changes in Other provisions are as follows:

(€ million)	At 31 December 2021	Charge	Utilization	Release to income and other changes	At 31 December 2022
Warranty and technical assistance provision	407	315	(297)	5	430
Restructuring provision	38	4		(7)	35
Investment provision	5	—	—	—	5
Other risks	860	923	(558)	(97)	1,128
Total Other provisions	**1,310**	**1,242**	**(855)**	**(99)**	**1,598**

(€ million)	At 31 December 2020	Charge	Utilization	Release to income and other changes	At 31 December 2021
Warranty and technical assistance provision	398	314	(273)	(32)	407
Restructuring provision	41	1	(4)	—	38
Investment provision	12	—	—	(7)	5
Other risks	753	710	(524)	(79)	860
Total Other provisions	**1,204**	**1,025**	**(801)**	**(118)**	**1,310**

The warranty and technical assistance provision represents management's best estimate of commitments given by the Group for contractual, legal or constructive obligations arising from product warranties given for a specified period of time which begins at the date of delivery to the customer. This estimate has been calculated considering past experience and specific contractual terms. This provision also includes management's best estimate of the costs that are expected to be incurred in connection with product defects that could result in a larger recall of vehicles. This provision for risks is developed through an assessment of reported damages or returns on a case-by-case basis.

The provision for other risks represents the amounts set aside by the individual companies of the Group principally in connection with contractual and commercial risks and disputes. The more significant balances of this provision are as follows:

(€ million)	At 31 December 2022	At 31 December 2021
Commercial risks	384	205
Marketing and sales incentives programs	368	313
Legal proceedings and other disputes	91	91
Other reserves for risks and charges	285	251
Total Other risks	**1,128**	**860**

A description of these provisions follows:

- *Commercial risks* - this provision relates to risks arising in connection with the sale of products and services.
- *Marketing and sales incentives* programs - this provision relate to sales incentives that are offered on a contractual basis to the dealer networks and primarily given if the dealers achieve a specific cumulative level of sales transactions during the calendar year. This provision is estimated based on information available for the sales made by the dealers during the calendar year.
- *Legal proceedings and other disputes* - this provision represents management's best estimate of the liability to be recognized by the Group with regard to:
  - Legal proceedings arising in the ordinary course of business with dealers, customers, suppliers, or regulators (such as contractual, patent, or antitrust disputes).
  - Legal proceedings involving claims with active and former employees.
- *Other reserves for risks and charges* - this item includes all the other provisions for miscellaneous risks and charges accrued by the Group legal entities in connection with risks which cannot be specifically attributed to the previous provision categories.

None of these provisions is individually significant. Each Group company recognizes a provision for legal proceedings when it is deemed probable that the proceedings will result in an outflow of resources. In determining their best estimate of the probable liability, each Group company assesses its legal proceedings on a case-by-case basis to estimate the probable losses that typically arise from events of the type giving rise to the liability. Their estimate takes into account, as applicable, the views of legal counsel and other experts, the experience of the company and others in similar situations and the company's intentions with regard to further action in each proceeding. Iveco Group's consolidated provision combines the individual provisions established by each of the Group's companies.

24. Debt

Credit Facilities

Lenders of committed credit facilities have the obligation to make advances up to the facility amount. Lenders of uncommitted facilities have the right to terminate the agreement, with no acceleration of the advances, with prior notice to Iveco Group. At 31 December 2022, Iveco Group had available committed unsecured facilities expiring after twelve months amounting to €2,000 million (€41 million at 31 December 2021).

On 4 January 2022, Iveco Group signed a €1.9 billion syndicated facility, which included a €1.4 billion committed revolving credit facility with a 5-year tenor with two extension options of 1-year each (subject to the bank's approval), as well as a €0.5 billion committed term facility with a 12-months tenor, extendable for up to an additional 12 months at the Company's sole option. In October 2022 Iveco Group signed a new €400 million syndicated term facility with a 2-year tenor extendable for up to an additional 12 months at the Company's sole option. The proceeds have been used to refinance the existing term facility. The €1.4 billion revolving credit facility has been extended for one additional year with all lenders, by exercising the first one-year extension option. The facility is now due to mature in January 2028. The syndicated facilities include typical provisions for contracts of this type and size, such as: customary covenants mainly relating to Industrial Activities including negative pledge, a status (or pari passu) covenant, restrictions on the incurrence of indebtedness by certain subsidiaries, customary events of default (some of which are subject to minimum thresholds and customary mitigants) including cross-default, failure to pay amounts due or to comply with certain provisions under the loan agreement, the occurrence of certain bankruptcy-related events and mandatory prepayment obligations upon a change in control of Iveco Group or the borrower and a financial covenant (Net debt/EBITDA ratio relating to Industrial Activities) that is not applicable in case of rating equal or higher than BBB/Baa2. The failure to comply with these provisions, in certain cases if not suitably remedied, can lead to the requirement to make early repayment of the outstanding advances. At 31 December 2022 Iveco Group was in compliance with all covenants of the Facilities.

At 31 December 2022, Financial Services' asset-backed facilities amounted to €839 million (€751 million at 31 December 2021), of which €719 million committed and expiring after twelve months.

Debt

An analysis of debt by nature and due date is as follows:

	At 31 December 2022			
(€ million)	**Due within one year**	**Due between one and five years**	**Due beyond five years**	**Total**
Asset-backed financing	3,072	77	—	**3,149**
Other debt:				
Borrowings from banks	49	663	9	**721**
Payables represented by securities	66	—	—	**66**
Lease liabilities	52	94	39	**185**
Other	304	8	—	**312**
Total Other debt	471	765	48	**1,284**
Total Debt	**3,543**	**842**	**48**	**4,433**

(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
				At 31 December 2021
Asset-backed financing	1,847	73	6	1,926
Other debt:				
Borrowings from banks	479	13	9	501
Payables represented by securities	74	—	—	74
Lease liabilities	58	101	41	200
Other	3,076	8	—	3,084
Total Other debt	3,687	122	50	3,859
Total Debt	**5,534**	**195**	**56**	**5,785**

Total Debt was €4,433 million 31 December 2022, a decrease of €1,352 million compared to 31 December 2021 as a result of the reduction in financial payables to CNH Industrial (included in the line item "Other" for an amount of €3,076 million at 31 December 2021 and almost entirely settled following the Demerger), partially offset by the drawing of the €500 million term loans and by the increase of Asset-backed financing related to the receivables portfolio.

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

In 2022, €67 million for the principal portion of Lease liabilities and €5 million for interest expenses related to lease liabilities were paid. In 2021, €69 million for the principal portion of Lease liabilities and €5 million for interest expenses related to lease liabilities were paid.

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

(€ million)	At 31 December 2022	At 31 December 2021
Less than one year	57	61
One to two years	41	41
Two to three years	30	30
Three to four years	21	22
Four to five years	13	15
More than five years	46	46
Total undiscounted lease payments	**208**	**215**
Less: Interest	(23)	(15)
Total Lease liabilities	**185**	**200**

At 31 December 2022, the weighted average remaining lease term (calculated on the basis of the remaining lease term and the lease liability balance for each lease) and the weighted average discount rate for leases were 6.3 years and 2.8%, respectively (6.5 years and 2.3% at 31 December 2021).

With the purpose of further diversifying its funding structure, Iveco Group has established a commercial paper program in Europe. The issuer is IC Financial Services S.A. The program's outstanding amount was €66 million as at 31 December 2022 (€73 million outstanding at 31 December 2021).

As of 31 December 2022, the credit rating assigned by Fitch Ratings to Iveco Group N.V. is a Long-Term Issuer Default Rating (IDR) of 'BBB-'. The outlook is stable.

For further information on the management of interest rate and currency risk reference should be made to Note 30.

At 31 December 2022 and 2021, there was no significant debt secured with mortgages and other liens on assets of the Group, and the total carrying amount of assets acting as security was not significant at 31 December 2022 and 2021. In addition, the Group's assets include current receivables and cash with a pre-determined use reserved primarily to settle asset-backed financing of €3,149 million at 31 December 2022 (€1,926 million at 31 December 2021)

25. Trade payables

An analysis by due date of Trade payables is as follows:

	At 31 December 2022			
(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
Trade payables	**3,686**	**3**	**1**	**3,690**

	At 31 December 2021			
(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
Trade payables	**3,130**	**2**	**1**	**3,133**

26. Other current liabilities

An analysis of Other current liabilities is as follows:

(€ million)	At 31 December 2022	At 31 December 2021
Advances on buy-back agreements	995	1,012
Contract liabilities	1,280	1,270
Indirect tax payables	273	197
Accrued expenses and deferred income	137	118
Payables to personnel	157	154
Social security payables	87	84
Other	284	462
Total Other current liabilities	**3,213**	**3,297**

An analysis of Other current liabilities (excluding Accrued expenses and deferred income) by due date is as follows:

	At 31 December 2022			
(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
Other current liabilities (excluding Accrued expenses and deferred income)	**1,807**	**1,239**	**30**	**3,076**

	At 31 December 2021			
(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
Other current liabilities (excluding Accrued expenses and deferred income)	**1,869**	**1,247**	**63**	**3,179**

Contract liabilities primarily relate to extended warranties/maintenance and repair contracts, and transactions for the sale of vehicles with a buy-back commitment. Contract liabilities include €619 million at 31 December 2022 (€658 million at 31 December 2021) for future rents related to buy-back agreements. Changes in Contract liabilities for the years ended 31 December 2022 and 2021 are as follows:

(€ million)	At 31 December 2021	Additional amounts arising during the period	Amounts recognized within revenue	Translation differences and other changes	At 31 December 2022
Contract liabilities	**1,270**	**586**	**(578)**	**2**	**1,280**

(€ million)	At 31 December 2020	Additional amounts arising during the period	Amounts recognized within revenue	Translation differences and other changes	At 31 December 2021
Contract liabilities	**1,118**	**697**	**(553)**	**8**	**1,270**

Advances on buy-back agreements includes the repurchase value of the vehicle relating to new vehicles sold with the buy-back commitment from Commercial and Specialty Vehicles included in Property, plant and equipment, as described in section "Significant accounting policies".

27. Commitments and contingencies

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

The outcome of any current or future proceedings, claims, or investigations cannot be predicted with certainty. Adverse decisions in some of these proceedings, claims, or investigations could require the Iveco Group to pay substantial damages or fines or undertake service actions, recall campaigns or other costly actions. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Iveco Group's financial position and results.

When it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, Iveco Group recognizes specific provisions for this purpose. Contingent liabilities estimated by the Group, for which no provisions have been recognized since an outflow of resources is not considered probable at the present time, were not material at 31 December 2022 and 2021.

Although the ultimate outcome of legal matters pending against the Iveco Group and its subsidiaries cannot be predicted, the Iveco Group believes the reasonable possible range of losses for these unresolved legal matters in addition to the amounts accrued would not have a material effect on its 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. 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 and €452 million as of 31 December 2022 and 2021, respectively.

28. Segment reporting

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

Iveco Group has three operating segments:

- **Commercial and Specialty Vehicles** designs, manufactures and distributes a full range of light, medium, and heavy vehicles for the transportation and distribution of goods under the IVECO brand, city-buses, commuter buses under the IVECO BUS (previously Iveco Irisbus) and HEULIEZ BUS brands, quarry and mining equipment under the IVECO ASTRA brand, firefighting vehicles under the MAGIRUS brand, and vehicles for civil defense and peace-keeping missions under the 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, and 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.

With reference to Industrial Activities' segments, the CODM assesses the segment performance and make decisions about resource allocation based upon Adjusted EBIT, which is deemed to more fully reflect Industrial Activities segments' profitability. With reference to Financial Services, historically and through 2021, the CODM assessed the performance of the segment and made decisions about resource allocation on the basis of net income. Effective 1 January 2022, the CODM began to assess Financial Services segment performance and make decisions about resource allocation on the basis of Adjusted EBIT, which now Iveco Group believes more fully reflect segment profitability. Adjusted EBIT is defined as EBIT before restructuring costs and non-recurring items. In particular, non-recurring items are specifically disclosed items that management considers rare or discrete events that are infrequent in nature and not reflective of on-going operational activities.

The following table summarizes Adjusted EBIT by reportable segment:

(€ million)	**2022**	**2021**
Commercial and Specialty Vehicles	415	254
Powertrain	187	208
Unallocated items, eliminations and other	(178)	(160)
Adjusted EBIT of Industrial Activities	**424**	**302**
Financial Services	103	74
Eliminations and other	—	—
Total Adjusted EBIT	**527**	**376**

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

(€ million)	**2022**	**2021**
Adjusted EBIT of Industrial Activities	424	302
Adjusted EBIT of Financial Services	103	74
Adjusted EBIT	**527**	**376**
Restructuring costs	(15)	(36)
Other discrete items[(1)]	(46)	(45)
Financial income/(expenses)	(206)	(115)
Profit/(loss) before taxes	**260**	**180**

(1) In the year ended 31 December 2022, this item primarily includes €44 million charge in connection with our Russian and Ukrainian operations, due to the impairment of certain assets, €14 million related to the first time adoption of hyperinflationary accounting in Türkiye, €30 million spin-off costs, €40 million loss for the impairment of certain development costs and other assets, primarily related to the bus business, as a consequence of the acceleration in emission-related technological transition, €4 million related to the impairment of certain assets held for sale, €36 million gain on the final step of Chinese joint ventures' restructuring, and €52 million gain from the disposal of certain fixed assets in Australia. In the year ended 31 December 2021, this item primarily included the pre- and after-tax gain of €8 million from the sale of a 30.1% interest in Naveco, as well as the positive impact of €11 million from the sale of investments by a joint venture accounted for under the equity method, €46 million spin-off costs, and a loss of €21 million due to the impairment of certain assets held for sale.

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

Additional reportable segment information

Net Revenues by reportable segment for the years ended 31 December 2022 and 2021 are provided in Note 1.

Depreciation and amortization by reportable segment for the years ended 31 December 2022 and 2021 are provided below:

(€ million)	**2022**	**2021**
Commercial and Specialty Vehicles	396	403
Powertrain	162	162
Unallocated items, eliminations and other	—	—
Total Industrial Activities	558	565
Financial Services	2	2
Total Depreciation and Amortization(*)	**560**	**567**

(*) Excluding depreciation of assets on operating lease and assets sold with buy-back commitment.

Expenditures for long-lived assets by operating segments for the years ended 31 December 2022 and 2021 are provided below:

(€ million)	**2022**	**2021**
Commercial and Specialty Vehicles	583	396
Powertrain	188	167
Unallocated items, eliminations and other	4	—
Total Industrial Activities	775	563
Financial Services	2	1
Total Expenditures for long-lived assets(*)	**777**	**564**

(*) Excluding vehicles sold under buy-back commitments and operating leases.

29. Information by geographical area

The Company has its principal office in Turin, Italy. Revenues earned in Italy from external customers were €2,777 million and €2,582 million in 2022 and 2021, respectively. Revenues earned in the rest of the world from external customers were €11,580 million and €10,069 million in 2022 and 2021, respectively. The following table highlights revenues earned from external customers in the rest of the world by destination:

(€ million)	2022	2021
France	2,098	1,925
Germany	1,442	1,345
Brazil	1,134	772
Spain	828	630
U.K.	627	511
Argentina	614	375
South East and Japan Sub-region, excluding Pakistan	471	406
Poland	415	373
Türkiye, Caucasus and South Central Asia Sub-region	367	271
Switzerland	287	191
Belgium	259	194
Austria	255	222
Czech Republic	248	265
Romania	226	185
Australia and New Zealand	209	187
Portugal	192	92
China	159	369
The Netherlands	136	117
Russia	53	150
Other	1,560	1,489
Total revenues from external customers in the rest of the world	**11,580**	**10,069**

Total non-current assets located in Italy, excluding financial assets, deferred tax assets, defined benefit assets and rights arising under insurance contracts, were €2,088 million and €1,859 million at 31 December 2022 and 2021, respectively, and the total of such assets located in the rest of the world totaled €2,813 million and €3,115 million at 31 December 2022 and 2021, respectively. The following highlights non-current assets by geographical area in the rest of the world:

(€ million)	2022	2021
France	650	848
Spain	670	646
Germany	564	545
United States	61	229
China	96	266
Brazil	164	99
Czech Republic	80	74
Switzerland	62	69
Belgium	54	62
U.K.	12	36
Portugal	30	30
Other	370	211
Total non-current assets in the rest of the world	**2,813**	**3,115**

In 2022 and 2021, no single external customer of Iveco Group accounted for 10 per cent or more of consolidated revenues.

30. Information on financial risks

We are exposed to the following financial risks connected with our operations:

- credit risk related to our financing activities;

- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;
- market risk (primarily exchange rates and interest rates).

We attempt to actively manage these risks.

The quantitative data reported in the following paragraphs does not have any predictive value. In particular, the sensitivity analysis on market risks does not reflect the complexity of the market or the reaction, which may result from any changes that are assumed to take place.

Credit risk

The Group's credit risk differs in relation to the activities carried out by the segments and sales markets in which we operate; in all cases, however, the risk is mitigated by the large number of counterparties and customers.

Financial assets are recognized in the statement of financial position net of write-downs for the risk that counterparties may be unable to fulfill their contractual obligations, determined on the basis of the available information as to the creditworthiness of the customer and historical data.

The maximum credit risk to which we were theoretically exposed at the reporting date is represented by the carrying amounts stated for financial assets in the statement of financial position and the nominal value of the guarantees provided on debt or commitments of third parties.

Dealers and final customers are generally subject to specific assessments of their creditworthiness under a detailed scoring system. In addition to carrying out this evaluation process, we may also obtain financial and non-financial guarantees for risks arising from credit granted for the sale of commercial vehicles. These guarantees are further secured, where possible, by retention of title clauses or specific guarantees on financed vehicle sales to the distribution network and on vehicles under finance leasing agreements.

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

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

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

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

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

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

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

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

Liquidity risk

We are exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The cash flows, funding requirements and liquidity of our subsidiaries are monitored on a centralized basis. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of our capital resources.

Additionally, as part of our activities, we regularly carry out funding operations on the various financial markets which may take on different technical forms and which are aimed at ensuring that it has an adequate level of current and future liquidity.

Measures taken to generate financial resources through operations and to maintain an adequate level of available liquidity are an important factor in ensuring normal operating conditions and addressing strategic challenges. We therefore plan to meet our requirements to settle liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans and making recourse to the bond market and other forms of funding.

The main factors that determine our liquidity situation are the funds generated by or used in operating and investing activities and the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

Iveco Group has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce the liquidity risk, as follows:

- centralizing the management of receipts and payments, where it may be economical in the context of the local statutory, currency and fiscal regulations of the countries in which we are present;
- maintaining an adequate level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence on the capital markets;
- obtaining adequate credit lines; and
- monitoring future liquidity on the basis of business planning.

Details as to the repayment structure of the Iveco Group's financial assets and liabilities are provided in Note 17 "Current Receivables and Other current financial assets" and in Note 24 "Debt". Details of the repayment structure of derivative financial instruments are provided in Note 18 "Derivative assets and Derivative liabilities".

Management believes that the funds currently available, together with the funds that will be generated from operating and financing activities, will enable Iveco Group to satisfy its requirements resulting from its investing activities and working capital needs and to fulfill its obligations to repay its debts at their natural due date.

Market risk

We operate in numerous markets worldwide and are exposed to market risks stemming from fluctuations in currency and interest rates.

The exposure to foreign currency risk arises both in connection with the geographical distribution of our industrial activities compared to the markets in which we sell our products, and in relation to the use of external borrowing denominated in foreign currencies.

The exposure to interest rate risk arises from the need to fund industrial and financial operating activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing our profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

We regularly assess our exposure to foreign currency and interest rate risk and manage those risks through the use of derivative financial instruments in accordance with our established risk management policies.

Our policy permits derivatives to be used only for managing the exposure to fluctuations in exchange and interest rates connected with future cash flows and assets and liabilities, and not for speculative purposes.

We utilize derivative financial instruments designated as fair value hedges, mainly to hedge:

- the currency risk on financial instruments denominated in foreign currency;
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly currency swaps, forward contracts, interest rate swaps and combined interest rate and currency financial instruments.

We use derivative financial instruments as cash flow hedges for the purpose of pre-determining:

- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a pre-defined mix of floating versus fixed rate funding structured loans.

The exchange rate exposure on forecasted commercial flows is hedged by currency swaps, forward contracts and currency options. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements.

Counterparties to these agreements are major and diverse financial institutions.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 18 “Derivative assets and Derivative liabilities”.

Currency risk

We are exposed to risk resulting from changes in exchange rates, which can affect our earnings and invested equity.

Where one of our subsidiaries incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the profit/(loss) of that company. In 2022 the total net trade flows exposed to currency risk amounted to the equivalent of 13% of our revenue (9% in 2021).

The principal exchange rates to which we are exposed are the following:

- EUR/GBP, predominately in relation to sales on the U.K. market;
- EUR/BRL, predominately in relation to import on the Brazilian market;
- EUR/TRY, predominately in relation to sales on the Türkiye market;
- EUR/PLN, predominately in relation to sales on the Polish market;
- EUR/CZK, predominately in relation to the production of Commercial and Specialty Vehicles (Bus) in Czech Republic.

Trade flows exposed to changes in these exchange rates in 2022 made up approximately 67% of the exposure to currency risk from trade transactions.

It is the Group’s policy to use derivative financial instruments to hedge a pre-determined percentage, on average between 55% and 85%, of the forecasted trading transaction exchange risk exposure for the coming 12 months with additional flexibility to reach 0% or 100% (including risk beyond that date where it is believed to be appropriate) and to hedge completely the exposure resulting from firm commitments.

Group’s subsidiaries may hold trade receivables or payables denominated in a currency different from the subsidiary’s functional currency. In addition, in a limited number of cases, subsidiaries may obtain financing or use funds in a currency different from their functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. It is our policy to hedge fully, whenever possible, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the subsidiary’s functional currency.

Group’s subsidiaries may have functional currency different from the euro, which is the Group presentation currency. The income statements of those subsidiaries are converted into euros using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs and the results reported in euros.

The assets and liabilities of consolidated companies whose functional currency is different from the euro may acquire converted values in euros which differ as a function of the fluctuation in exchange rates. The effects of these changes are recognized directly in the Cumulative Translation Adjustments reserve, included in Other comprehensive income (see Note 21).

We monitor our principal exposure to translation exchange risk, although there was no specific hedging in place at 31 December 2022. There were no substantial changes in 2022 in the nature or structure of exposure to currency risk or in our hedging policies.

Sensitivity analysis

The potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, currency options, interest rate and currency swaps) at 31 December 2022 resulting from a hypothetical change of 10% in the exchange rates amounts to approximately €291 million (€187 million at 31 December 2021). The valuation model for currency options assumes that market volatility at year-end remains unchanged.

The underlying transactions (consisting of receivables, payables, and future trade flows) for which we put in place, as hedging transactions, the derivative financial instruments analyzed in the above mentioned sensitivity analysis, were not considered. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Interest rate risk

Our Industrial Activities make use of external funds obtained in the form of financing and invest in monetary and financial market instruments. In addition, we sell receivables. Changes in market interest rates can affect the cost of financing, including the sale of receivables, or the return on investments of funds, causing an impact on the level of net financial expenses incurred by us.

In addition, Financial Services provides loans (mainly to customers and dealers), financing themselves primarily using various forms of external borrowings or asset-backed financing (e.g., securitization of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing/funding obtained, changes in the current level of interest rates can affect our profit/(loss).

In order to mitigate these risks, we use interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements.

Interest rate benchmark reform
Certain existing benchmark InterBank Offered Rates (IBORs) will be reformed by the authority and gradually replaced with alternative benchmark rates (SOFR). Despite the uncertainty around the timing and precise nature of these changes, the existing benchmark interest rates are still applied as reference rates.

Group Treasury is managing the Group's IBOR transition plan. The greatest change will be amendments to the contractual terms of the IBOR-referenced floating-rate debt and the corresponding update of the hedge designation.

In calculating the change in fair value attributable to the hedged risk of fixed-rate debt, the Group has made the following assumptions that reflect its current expectations:

- the floating-rate debt will move to SOFR at the beginning of July 2025 and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument;
- no other changes to the terms of the floating-rate debt are anticipated; and
- the Group does not expect any material impact deriving from the replacement of benchmark interest rate.

Sensitivity analysis
In assessing the potential impact of changes in interest rates, we separate fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by us consist of retail receivables, debt, ABCP, and other instruments.

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at 31 December 2022, resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately €1 million (€1 million at 31 December 2021).

Floating rate financial instruments consist principally of cash and cash equivalents, wholesale receivables, debt, and ABCPs. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments. This analysis doesn't include cash and cash equivalent from hyperinflationary countries which could have distorting effects on the results of the analysis and the change in fair value of foreign exchange rate derivatives instruments.

A hypothetical change of 10% in short-term interest rates at 31 December 2022, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately €8 million (€5 million at 31 December 2021).

This analysis is based on the assumption that there is a hypothetical change of 10% in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Other risks on derivative financial instruments
We have entered limited derivative contracts linked to commodity prices to hedge specific exposures on supply contracts.

Sensitivity analysis
In the event of a hypothetical change of 10% in the underlying raw materials prices, the potential loss in fair value of outstanding derivative financial instruments at 31 December 2022 linked to commodity prices would not have been significant (not significant at 31 December 2021).

31. Fair value measurement
Fair value levels presented below are described in the "Significant accounting policies – Fair value measurement" section of these Notes.

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

					At 31 December 2022
(€ million)	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity investments measured at fair value through other comprehensive income	(14)	52	—	10	62
Other investments	(14)	—	—	11	11
Derivative assets	(18)	—	50	—	50
Total Assets		**52**	**50**	**21**	**123**
Derivative liabilities	(18)	—	46	—	46
Total Liabilities		**—**	**46**	**—**	**46**

					At 31 December 2021
(€ million)	Note	Level 1	Level 2	Level 3	Total
Equity investments measured at fair value through other comprehensive income	(14)	224	—	—	224
Other investments	(14)	—	—	13	13
Derivative assets	(18)	—	50	—	50
Total Assets		**224**	**50**	**13**	**287**
Derivative liabilities	(18)	—	43	—	43
Total Liabilities		**—**	**43**	**—**	**43**

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

(€ million)	2022	2021
At 1 January	**13**	**5**
Acquisitions/(disposals)	8	8
Gains/(Losses) recognized in Other comprehensive income/(loss)	—	—
Transfer from Level 3 to Level 1	—	—
Other	—	—
At 31 December	**21**	**13**

Description of the valuation techniques used to determine the fair value of derivative financial instruments is included in Note 18 “Derivative assets and Derivative liabilities”.

Assets and liabilities not measured at fair value

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

						At 31 December 2022
(€ million)	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying amount
Total Financial receivables from CNH Industrial	(17)	**—**	**—**	**146**	**146**	**146**
Retail financing	(17)	—	—	10	10	**10**
Dealer financing	(17)	—	—	4,154	4,154	**4,156**
Finance leases	(17)	—	—	54	54	**57**
Other receivables from financing activities	(17)	—	—	154	154	**155**
Total Receivables from financing activities		**—**	**—**	**4,372**	**4,372**	**4,378**
Asset-backed financing	(24)	—	3,149	—	3,149	**3,149**
Borrowings from banks	(24)	—	711	—	711	**721**
Payables represented by securities	(24)	—	66	—	66	**66**
Lease liabilities	(24)	—	—	185	185	**185**
Other debt(1)	(24)	—	35	277	312	**312**
Total Debt		**—**	**3,961**	**462**	**4,423**	**4,433**

(1) At 31 December 2022 Other debt includes €277 million of financial payables to CNH Industrial classified as Level 3.

(€ million)	Note	Level 1	Level 2	Level 3	Total Fair Value	At 31 December 2021 Carrying amount
Total Financial receivables from CNH Industrial	(17)	**—**	**—**	**3,520**	**3,520**	**3,520**
Retail financing	(17)	—	—	10	10	**10**
Dealer financing	(17)	—	—	2,802	2,802	**2,805**
Finance leases	(17)	—	—	59	59	**60**
Other receivables from financing activities	(17)	—	—	34	34	**34**
Total Receivables from financing activities		**—**	**—**	**2,905**	**2,905**	**2,909**
Asset-backed financing	(24)	—	1,927	—	1,927	**1,926**
Borrowings from banks	(24)	—	501	—	501	**501**
Payables represented by securities	(24)	—	74	—	74	**74**
Lease liabilities	(24)	—	—	200	200	**200**
Other debt(1)	(24)	—	8	3,076	3,084	**3,084**
Total Debt		**—**	**2,510**	**3,276**	**5,786**	**5,785**

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

Receivables from financing activities

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

Debt

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

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

Other financial assets and liabilities

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

32. Related party transactions

In accordance with IAS 24 – *Related Party Disclosures*, Iveco Group's related parties are companies and persons capable of exercising control, joint control or significant influence over the Group. As of 31 December 2022 and 2021, related parties included Iveco Group's parent company Exor N.V. and its subsidiaries and affiliates, including CNH Industrial post-Demerger, Stellantis N.V. (formerly Fiat Chrysler Automobiles N.V. which, effective 16 January 2021, merged with Peugeot S.A. by means of a cross-border legal merger) and its subsidiaries and affiliates ("Stellantis"), and Iveco Group's unconsolidated subsidiaries, associates or joint ventures. In addition, the members of the Board of Directors and managers of Iveco Group with strategic responsibility and members of their families were also considered related parties.

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

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

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

Iveco Group did not enter into any significant transactions with Exor N.V. during the years ended 31 December 2022 and 2021.

In connection with the establishment of Fiat Industrial (now CNH Industrial) through the demerger from Fiat (which was subsequently merged into Fiat Chrysler Automobiles N.V. which is now Stellantis), the two companies entered into a Master Services Agreement ("Stellantis MSA") which sets forth the primary terms and conditions pursuant to which the service provider subsidiaries of CNH Industrial and Stellantis provide services to the service receiving subsidiaries. As structured, the applicable service provider and service receiver subsidiaries become parties to the Stellantis MSA through the execution of an Opt-in letter that may contain additional terms and conditions. Pursuant to the Stellantis MSA, service receivers are required to pay to service providers the actual cost of the services plus a negotiated margin. During 2022 and 2021, Stellantis subsidiaries provided Iveco Group with administrative services such as accounting, maintenance of plant and equipment, security, information systems and training under the terms and conditions of the Stellantis MSA and the applicable Opt-in letters. After the Demerger, the Stellantis MSA has been duplicated at the same terms and conditions between Iveco Group and Stellantis.

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

These transactions with Stellantis are reflected in the Consolidated Financial Statements as follows:

(€ million)	**2022**	**2021**
Net revenues	29	351
Cost of sales	191	201
Selling, general and administrative costs	55	60

(€ million)	**At 31 December 2022**	**At 31 December 2021**
Trade receivables	4	3
Trade payables	40	46

Transactions with CNH Industrial

Historically, Iveco Group and CNH Industrial entered into transactions primarily of commercial nature and consisting in the sale of engines from Iveco Group to CNH Industrial, but also covering services in relation to general administrative and specific technical matters, provided by either Iveco Group to CNH Industrial and vice versa.

The transactions with CNH Industrial are reflected in the Consolidated Financial Statements as follows:

(€ million)	**2022**	**2021**
Net revenues	947	801
Cost of sales	20	17

(€ million)	**At 31 December 2022**	**At 31 December 2021**
Trade receivables	34	172
Financial receivables	146	3,520
Debt	277	3,076
Trade payables	15	71

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.

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 €260 million in 2022 (€398 million in 2021) and trade receivables from joint ventures totaled €14 million at 31 December 2022 (€3 million at 31 December 2021).

At 31 December 2022 and 2021, Iveco Group had provided guarantees on commitments of its joint ventures for an amount of €161 million and €186 million, respectively, mainly related to IVECO - OTO MELARA Società Consortile a responsabilità limitata.

Transactions with associates

Iveco Group sells trucks and commercial vehicles and provides services to associates. In 2022, revenues from associates totaled €89 million (€190 million in 2021). In 2022, cost of sales from associates totaled €13 million (€15 million in 2021). At 31 December 2022 receivables from associates amounted to €12 million (€11 million at 31 December 2021). Trade payables to associates amounted to €13 million at 31 December 2022 (€18 million at 31 December 2021). At 31 December 2022 and 2021, Iveco Group had provided guarantees on commitments of its associates for an amount of €244 million and €256 million related to CNH Industrial Capital Europe S.a.S.

Transactions with unconsolidated subsidiaries

In the years ended 31 December 2022 and 2021, there were no material transactions with unconsolidated subsidiaries.

Compensation to Directors and Key Management

The fees of the Directors of Iveco Group N.V. for carrying out their respective functions, including those in other consolidated legal entities, and the notional compensation cost arising from stock grants awarded to certain Executive Directors and Officers, amounted to an expense of approximately €7 million in 2022 (no compensation in 2021 as Iveco Group had not its separate Board of Directors during that year).

The aggregate expense incurred for the compensation of Executives with strategic responsibilities of the Group amounted to approximately €15 million and €16 million in 2022, and 2021 respectively. These amounts included the notional compensation cost for share-based payments.

33. Explanatory notes to the statement of cash flows

The statement of cash flows sets out changes in cash and cash equivalents during the year. As required by IAS 7 - *Cash Flow Statements*, cash flows are separated into operating, investing and financing activities. The effects of changes in exchange rates on cash and cash equivalents are shown separately under the line item Translation exchange differences.

The Group presents supplemental discussion and disclosure regarding the statement of cash flows for the purpose of additional analysis. Items discussed below are reflected within the consolidated statement of cash flows either on an aggregate or net basis, and accordingly have been discussed further as set forth below.

The Cash flows for income tax payments net of refunds in 2022 amount to €99 million (€92 million in 2021).

Total interest of €119 million was paid and interest of €170 million was received in 2022 (interest of €36 million was paid and interest of €24 million was received in 2021, respectively).

Operating activities

Cash flows from/(used in) operating activities derive mainly from the Group's main revenue producing activities.

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

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

Changes in working capital for 2022 and 2021 are summarized as follows:

(€ million)	2022	2021
Change in trade receivables	(35)	115
Change in inventories	(219)	(496)
Change in trade payables	555	42
Change in other receivables/payables	206	(4)
Change in working capital	**507**	**(343)**

Investing activities

Cash flows from/(used in) investing activities represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures resulting in an asset recognized in the balance sheet are classified as investing activities in the statement of cash flows. In particular, Cash flows from/(used in) investing activities include net change in receivables from financing activities that may be analyzed as follows:

(€ million)	2022	2021
Change in dealer financing	(1,330)	(95)
Change in finance leases	2	18
Change in other receivables from financing activities	8	(40)
Net change in receivables from financing activities	**(1,320)**	**(117)**

Liquidity absorbed by the increase in receivables from financing activities in 2022 was primarily a result of increased financing activities.

Cash generated by "Other changes" of €683 million in 2022 (€581 million in 2021) primarily derived from the change in receivables from and payables to CNH Industrial.

For consideration for the acquisition and disposal of subsidiaries and of other investments, refer to section "Business Combinations" above and to Note 14.

Financing activities

The net change in debt and derivative assets/liabilities mainly reflects changes in borrowings from banks and in asset-backed financing, together with changes in derivative assets and liabilities (consisting of derivative financial instruments measured at fair value at the balance sheet date, as discussed in Note 18 above).

Changes in 2022 and 2021 are summarized as follows:

(€ million)	2022	2021
Change in asset-backed financing	1,223	(106)
Change in borrowings from banks and other debt	(322)	(53)
Net change in debt	901	(159)
Net change in derivative assets and derivatives liabilities	3	8
Net change in debt and derivative assets/liabilities	**904**	**(151)**

Reconciliation of changes in liabilities arising from financing activities may be analyzed as follows:

(€ million)	2022	2021
Total Debt at beginning of year [1]	2,709	2,750
Derivative (assets)/liabilities at beginning of year	(7)	(1)
Total liabilities from financing activities at beginning of year	**2,702**	**2,749**
Cash flows	1,346	(88)
Other changes	101	41
Total liabilities from financing activities at end of year	**4,149**	**2,702**
Of which:		
Total Debt at end of year [1]	4,156	2,709
Derivative (assets)/liabilities at end of year	(7)	(7)

[1] *Excluding Debt payable to CNH Industrial.*

34. Subsequent events

Iveco Group has evaluated subsequent events through 2 March 2023, which is the date the financial statements were authorized for issuance, and identified the following:

- On 24 January 2023, IDV, the brand of Iveco Group specialised in defence and civil protection equipment, announced it entered into an agreement to acquire 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.

35. Companies included in the scope of the Consolidated Financial Statements

The main legal entities comprising the Iveco Group at 31 December 2022, including major subsidiaries, joint ventures and associates, are provided below:

Name of legal entity	Country of Incorporation	Percentage Interest Held
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE		
Amce-Automotive Manufacturing Co.Ethiopia	Ethiopia	70.00%
Astra Veicoli Industriali S.p.A.	Italy	100.00%
Blitz S19-499 GmbH	Germany	94.00%
CNH Industrial Argentina S.A.	Argentina	100.00%
CNH Industrial Finance France S.A.	France	100.00%
Dolphin N2 Limited	United Kingdom	100.00%
Fiat Powertrain Technologies (Chongqing) Co., Ltd.	People's Rep.of China	100.00%
Fiat Powertrain Technologies Management (Shanghai) Co. Ltd.	People's Rep.of China	100.00%
Fiat Powertrain Technologies of North America, Inc.	U.S.A.	100.00%
FPT - Powertrain Technologies France SAS	France	100.00%
FPT INDUSTRIAL BRASIL LTDA.	Brazil	100.00%
FPT Industrial S.p.A.	Italy	100.00%
FPT Motorenforschung AG	Switzerland	100.00%
Green & Advanced Transport Ecosystem S.p.A.	Italy	100.00%
Heuliez Bus S.A.S.	France	100.00%
IAV-Industrie-Anlagen-Verpachtung GmbH	Germany	88.42%
IC Financial Services S.A.	France	100.00%
IC Financial Services UK Limited	United Kingdom	100.00%
IC Nordics A/S	Denmark	100.00%
IDV USA INC.	U.S.A.	100.00%
ITALWATT S.r.l.	Italy	70.00%
Iveco (China) Commercial Vehicle Sales Co. Ltd	People's Rep.of China	100.00%

Name of legal entity	Country of Incorporation	Percentage Interest Held
Iveco (Schweiz) AG	Switzerland	100.00%
Iveco Arac Sanayi VE Ticaret A.S.	Türkiye	100.00%
IVECO ARGENTINA S.A.	Argentina	100.00%
Iveco Austria GmbH	Austria	100.00%
Iveco Bayern GmbH	Germany	94.00%
Iveco Belgium N.V.	Belgium	100.00%
IVECO CAPITAL BULGARIA EAD	Bulgaria	100.00%
Iveco Capital Services S.R.L.	Romenia	100.00%
Iveco Capital Slovakia s.r.o.	Slovack Republic	99.98%
Iveco Capital Solutions S.p.A.	Italy	100.00%
Iveco Czech Republic A.S.	Czech Republic	98.84%
Iveco Danmark A/S	Denmark	100.00%
IVECO DEFENCE VEHICLES ROMANIA S.R.L.	Romenia	100.00%
Iveco Defence Vehicles S.p.A.	Italy	100.00%
Iveco Espana S.L.	Spain	100.00%
Iveco Est Sas	France	100.00%
Iveco Finland OY	Finland	100.00%
IVECO FRANCE SAS	France	100.00%
IVECO Group Korea LLC	South Korea	100.00%
Iveco Group Switzerland SA	Switzerland	100.00%
Iveco Holdings Limited	United Kingdom	100.00%
Iveco Investitions GmbH	Germany	93.08%
Iveco L.V.I. S.a.s.	France	100.00%
Iveco Limited	United Kingdom	100.00%
Iveco Magirus AG	Germany	94.00%
Iveco Magirus Fire Fighting GmbH	Germany	84.63%
Iveco Nederland B.V.	Netherlands	100.00%
Iveco Nord Nutzfahrzeuge GmbH	Germany	94.00%
Iveco Nord SAS	France	100.00%
Iveco Nord-Ost Nutzfahrzeuge GmbH	Germany	94.00%
Iveco Norge A.S.	Norway	100.00%
Iveco Otomotiv Ticaret A.S.	Türkiye	100.00%
Iveco Participations s.a.s.	France	100.00%
Iveco Pension Trustee Ltd	United Kingdom	100.00%
Iveco Poland Sp. z o.o.	Poland	100.00%
Iveco Portugal-Comercio de Veiculos Industriais S.A.	Portugal	100.00%
Iveco Provence s.a.s.	France	100.00%
Iveco Retail Limited	United Kingdom	100.00%
Iveco Romania S.r.l.	Romenia	100.00%
Iveco S.p.A.	Italy	100.00%
IVECO SA (PTY) LTD	South Africa	100.00%
Iveco Slovakia, s.r.o.	Slovack Republic	98.84%
Iveco South Africa Works (Pty) Ltd	South Africa	60.00%
Iveco Sud-West Nutzfahrzeuge GmbH	Germany	94.00%
Iveco Sweden A.B.	Sweden	100.00%

Name of legal entity	Country of Incorporation	Percentage Interest Held
Iveco Truck Centrum s.r.o.	Czech Republic	100.00%
Iveco Truck Services S.R.L.	Romenia	100.00%
Iveco Trucks Australia Limited	Australia	100.00%
Iveco Ukraine LLC	Ukraine	100.00%
Iveco West Nutzfahrzeuge GmbH	Germany	94.00%
MAGIRUS CAMIVA S.a.s. (societè par actions simplifièe)	France	84.63%
Magirus GmbH	Germany	84.43%
Magirus Italia S.r.l.	Italy	100.00%
Magirus Lohr GmbH	Austria	84.43%
Mediterranea de Camiones S.L.	Spain	100.00%
Officine Brennero S.p.A.	Italy	100.00%
ON-HIGHWAY BRASIL LTDA.	Brazil	100.00%
OOO Iveco Russia	Russia	100.00%
Potenza Technology Holdings Limited	United Kingdom	100.00%
Potenza Technology Limited	United Kingdom	100.00%
SAIC Fiat Powertrain Hongyan Co. Ltd.	People's Rep.of China	60.00%
Seddon Atkinson Vehicles Ltd	United Kingdom	100.00%
Société Charolaise de Participations SAS	France	100.00%
Société de Diffusion de Vehicules Industriels-SDVI S.A.S.	France	100.00%
Transolver Service S.A.	Spain	100.00%
Transolver Services S.A.S.	France	100.00%
UAB "IVECO CAPITAL BALTIC" (In liquidation)	Lithuania	100.00%
Zona Franca Alari Sepauto S.A.	Spain	51.87%
JOINTLY-CONTROLLED ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		
CIFINS S.p.A.(1)	Italy	50.00%
IVECO - OTO MELARA Società Consortile a responsabilità limitata	Italy	50.00%
Iveco Orecchia S.p.A.	Italy	50.00%
Nikola Iveco Europe GmbH	Germany	50.00%
SUBSIDIARIES VALUED AT COST		
Altra S.p.A.	Italy	100.00%
FPT INDUSTRIAL INDIA PRIVATE LIMITED	India	100.00%
IVECO GROUP, C.A.	Venezuela	100.00%
ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD		
CNH Industrial Capital Europe S.a.S.(2)	France	24.95%
Transolver Finance Establecimiento Financiero de Credito S.A.	Spain	49.00%
ASSOCIATED COMPANIES VALUED AT COST		
Sotra S.A.	Ivory Coast	39.80%
Trucks & Bus Company	Libya	25.00%

Name of legal entity	Country of Incorporation	Percentage Interest Held
OTHER COMPANIES VALUED AT FVTPL		
Naveco (Nanjing IVECO Motor Co.) Ltd.	People's Rep.of China	19.90%

(1) After the Demerger CIFINS S.p.A. is owned 50.00% by Iveco Group and 50.00% by CNH Industrial.
(2) This percentage represents the interest held by Iveco Group through its 50% interest in CIFINS S.p.A.

2 March 2023

The Board of Directors

Suzanne Heywood
Gerrit Andreas Marx
Tufan Erginbilgic
Essimari Kairisto
Linda Knoll
Alessandro Nasi
Olof Persson
Benoît Ribadeau-Dumas
Lorenzo Simonelli

IVECO GROUP N.V.

COMPANY FINANCIAL STATEMENTS

At 31 December 2022

INCOME STATEMENT

(in euro thousand)	**Note**	**2022**	**For the period from 16 June 2021 to 31 December 2021**
Selling, general and administrative costs	(1)	(80,469)	(213)
Restructuring costs	(2)	(7,438)	—
Other income/(expenses)	(3)	46,777	(10,787)
Financial income/(expenses)	(4)	25,708	(3)
PROFIT/(LOSS) BEFORE TAXES		**(15,422)**	**(11,003)**
Income tax benefit (expense)	(5)	3,376	2,611
Result from Investments in Group companies and other equity interests	(6)	158,798	—
NET PROFIT/(LOSS)		**146,752**	**(8,392)**

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STATEMENT OF FINANCIAL POSITION

(BEFORE ALLOCATION OF THE RESULT)

(in euro thousand)	Note	At 31 December 2022	At 31 December 2021
ASSETS			
Intangible assets	(8)	3,439	—
Property, plant and equipment	(9)	849	—
Financial fixed assets	(10)	4,076,971	
Investments in Group companies and other equity interests		3,877,510	—
Other financial assets		199,461	—
Deferred tax assets	(11)	4,691	2,611
Total Non current assets		**4,085,950**	**2,611**
Trade receivables	(12)	63,876	—
Other current assets	(13)	51,171	123
Current financial receivables	(14)	1,490,286	—
Derivative assets	(15)	69,178	—
Cash and cash equivalents	(16)	1,156,306	14,666
Total Current assets		**2,830,817**	**14,789**
TOTAL ASSETS		**6,916,767**	**17,399**

EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital		3,455	250
Capital reserve		2,310,969	15,000
Legal reserves: cumulative translation adjustment reserve/OCI		(525,975)	—
Legal reserves: Other		1,470,098	—
Retained profit/(loss)		(1,051,570)	—
Profit/(loss) for the year		146,752	(8,392)
Total Equity	(17)	**2,353,729**	**6,858**
Provision for employee benefits	(18)	7,839	3
Other provisions	(19)	3,682	—
Total Provisions		**11,521**	**3**
Non-current financial liabilities	(20)	99,715	—
Total Non-current financial liabilities		**99,715**	**—**
Trade payables	(21)	28,242	10,528
Current financial liabilities	(20)	4,317,466	—
Derivatives Liabilities	(22)	66,242	—
Other current liabilities	(23)	39,852	11
Total Current liabilities		**4,451,802**	**10,538**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**6,916,767**	**17,399**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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

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

The separation occurred in accordance with Section 2:334a (3) of the Dutch Civil Code (*Burgerlijk Wetboek*) by way of a statutory demerger (*juridische afsplitsing*), governed by the laws of the Netherlands, of: a) equity investments attributable to the Iveco Group Business operations, b) the portion of CNH Industrial’s financial payables attributable to the Iveco Group Business operations, and 3) all issued and paid up 25,000,000 common shares, each with a nominal value of €0.01, held by CNH Industrial in the share capital of the Company, from CNH Industrial in favor of Iveco Group.

As the Demerger represents a “business combination involving entities or businesses under common control", it is outside the scope of application of IFRS 3 – *Business Combinations and* IFRIC 17 – *Distributions of Non-cash Assets to Owners.* Accordingly, no adjustments were made to the carrying amounts of the demerged assets and liabilities.

As a part of the Demerger and by operation of law, each holder of common shares in the share capital of CNH Industrial (the CNH Common Shares) received one Common Share for every five CNH Common Shares held (the Allotment Ratio) on 31 December 2021 (the Demerger Record Date) (such holder of CNH Common Shares on the Demerger Record Date being a CNH Shareholder). Each CNH Shareholder that, in addition to holding CNH Common Shares, was registered in the loyalty register of CNH Industrial (the CNH Loyalty Register) was registered in the loyalty register of the Company (the Loyalty Register) for the corresponding number of Common Shares pursuant to the Allotment Ratio. If such CNH shareholder also held CNH Special Voting Shares, it, by operation of law, received a number of Special Voting Shares equal to the number of Common Shares for which it was registered in the Loyalty Register (the receipt of Common Shares and, if applicable, Special Voting Shares by CNH Shareholders as part of the Demerger being the Share Allocation). If such CNH Shareholder was registered in the CNH Loyalty Register electing to receive CNH Special Voting Shares upon completion of the required holding, it also is registered in the Loyalty Register electing to receive Special Voting Shares upon completion of the required holding period, whereby the holding period to receive Special Voting Shares shall be shortened by the period of time by which such holder of Common Shares had already been registered in the CNH Loyalty Register. Following the Demerger (and as a result of the same), CNH Shareholders at the Demerger Record Date were the shareholders of two independent public companies: CNH Industrial and the Company.

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.

At 31 December 2022, Iveco Group N.V. had 192 employees. Their breakdown by category was as follows:

	At 31 December 2022		At 31 December 2021	
	Number	**%**	**Number**	**%**
Managers, senior professionals & above	95	49.48 %	—	— %
Professionals	78	40.63 %	2	66.67 %
Associates	19	9.90 %	1	33.33 %
Total number of employees	**192**		**3**	

At 31 December 2022, none of the employees is based in the Netherlands, but they are mostly based in Italy.

BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Date of authorization of issue

The Company financial statements of Iveco Group N.V. (the “Company Financial Statements”) for the year ended 31 December 2022 (and period from 16 June 2021 to 31 December 2021), together with the notes thereto were authorized for issuance by the Board of Directors on 2 March 2023.

Statement of Compliance

The Company Financial Statements have been prepared in accordance with the legal requirements of Part 9 of Book 2 of the Dutch Civil Code. In particular, Section 362 (8), Book 2, Dutch Civil Code, allows companies that apply EU-IFRS in their Consolidated Financial Statements to use the same measurement principles in their company financial statements. The accounting policies are described in a specific section, “Significant accounting policies”, of the Consolidated Financial Statements included in this Annual Report. In these Company financial statements, investments in subsidiaries are accounted for using the equity method. The Company financial statements are prepared on a going concern basis.

Presentation and Format of the Company Financial Statements

Except as otherwise indicated, the Company Financial Statements are presented in euro, which is the Company’s functional and presentation currency. The Company presents the income statement using a classification based on the function of expenses (otherwise known as “cost of sales” method), rather than one based on their nature as this is believed to provide information that is more relevant.

Refer to the Section "Significant accounting policies" of the Consolidated Financial Statements included in this Annual Report for notes on the uncertainty on evolution of certain macro-economic dynamics (i.e.: Climate related matters, Russia-Ukraine conflict, Global Supply Chain, energy costs, and COVID-19 pandemic),

COMPOSITION AND PRINCIPAL CHANGES

1. Selling, general and administrative costs

The Selling, general and administrative costs of €80,469 thousand in 2022 (€213 thousand in 2021) mainly comprise:

- personnel costs of €38,298 thousand in 2022 (€22 thousand in 2021)
- ICT expenses of €7,127 thousand in 2022 (€17 thousand in 2021)
- administrative costs of €35,044 thousand in 2022 (€174 thousand in 2021), mainly marketing, advertising, membership fees and other professional costs, net of certain intercompany recharges due to services provided to Group subsidiaries.

2. Restructuring expenses

Restructuring expenses amount to €7,438 thousand in 2022 (nil in 2021) and represent the total costs associated to certain fundamental organizational changes.

3. Other income/(expenses)

This item consists of miscellaneous revenues and costs, further detailed as follows:

(in euro thousand)	**2022**	**For the period from 16 June 2021 to 31 December 2021**
Other operating income	65,427	—
Other operating expenses	(18,650)	(10,787)
Total Other income/(expenses)	**46,777**	**(10,787)**

Other operating income are €65,427 thousands and refers to amounts invoiced to Group Companies as compensation for management and other services rendered for the benefit of such Companies.

Other operating expenses include the following:

(in euro thousand)	**2022**	**For the period from 16 June 2021 to 31 December 2021**
Professional costs	16,202	371
Recharges from CNH Industrial N.V.	—	6,167
Demerger costs	1,081	383
Listing expenses	—	3,865
Other	1,367	1
Total Other Operating Expenses	**18,650**	**10,787**

Professional costs for an amount of €16,202 thousand mainly refer to intercompany recharges from Group companies, strategic consulting expenses and legal expenses.

In 2021, recharges from CNH Industrial N.V. were related to costs borne for the benefit of the Company and were mainly referred to strategic consulting expenses for an amount of €3.7 million, ICT expenses for an amount of €1.4 million, external communication expenses for an amount of €0.6 million.

4. Financial income/(expenses)

The breakdown of financial income and expenses was as follows:

(in euro thousand)	2022	For the period from 16 June 2021 to 31 December 2021
Financial income	360,753	—
Financial expenses	(335,045)	(3)
Total Financial income/(expenses)	**25,708**	**(3)**

The detail of Financial income was as follows:

(in euro thousand)	2022	For the period from 16 June 2021 to 31 December 2021
Financial income from Iveco Group companies:		
Interest income on current accounts	25,989	—
Interest and other income on loans	5,609	—
Income from derivative financial instruments towards Iveco Group companies	115,721	—
Other financial income	303	—
Total Financial income from Iveco Group companies	**147,622**	**—**
Financial income from third parties:		
Interest income on current accounts	1,532	—
Interest income on deposit accounts	3,812	—
Income from derivative financial instruments towards third parties	207,787	—
Other financial income	—	—
Total Financial income from third parties	**213,131**	**—**
Total Financial income	**360,753**	**—**

The detail of Financial expenses was as follows:

(in euro thousand)	2022	For the period from 16 June 2021 to 31 December 2021
Financial expenses towards Iveco Group companies:		
Interest expense on current accounts	42,235	—
Interest and other expenses on loans	4,073	—
Losses from derivative financial instruments towards Iveco Group companies	3,223	—
Other financial expenses	—	—
Total Financial expenses from Iveco Group companies	**49,531**	**—**
Financial expenses towards third parties:		
Interest expense on current accounts	148	—
Interest and other expenses on bank borrowings	11,541	—
Losses from derivative financial instruments towards third parties	268,352	—
Other financial expenses	82	3
Total Financial expenses from third parties	**280,123**	**3**
Currency exchange expenses, net	5,391	—
Total Financial expenses	**335,045**	**3**

Financial income/(expenses) relate to the treasury and cash management services performed by the Company on behalf of Iveco Group companies.

Other financial charges reflect expenses incurred in connection with unsecured committed lines of credit provided by primary international banks.

Gains/(losses) on derivatives includes realized and unrealized gains and losses, primarily on interest rate swaps, currency hedges (e.g. Outright, Forex Swaps, DCS) and, marginally, on commodities, entered into with Iveco Group counterparties and prime international banks.

Net Income/(expenses) on derivative financial instruments includes:

(in euro thousand)	**2022**	**For the period from 16 June 2021 to 31 December 2021**
Income on derivative financial instruments	323,508	—
Losses on derivative financial instruments	(271,575)	—
Total Income/(losses) on derivative financial instruments, net	**51,933**	**—**

5. Income tax benefit/(expense)

A breakdown of taxes recognized in the income statement is provided below:

(in euro thousand)	**2022**	**For the period from 16 June 2021 to 31 December 2021**
Federal current tax	284	—
Deferred tax assets	3,092	2,611
Total Income tax benefit/(expense)	**3,376**	**2,611**

The amount of the federal current tax (€284 thousand) is related to the remuneration of the fiscal loss from the Italian fiscal unit.

Reconciliation between theoretical income taxes determined on the basis of tax rates applicable in Italy and income taxes reported in the financial statements is as follows:

(in euro thousand)	**2022**	**For the period from 16 June 2021 to 31 December 2021**
Profit/(Loss) before taxes	(15,422)	(11,003)
Weighted average Italy statutory main corporation tax rate (IRES)	24 %	24 %
Theoretical income tax (expense)	**(3,701)**	**(2,641)**
Tax effect of permanent differences	1,336	30
Deemed Tax on Unremitted Earnings	(1,011)	—
Deferred taxes not recognized and write-down	—	—
Current and deferred income tax recognized in the financial statements	**(3,376)**	**(2,611)**

Deferred tax asset of €3,092 thousand in 2022 (€ 2,611 thousand in 2021) mainly refers to taxed provisions valued at the IRES rate in force in the years in which the temporary differences will reverse.

6. Result from investments

Result from Investments in Group companies and other equity interests was a profit of €158,798 thousand in 2022 (nil in 2021) and includes the Company's share in the net profit or loss of the investees, which have been transferred to the Company as part of the Demerger.

7. Other information by nature of expense

The income statement includes personnel costs of €38,298 thousand in 2022 (€22 thousand in 2021), which consist of the following:

(in euro thousand)	2022	For the period from 16 June 2021 to 31 December 2021
Wages and salaries	19,263	18
Defined benefit plans	15,793	2
Defined contribution plans and other social security costs	599	1
Other personnel costs	2,643	—
Total personnel costs	**38,298**	**22**

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

	2022	2021
Managers, senior professional & above	86	—
Professionals	68	2
Associates	16	1
Average number of employees	**170**	**3**

8. Intangible assets

Changes in intangible assets during the year are as follows:

(in euro thousand)	Software externally acquired	Licences	Total
Gross carrying amount at 31 December 2021	**—**	**—**	**—**
Additions	3,370	82	3,452
Balance at 31 December 2022	**3,370**	**82**	**3,452**
Accumulated amortization and impairment losses			
Balance at 31 December 2021	**—**	**—**	**—**
Amortization	—	12	12
Balance at 31 December 2022	**—**	**12**	**12**
Carrying amount at 31 December 2021	**—**	**—**	**—**
Carrying amount at 31 December 2022	**3,370**	**69**	**3,439**

Licenses and software include licenses for use of intellectual property and software in progress acquired from third parties

Intangible assets have not been pledged as collateral against the Company's borrowings; there are no significant outstanding commitments to purchase additional intangible assets, no revaluations have been made and no intangible assets have been acquired through government concession.

Amortization of intangible assets is recognized in the income statement under Selling, general and administrative costs.

9. Property, plant and equipment

Changes in the carrying amount of Property, plant and equipment 2022 and 2021 are as follows:

(in euro thousand)	Right-of-use-assets	Other Assets	Total
Gross carrying amount at 31 December 2021	—	—	—
Additions	1,280	12	1,292
Divestitures	(36)	—	(36)
Other changes	(23)	—	
Balance at 31 December 2022	**1,221**	**12**	**1,233**
Accumulated depreciation and impairment losses			
Balance at 31 December 2021	—	—	—
Depreciation	408	1	409
Divestitures	(24)	—	(24)
Balance at 31 December 2022	**384**	**1**	**385**
Carrying amount at 31 December 2021	—	—	—
Carrying amount at 31 December 2022	**837**	**11**	**849**

At 31 December 2022, right-of-use assets refer primarily to lease contracts for company cars for an amount of €837 thousand (nil at 31 December 2021).

Short-term and low-value leases are not recorded in the statement of financial position; in 2022 Iveco Group recognized lease expenses for €340 thousand (nil at 31 December 2021). Lease expenses are recognized on a straight-line basis over the lease term.

Other assets refer to office furniture.

There were no tangible assets pledged as security at 31 December 2022 and 2021.

10. Financial fixed assets

At 31 December 2022 Financial fixed assets amount to €4,077 million and refer to Investments in Group companies and other equity interests (€3,878 million) and to non-current financial receivables (loans) from Iveco Group companies (€199 million).

The Investments in Group companies and other equity interests is totaled as follows:

(in euro thousand)	At 31 December 2022
Balance at beginning of year	—
Investments transferred from CNH Industrial N.V. as part of the Demerger	3,850,142
Contribution to Investments in Group companies and other equity interests	30,500
Result from Investments in Group companies and other equity interests	158,798
Dividend received	(73,717)
Cumulative translation adjustments and other OCI movements	(150,896)
Other	62,684
Balance at end of year	**3,877,510**

Following execution of the Deed of Demerger on 31 December 2021, on 1 January 2022 CNH Industrial N.V. transferred its shareholdings in companies operating in the Commercial and Specialty Vehicles business, the Powertrain business as well as the related Financial Services business to Iveco Group N.V. The total book value of those shareholdings was €3,850,142 thousand.

The item Other primarily includes 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.

A list of Company's investments has been included in the Notes to the Consolidated Financial Statements.

The amount of Non-current financial receivables, of €199 million at 31 December 2022 (€0 million at 31 December 2021), includes financial receivables from Iveco Group companies due over one year, which have been originated during 2022.

During 2021 the Company had no Non-current financial receivables.

11. Deferred Tax Assets

The amount of deferred tax asset of €4,691 thousand (€2,611 thousand in 2021) is mainly related to taxed provisions.

Changes in the amount of Deferred Tax Assets are as follows:

(in euro thousand)	At 31 December 2021	Recognized in income statement	Other movements	At 31 December 2022
Deferred Tax Assets	2,611	3,092	(1,011)	4,691
Total Deferred Tax Assets	2,611	3,092	(1,011)	4,691

12. Trade receivables

At 31 December 2022, trade receivables totaled €63,876 thousand (nil in 2021) and are referred to recharges of management and other services provided to Group companies.

The carrying amount of trade receivables is deemed to approximate their fair value. All trade receivables are due within one year and there are no overdue balances. Based on the above, the Company does not expect credit losses on these amounts.

13. Other current assets

At 31 December 2022, other current assets amounted to €51,171 thousand (€123 thousand in 2021) and consisted of the following:

(in euro thousand)	At 31 December 2022	At 31 December 2021
VAT receivables	4,652	22
Receivables from Group companies for consolidated Italian corporate tax	35,406	—
Prepaid expenses	10,351	100
Other receivables	762	1
Total Other current assets	**51,171**	**123**

Intercompany receivables for corporate tax (€35,406 thousand) relate to the federal tax calculated on the taxable income of the Italian subsidiaries included in the fiscal unit in which Iveco Group N.V. is the consolidating entity. Based on their nature, the carrying amount of such receivables is deemed to approximate their fair value.

Prepaid expenses amount to €10,351 thousand, and include upfront fees on credit lines for an amount of €6,968 thousand.

Other receivables include IRES receivables from Tax Authorities for an amount of €505 thousand.

Other current assets are entirely due within one year.

14. Current financial receivables

At 31 December 2022, current financial receivables amounted to €1,490,286 thousand. The item may be specified as follows:

(in euro thousand)	At 31 December 2022	At 31 December 2021
Current accounts	1,214,262	—
Loans	276,024	—
Total Current financial receivables	**1,490,286**	**—**

Current financial receivables are mainly made up of short-term financial receivables from Iveco Group companies for €1,214 million and loans from Iveco Group companies for €276 million.

Such financial receivables bear floating interest at market rate and their carrying amount is deemed to approximate their fair value.

15. Derivative assets

(in euro thousand)	At 31 December 2022	At 31 December 2021
Derivative financial assets entered with Iveco Group companies	32,063	—
Derivative financial assets entered with third parties	37,115	—
Total Derivative assets	**69,178**	**—**

The fair value of Iveco Group's derivative assets as of 31 December 2022 and 2021 in the statement of financial position are recorded as follows:

	At 31 December 2022		At 31 December 2021	
(in euro thousand)	Positive Fair Value	Negative Fair Value	Positive Fair Value	Negative Fair Value
Fair value of derivative financial instruments:				
entered into with Iveco Group companies	32,063	—	—	—
entered into with third parties	37,115	—	—	—
Total Fair value of derivative assets	**69,178**	**—**	**—**	**—**

These items reflect the positive fair value of derivative financial instruments, mainly entered by the Company with third party banks in the interest of Iveco Group subsidiaries. These are essentially forward transactions, currency, interest rate and commodity swaps.

Assets from derivative financial instruments consist of derivative financial instruments measured at fair value at the balance sheet date. Derivative instruments are classified as Level 2 in the fair value hierarchy. Iveco Group companies utilize derivative instruments to mitigate their exposure to interest rate and foreign currency fluctuations.

At 31 December 2022, the notional value and the maturity of financial derivatives was as follows:

(in euro thousand)	At 31 December 2022	Within one year	One to five years	Over five years
Notional value of derivatives with Iveco Group companies:				
Currency risk	842,861	790,553	52,307	—
Total Notional value of derivatives with Iveco Group companies	**842,861**	**790,553**	**52,307**	**—**
Notional value of derivatives with third parties:				
Currency risk	1,694,244	1,600,741	93,504	—
Total Notional value of derivatives with third parties	**1,694,244**	**1,600,741**	**93,504**	**—**
Total Notional of financial derivatives	**2,537,105**	**2,391,294**	**145,811**	**—**

16. Cash and cash equivalents

(in euro thousand)	At 31 December 2022	At 31 December 2021
Cash at banks	1,156,306	14,666
Total Cash and cash equivalents	**1,156,306**	**14,666**

This item reflects cash balances held by the Company in current accounts and deposits with leading domestic and international financial institutions.

At 31 December 2021, as far as euro accounts were concerned, the Company entered into a zero-balance cash pool agreement with CNH Industrial Finance S.p.A. (CNH Industrial Group central treasury) where the balances of such accounts were automatically transferred to the pool leader account at the end of each day with original value dates. Based on such agreement, the Company had a receivable towards CNH Industrial Finance S.p.A. for an amount of €14,655,297 at 31 December 2021. This receivable was settled in January 2022, following the Demerger and the consequent closing of the cash pooling agreement with CNH Industrial Finance S.p.A.

The carrying amount of cash and cash equivalents is deemed to be in line with their fair value.

Credit risk associated with cash and cash equivalents is considered limited as the counterparties are leading national and international banks and on-demand or very-short-term deposits.

As at 31 December 2022, there is no restricted cash.

17. Equity

(in euro thousand)	Share capital	Capital Reserve	Legal Reserves: cumulative translation adjustment reserve/OCI	Legal Reserves: other	Retained profit/(loss)	Profit/(loss) for the year	Total
At 16 June 2021	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Common Share Issued	250	—	—	—	—	—	250
Cash-contribution from the Parent	—	15,000	—	—	—	—	15,000
Total comprehensive income/(loss) for the period	—	—	—	—	—	(8,392)	(8,392)
At 31 December 2021	**250**	**15,000**	**—**	**—**	**—**	**(8,392)**	**6,858**
Impacts from CNH Industrial N.V. Demerger	3,205	2,278,937	(364,000)	1,312,200	(948,200)	—	2,282,142
At 1 January 2022	**3,455**	**2,293,937**	**(364,000)**	**1,312,200**	**(948,200)**	**(8,392)**	**2,289,000**
Appropriation of the result of the year 2021	—	—	—	—	(8,392)	8,392	—
Current period change in OCI, net of taxes	—	—	(161,975)	—	—	—	(161,975)
Share-based compensation: cost accrued in the period	—	17,032	—	—	—	—	17,032
Other movements	—	—	—	—	62,920	—	62,920
Legal reserve	—	—	—	157,898	(157,898)	—	—
Result for the year 2022	—	—	—	—	—	146,752	146,752
At 31 December 2022	**3,455**	**2,310,969**	**(525,975)**	**1,470,098**	**(1,051,570)**	**146,752**	**2,353,729**

Other changes of "Retained profit/(loss)" 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.

As the Company Financial Statements are prepared using the same measurement principles of the Consolidated Financial Statements, including the investments that are accounted for using the equity method, the total Company equity of €2,354 million as of 31 December 2022 is in line with the Consolidated equity (excluding non-controlling interest). In addition, the Company profit for the year of €147 million equals the consolidated profit (excluding noncontrolling interest). At 31 December 2021 Iveco Group N.V. was still a subsidiary of CNH Industrial N.V. and did not own any investments, as the Demerger took effect on 1 January 2022. As a consequence, the total Company equity at 31 December 2021 and the full-year 2021 Company result cannot correspond to the Consolidated equity (excluding non-controlling interest) and result for the year as resulting from the Combined Financial Statements at the same date and presented in the Consolidated Financial Statements included in this Annual Report for comparative purposes.

The increase in equity of €2,346,871 thousand over year-end 2021 is mainly the result of the impacts from the Demerger of CNH Industrial N.V. for €2,282,142 thousand and the profit for the year of €146,752 thousand, and the negative changes in Other comprehensive income of €161,975 thousand.

Share capital

As of 31 December 2021, the Company's authorized and issued share capital was €250,000, fully paid-in, and consisted of 25,000,000 common shares, each with a per share par value of €0.01, and no special voting shares.

Following the Demerger, the Articles of Association of the Company provide for an authorized share capital of €8,000,000, divided into 400 million common shares and 400 million special voting shares to be held with associated common shares, each with a per share par value of €0.01.

As of 31 December 2022, 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 (74,217,406 special voting shares outstanding, net of 26,164 special voting shares held in treasury by the Company following the deregistration of qualifying common shares from the Loyalty Register), all with a par value of €0.01 each.

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

Changes in the composition of the share capital of Iveco Group N.V. during 2022 are as follows:

(number of shares)	Iveco Group N.V. Common Shares issued	Less: Treasury shares	Iveco Group N.V. Common Shares outstanding	Iveco Group N.V. loyalty program Special Voting Shares issued	Less: Treasury shares	Iveco Group N.V. loyalty program Special Voting Shares outstanding	**Total Shares issued by Iveco Group N.V.**	**Less: Treasury shares**	**Total Iveco Group N.V. outstanding shares**
Total Iveco Group N.V. shares at 1 January 2022	**271,215,400**	**—**	**271,215,400**	**74,243,570**	**—**	**74,243,570**	**345,458,970**	**—**	**345,458,970**
Capital increase	—	—	—	—	—	**—**	**—**	**—**	**—**
(Purchases)/ Sales of treasury shares	—	—	—	—	(26,164)	**(26,164)**	**—**	**(26,164)**	**(26,164)**
Total Iveco Group N.V. shares at 31 December 2022	**271,215,400**	**—**	**271,215,400**	**74,243,570**	**(26,164)**	**74,217,406**	**345,458,970**	**(26,164)**	**345,432,806**

During the year ended 31 December 2022, 26,164 million Special Voting Shares were surrendered to the Company following the deregistration of the corresponding Qualifying Common Shares from the Loyalty Register, net of transfer and allocation of Special Voting Shares in accordance with the Special Voting Shares - Terms and Conditions.

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

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

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

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

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

Appropriation of the result

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

Subject to the adoption of the Annual Financial Statements by the Annual General Meeting of shareholders and after the allocation of the relevant amount to the special voting shares dividend reserve in accordance with article 22,paragraph 4, of the Articles of Association, any profits remaining shall be allocated to the Retained earnings and be at the disposal of the general meeting of shareholders for distribution of dividend on the outstanding common shares only, based on the recommendations and proposal of the Board of Directors and subject to the provision of the Article 22, paragraph 8, of the Articles of Association.

The Board of Directors has the power to declare one or more interim dividends, provided that the requirements of the Article 22 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 22 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.

In the event of a winding-up, a resolution to dissolve the Company can only be passed by a general meeting of shareholders pursuant to a prior proposal of the Board of Directors. In the event a resolution is passed to dissolve the Company, the Company shall be wound-up by the Board of Directors, unless the general meeting of shareholders would resolve otherwise.

The general meeting of shareholders shall appoint and decide on the remuneration of the liquidators.

Until the winding-up of the Company has been completed, the Articles of Association of the Company shall to the extent possible, remain in full force and effect.

Loyalty voting Program

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

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

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

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

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

Capital reserves

At 31 December 2022, capital reserves amounting to €2,311 million, of which €15 million of share premium reserve deriving from a contribution of cash amounting to €15 million executed by the sole shareholder CNH Industrial on 28 December 2021, and €2,279 million deriving from the Demerger of CNH Industrial effective on 1 January 2022.

Legal reserves

As of 31 December 2022, the Company Legal reserves amounted to €944 million and relate to unrealized currency translation losses of €255 million and other OCI components for a net negative amount of €271 million, more than offset by other legal reserves for €1,470 million.

Other legal reserves are made up by research and development costs capitalized by the equity investments for €1,279 million (€0 million at 31 December 2021), earnings from affiliated companies subject to certain restrictions on the transfer of funds to the parent company in form of dividend or otherwise for €20 million (€0 million at 31 December 2021) and earnings from subsidiaries that due to local law requirements cannot be distributed as dividend, unless the subsidiary is liquidated, for €171 million (€0 million at 31 December 2021).

Pursuant to Dutch law, limitations exist relating to the distribution of shareholders' equity for the entire amount of the legal reserves. By their nature, unrealized losses relating to currency translation differences and other OCI components reduce shareholders equity and thereby distributable amounts. As a consequence, the total amount considered not distributable as of 31 December 2022 equaled to €1,474 million (nil at 31 December 2021). As a result, the distributable reserves as at 31 December 2022 amounted to €880 million.

Share-based compensation

Iveco Group's equity awards are governed by two plans: i) Iveco Group N.V. 2021-2023 Long Term Incentive Plan; ii) Iveco Group N.V. 2022-2024 Long Term Equity Incentive Plan.

For more information on Share-based compensation see Note 21 "Equity" of the Consolidated Financial Statements.

18. Provision for employee benefits

Provisions for employee benefits at 31 December 2022 and 2021 are as follows:

(in euro thousand)	At 31 December 2022	At 31 December 2021
Post-employment benefits	1,243	1
Other provision for employees	6,011	2
Other long-term employee benefits	585	—
Total Provision for employee benefits	**7,839**	**3**

Post-employment benefits

Post-employment benefits consist of obligations for Italian Employee Leaving Entitlements up to 31 December 2006 and loyalty bonus in Italy. Until 31 December 2006, Italian companies with more than 50 employees were required to accrue for benefits paid to employees upon them leaving Italian legal entities. The scheme has since changed to a defined contribution plan. The obligation on our balance sheet represents the residual reserve for years until 31 December 2006. Loyalty bonus is accrued for employees who have reached pre-defined service seniority and are generally settled when employees leave the company. These plans are not required to be funded and, therefore, have no plan assets.

The amounts recognized in the statement of financial position for post-employment benefits at 31 December 2022 and 2021 are as follows:

(in euro thousand)	At 31 December 2022	At 31 December 2021
Present value of funded obligations	1,243	1
Less: Fair value of plan assets	—	—
Deficit/(surplus)	1,243	1
Net liability/(Net asset)	**1,243**	**1**
Amounts at year-end:		
Liabilities	1,243	1
Assets	—	—
Net liability	**1,243**	**1**

Changes in the present value of post-employment obligations in 2022 and 2021 are as follows:

(in euro thousand)	At 31 December 2022	At 31 December 2021
Present value of obligation at the beginning of the year	**1**	**—**
Current service cost	10	1
Interest expense	(1)	—
Other remeasurements	2	—
Total remeasurements	2	—
Benefits paid	(26)	—
Transfers from other companies	1,257	—
Present value of obligation at the end of the year	**1,243**	**1**

Other remeasurements mainly include the amount of experience adjustments.

The following significant assumptions were utilized in determining the funded status at 31 December 2022 and 2021, and the expense of defined benefit plans for the years ended 31 December 2022 and 2021:

(in %)	Assumptions used to determine funded status at year-end
	At 31 December 2022
	Post-employment benefits
Weighted-average discount rates	3.76
Weighted-average rate of compensation increase	3.98
	At 31 December 2021
(in %)	Post-employment benefits
Weighted-average discount rates	1.06
Weighted-average rate of compensation increase	1.55

(in %)	Assumptions used to determine expense at year-end
	At 31 December 2022
	Post-employment benefits
Weighted-average discount rates – current service cost	1.06
Weighted-average discount rates – interest cost	1.06
Weighted-average rate of compensation increase	1.55
	At 31 December 2021
(in %)	Post-employment benefits
Weighted-average discount rates – current service cost	1.06
Weighted-average discount rates – interest cost	1.06
Weighted-average rate of compensation increase	1.55

Assumed discount rates are used in measurements of post-employment benefit obligations and net interest on the net defined benefit liability/asset. The Company selects its assumed discount rates based on the consideration of equivalent yields on high-quality fixed income investments at the measurement date. The assumed discount rate is used to discount future benefit obligations back to today's euros. The discount rates are based on a benefit cash flow-matching approach and represent the rates at which the benefit obligations could effectively be settled as of the measurement date, 31 December. The benefit cash flow-matching approach involves analyzing the Company's projected cash flows against a high-quality bond yield curve; discount rate is based on first year rate of the Euro Composite AA curve.

Assumed discount rates have an effect on the amount recognized in the 2022 financial statements. A one percentage point change in the assumed discount rates would have the following effects:

(in euro thousand)	One percentage point increase	One percentage point decrease
Effect on post-employment defined benefit obligation at 31 December 2022	(91)	101

Other provisions and Other long-term employee benefits

Other provisions for employees consist of the best estimate at the balance sheet date of short-term employee benefits payable by the Group within twelve months from the end of the period in which the employees render the related service.

Other long-term employee benefits consist of the Company's obligation for those benefits generally payable during employment on reaching a certain level of seniority in the Company or when a specified event occurs and reflects the probability of payment and the length of time over which this will be made.

Changes in Other provisions for employees and in Other long-term employee benefits are as follows:

(in euro thousand)	At 31 December 2021	Provision	Utilization	Transfer from other companies	At 31 December 2022
Other provision for employees	2	5,910	(2)	101	6,011
Other long-term employee benefits	—	—	—	585	585
Total	**2**	**5,910**	**(2)**	**686**	**6,596**

19. Other Provisions

Changes in Other provisions are as follows:

(in euro thousand)	At 31 December 2021	Provision	Utilization	At 31 December 2022
Provisions for other risks and charges	—	3,682	—	3,682
Total Other Provisions	**—**	**3,682**	**—**	**3,682**

Other Provisions of €3,682 thousand refer to expenses accrued by the Company in connection with other risks and charges.

During 2021 the Company had no Other Provisions.

20. Financial Liabilities

Credit Facilities

Lenders of committed credit facilities have the obligation to make advances up to the facility amount. Lenders of uncommitted facilities have the right to terminate the agreement with prior notice to Iveco Group. At 31 December 2022, Iveco Group had available committed unsecured facilities expiring after twelve months amounting to €2,000 million (€41 million at 31 December 2021).

On 4 January 2022, Iveco Group signed a €1.9 billion syndicated facility, which included a €1.4 billion committed revolving credit facility with a 5-year tenor with two extension options of 1-year each (subject to the bank's approval), as well as a €0.5 billion committed term facility with a 12-months tenor, extendable for up to an additional 12 months at the Company's sole option. In October 2022 Iveco Group signed a new €400 million syndicated term facility with a 2-year tenor extendable for up to an additional 12 months at the Company's sole option. The proceeds have been used to refinance the existing term facility. The €1.4 billion revolving credit facility has been extended for one additional year with all lenders, by exercising the first one-year extension option. The facility is now due to mature in January 2028. The syndicated facilities include typical provisions for contracts of this type and size, such as: customary covenants mainly relating to Industrial Activities including negative pledge, a status (or *pari passu*) covenant, restrictions on the incurrence of indebtedness by certain subsidiaries, customary events of default (some of which are subject to minimum thresholds and customary mitigants) including cross-default, failure to pay amounts due or to comply with certain provisions under the loan agreement, the occurrence of certain bankruptcy-related events and mandatory prepayment obligations upon a change in control of Iveco Group or the borrower and a financial covenant (Net debt/EBITDA ratio relating to Industrial Activities) that is not applicable in case of rating equal or higher than BBB/Baa2. The failure to comply with these provisions, in certain cases if not suitably remedied, can lead to the requirement to make early repayment of the outstanding advances. At 31 December 2022 Iveco Group was in compliance with all covenants of the Facilities.

Non-current financial liabilities

The amount of Non-current financial debt, of €100 million at 31 December 2022 (€0 million at 31 December 2021), includes the amount payables to financial institutions after one year.

Changes are as follows:

(in euro thousand)	At 31 December 2021	Increase	Decrease	At 31 December 2022
Non-current financial liabilities	—	99,715	—	99,715
Total Non-current financial liabilities	**—**	**99,715**	**—**	**99,715**

During 2021 the Company had no Non-current financial liabilities

Current financial liabilities

The amount of Current financial liabilities, of € 4,317 million (€0 million at 31 December 2021), reflects mainly amounts due to Iveco Group companies (€3,916 million at 31 December 2022) and to leading international banks (€400 million at 31 December 2022) payable within one year.

Changes are as follows:

(in euro thousand)	At 31 December 2021	Increase	Decrease	At 31 December 2022
Current financial liabilities vs Iveco Group companies	—	3,916,267	—	3,916,267
Current financial liabilities vs third parties	—	400,358	—	400,358
Other Payables	—	841	—	841
Total Current financial liabilities	**—**	**4,317,466**	**—**	**4,317,466**

During 2021 the Company had no Current financial liabilities

The amounts can be broken down as follows:

(in euro thousand)	At 31 December 2022	At 31 December 2021
Current accounts	3,591,833	—
Iveco Group companies	3,591,833	—
Third parties	—	—
Borrowings	724,792	—
Iveco Group companies	324,434	—
Third parties	400,358	—
Other Payables	841	—
Total Current financial liabilities	**4,317,466**	**—**

The short term financial liabilities bear floating interest at market rate.

The carrying amount of those liabilities is deemed to be in line with their fair value.

21. Trade payables

At 31 December 2022, trade payables totaled €28,242 thousand and consisted of the following:

(in euro thousand)	At 31 December 2022	At 31 December 2021
Trade payables vs Iveco Group companies	12,488	272
Trade payables vs other related parties	1,160	6,197
CNHI Group companies	600	6,167
Stellantis Group companies	560	30
Trade payables vs third parties	14,595	4,058
Total Trade payables	**28,242**	**10,528**

Amounts due to related parties primarily refer to services rendered by CNH Industrial Group and Stellantis Group for the benefit of Iveco Group, mainly as administrative activities.

Trade payables are due within one year and their carrying amount at the reporting date is deemed to approximate their fair value.

22. Derivative liabilities

(in euro thousand)	At 31 December 2022	At 31 December 2021
Iveco Group companies	35,024	—
Third parties	31,218	—
Total derivatives liabilities	**66,242**	**—**

These items reflect the negative fair value of derivative financial instruments, mainly entered by the Company with third party banks in the interest of Iveco Group subsidiaries. These are essentially forward transactions, currency, interest rate and commodity swaps.

Liability from derivative financial instruments consist of derivative financial instruments measured at fair value at the balance sheet date. Derivative instruments are classified as Level 2 in the fair value hierarchy.

Iveco Group companies utilize derivative instruments to mitigate their exposure to interest rate and foreign currency fluctuations.

The fair value of Iveco Group's derivative liabilities as of 31 December 2022 and 2021 in the statement of financial position are recorded as follows:

	At 31 December 2022		At 31 December 2021	
(in euro thousand)	Positive Fair Value	Negative Fair Value	Positive Fair Value	Negative Fair Value
Fair value of derivative financial instruments:	—	—	—	—
entered into with Iveco Group companies	—	35,024	—	—
entered into with other companies	—	31,218	—	—
Total Fair value of derivative liabilities	**—**	**66,242**	**—**	**—**

(in euro thousand)	At 31 December 2022	Within one year	One to five years	Over five years
Notional value of derivatives with Iveco Group companies:				
Currency risk	1,330,759	1,237,672	93,086	—
Total Notional value of derivatives with Iveco Group companies	**1,330,759**	**1,237,672**	**93,086**	**—**
Notional value of derivatives with third parties:				
Currency risk	816,623	764,562	52,061	—
Total Notional value of derivatives with third parties	**816,623**	**764,562**	**52,061**	**—**
Total Notional of financial derivatives	**2,147,381**	**2,002,234**	**145,147**	**—**

23. Other current liabilities

At 31 December 2022, Other current liabilities totaled €39,852 and included the following:

(in euro thousand)	At 31 December 2022	At 31 December 2021
Current amounts payable to employees, social security, directors	2,072	5
Tax payable	36,450	3
Tax payable vs third parties	659	1
Tax payable vs Iveco Group companies	34,968	—
Other Tax payable	823	1
Other liabilities	1,331	3
Total Other current liabilities	**39,852**	**11**

Tax payable vs Iveco Group companies (€34,968 thousand at 31 December 2022) relate to the remuneration for tax losses contributed by the Italian subsidiaries participating in the domestic tax consolidation program for 2022, in which Iveco Group N.V. is the consolidating entity.

Other current liabilities are all due within one year and their carrying amount is deemed to approximate their fair value.

24. Guarantees, commitments and contingent liabilities

Guarantees issued at 31 December 2022 by the Company totaled € 305 million and were made up as follows:

- €160 million for payment obligations related to excess VAT credits of the direct and indirect subsidiaries of Iveco Group N.V.;
- €45 million for sundry guarantees primarily in the interest of Iveco S.p.A. for good execution of works;
- €100 million for credit lines granted from banks in the interest of Group companies.

At 31 December 2022, there were no guarantees outstanding issued in the interest of entities other than subsidiaries of the Company.

Other contingencies are described in Note 27 "Commitments and contingencies" of the Consolidated Financial Statements.

25. Audit fees

The following table reports fees accrued for audit and other services to the Group performed by the independent auditor Ernst & Young Accountants LLP or entities in its network.

(in euro thousand)	**2022**	**For the period from 16 June 2021 to 31 December 2021**
Audit fees of the consolidated and Company financial statements	4,879	25
Other Audit and assurance services	66	—
Total Audit fees	**4,945**	**25**

Audit fees of €4,945 thousand also included audit of Ernst & Young Accountants LLP of €179 thousand (€25 thousand in 2021) for the audit of Iveco Group N.V Company Financial Statements.

26. Board remuneration

Detailed information on Board of Directors compensation, including their shares and share options, is included in the Remuneration Report section as included in the Board Report of this Annual Report.

27. Subsequent events

Iveco Group N.V. has evaluated subsequent events through 2 March 2023, which is the date the financial statements were authorized for issuance, and, in addition to the above, identified the following:

- On 24 January 2023, IDV, the brand of Iveco Group specialised in defence and civil protection equipment, announced it entered into an agreement to acquire 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.

2 March 2023

The Board of Directors

Suzanne Heywood
Gerrit Andreas Marx
Tufan Erginbilgic
Essimari Kairisto
Linda Knoll
Alessandro Nasi
Olof Persson
Benoît Ribadeau-Dumas
Lorenzo Simonelli

OTHER INFORMATION

Independent Auditor's Report

The report of the Company's independent auditor, Ernst & Young Accountants LLP, the Netherlands, is set forth following this Annual Report.

Appropriation of the result of the year

Subject to the adoption of the Annual Financial Statements by the Annual General Meeting of shareholders and after the allocation of the relevant amount to the special voting shares dividend reserve in accordance with article 21, paragraph 4, of the Articles of Association, any profits remaining shall be allocated to the Retained earnings and be at the disposal of the general meeting of shareholders for distribution of dividend on the outstanding common shares only, based on the recommendations and proposal of the Board of Directors and subject to the provision of article 21, paragraph 8, of the Articles of Association.

Dividends under Articles of Association provisions

Dividends will be determined in accordance with article 21 of the Articles of Association of the Company, which reads as follows:

1. The Company shall 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 shall not carry any entitlement to the balance of the special capital reserve. The Board of Directors shall be authorized to resolve upon (i) any distribution out of the special capital reserve to pay up special voting shares or (i) re-allocation of amounts to credit or debit the special capital reserve against or in favour of the share premium reserve.
2. The Company shall 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.
3. From the profits, shown in the annual accounts, as adopted, such amounts shall be reserved as the Board of Directors may determine.
4. 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.
5. 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 of paragraph 8 of this article.
6. Subject to a prior proposal of the Board of Directors, the general meeting of shareholders may declare and pay dividends in United States Dollars. Furthermore, subject to the approval of the general meeting of shareholders and the Board of Directors having been designated as the body competent to pass a resolution for the issuance of shares in accordance with article 5, 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.
7. 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.
8. The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted.
9. The Board of Directors shall have power to declare one or more interim dividends, provided that the requirements of paragraph 5 hereof are duly observed as evidenced by an interim statement of assets and liabilities as referred to in article 2:105 paragraph 4 of the Civil Code and provided further that the policy of the Company on additions to reserves and dividends is duly observed. The provisions of paragraphs 2 and 3 hereof shall apply mutatis mutandis.
10. 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.
11. Dividends and other distributions of profit shall be made payable in the manner and at such date(s) - within four (4) 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 (5) consecutive annual periods.
12. Dividends and other distributions of profit, which have not been collected within five (5) years and one (1) day after the same have become payable, shall become the property of the Company.

Independent auditor’s report

To: the shareholders and audit committee of Iveco Group N.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements for the year ended December 31, 2022 of Iveco Group N.V., based in Amsterdam.

The financial statements comprise the consolidated and company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Iveco Group N.V. as at December 31, 2022, and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Iveco Group N.V. as at December 31, 2022 and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at December 31, 2022
- The following statements for 2022: the consolidated income statement, the consolidated statements of comprehensive income, cash flows and changes in equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company statement of financial position as at December 31, 2022
- The company income statement for 2022
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Iveco Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act), the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Iveco Group is a leading global capital goods company engaged in the design, production, marketing, sale and financing of trucks, commercial vehicles, buses and specialty vehicles for firefighting, defence and civil protection, as well as engines and transmissions for those equipment and vehicles and engines for marine and power generation applications.

In addition the company provides a range of financial products focused on the finance of sales and leases of equipment and vehicles by dealers and their customers. Iveco Group is also a very geographically diversified manufacturer and distributor of equipment.

Materiality

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality	€70 million
Benchmark applied	Approximately 0,5% of revenue
Explanation	Materiality is based on revenue, as we consider an activity-based measure to be an appropriate basis for determining our overall materiality primarily as revenue levels are the main driver for the Group's profitability. Whilst we considered alternative benchmarks to revenue, we believe that revenue approach to materiality is appropriate.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with audit committee that misstatements in excess of €3,5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Iveco Group N.V. is the parent of a group of entities (collectively referred to as "the Group").

The consolidated financial statements of the Group as at December 31, 2022, include Iveco Group N.V. and 91 consolidated subsidiaries. The Group is organized in three reportable segments, being Commercial and Specialty Vehicles, Powertrain and Financial Services, along with certain other corporate functions which are not included in the reportable segments. The Group organizes its operations into 100 components in the consolidation and reporting system.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

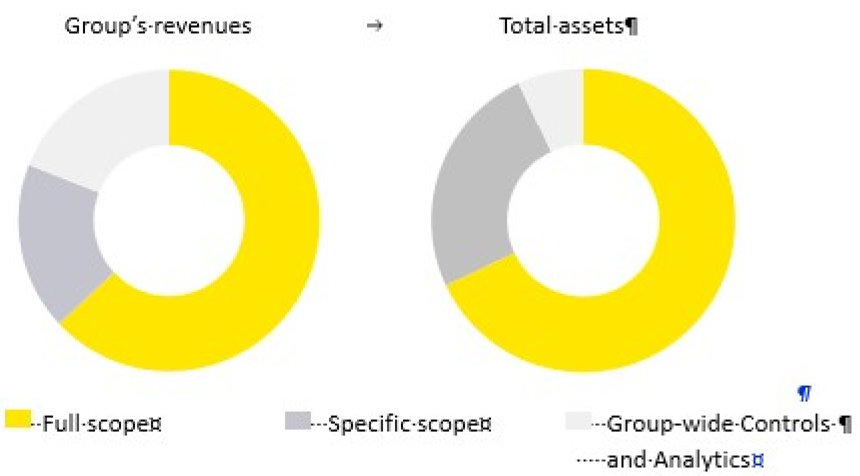
Accordingly, we identified 9 of Iveco Group N.V.'s components, which, in our view, required an audit of their complete financial information. Specific audit procedures on certain balances and transactions were performed on a further 14 components. The remaining 77 components which are not included in our group scope have been subject to Group wide control procedures and/or risk based analytic procedures.

In establishing the overall approach to the audit, we determined the type of work that is needed to be done by us, as group auditors, or by component auditors from Ernst & Young Global member firms and operating under our instructions. The group audit team audited the group consolidation, financial statements and disclosures and the audit procedures related to the key audit matters:

- Recoverability of deferred tax assets
- Net realizable value of vehicles sold with buy-back commitment
- Allowance for Expected Credit Losses for Customer-Financing and Accounts Receivables

We combined remote working with a site visit approach and visited management and component auditors in Italy. For all entities in scope, we shared detailed instructions to the component auditors and we reviewed their deliverables.

In total our full and specific scope procedures covered approximately 81% of the group's revenues and 93% of total assets.



By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the automotive industry. We included internal specialists in the areas of IT audit, valuation, legal, pensions and income tax.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda. Issues such as CO_2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets ("stranded assets") and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO_2 footprint.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in estimates and significant assumptions as well as in the design of relevant internal control measures by Iveco Group N.V.

As disclosed in the board report and consolidated financial statements under the significant accounting policies and climate related matters, all significant assumptions and estimates underlying the preparation of the following items were subject to an analysis in order to identify and address the new uncertainties related to climate changes which could affect the business: going concern, inventory management, property, plant and equipment, goodwill, brands, intangible assets with a finite life, tax reliefs, revenue recognition, provisions and onerous contracts. Furthermore, we read the board report and considered whether there is any material inconsistency between the non-financial disclosure and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at

December 31, 2022.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Iveco Group N.V. and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how audit committee exercises oversight, as well as the outcomes.

We refer to the paragraph Risk Management of the board report for management's fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

When identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition. We designed and performed our audit procedures relating to revenue recognition responsive to this presumed fraud risk.

These risks did however not require significant auditor's attention.

We identified the following fraud risk and performed the following specific procedures:

Presumed risks of fraud in revenue recognition:	
Fraud risk	When identifying and assessing fraud risks we presume that there are risks of fraud in revenue recognition. We evaluated the revenues streams coming from the various segments: Commercial and Specialty Vehicles, Powertrains and Financial Services. Our risk is mainly focusing on revenues which are recognized in the improper period as a result of manual journal entries recorded in corporate and/or consolidating entities at or near period end. These revenues streams are disclosed in Note 1 to the financial statements.
Our audit approach	We designed and performed the following audit procedures to be responsive to this fraud risk: • We performed risk assessment procedures as part of our audit planning and include the corporate and/or consolidating entities in our audit scope. • We made inquiries of management and tests of controls. • We performed analytical review and perform tests of detail as to revenue recorded in corporate and/or consolidating entities at or near period end. • We performed tests of journal entries recorded in the corporate and/or consolidating entities and ensure appropriate business rationale, and proper authorization and documentation of approval. • We adjusted the nature, extent and timing of our audit procedures as it specifically relates to journal entries recorded for revenue in the Corporate and Consolidating entities. We increased our sample size and use selection criteria that specifically addressed the fraud risk. Finally, we reviewed the adequacy of the disclosures made in Note 1.

We considered available information and made enquiries of relevant executives, directors (including tax, treasury, internal audit, legal, compliance, human resources and segment/regional management and finance leaders) and the audit committee.

The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures and reference is made to Notes 23 Other provisions and 27 Commitments and contingencies to the financial statements.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations from management that all known instances of non-compliance with laws and regulations have been disclosed to us.

The fraud risk we identified, enquires and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements

Our audit response related to going concern

As disclosed in section 'Basis of preparation' to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism.

We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

Based on our procedures performed, we did not identify material uncertainties about going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our

auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Iveco Group N.V. to cease

to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to audit committee.

The key audit matter is not a comprehensive reflection of all matters discussed.

In 2021 before spin-off Iveco Group N.V. was considered to be a holding entity with limited number of accounts and no operations. We assessed the risk factors around these accounts however we did not ended up with any key audit matter, accounting and auditing issue and/or FR/SR.

We have identified the following key audit matters in 2022:

- Recoverability of deferred tax assets
- Net realizable value of vehicles sold with buy-back commitment
- Allowance for Expected Credit Losses for Customer-Financing and Accounts Receivables

Recoverability of deferred tax assets Note 9. Income tax (expense) benefit	
Risk	At December 31, 2022, Iveco Group had net deferred tax assets, including tax loss carry forwards, of €927 million, of which €252 million are not recognized in the financial statements. The corresponding totals at December 31, 2021 were €864 million and €229 million. Auditing management's analysis of the recoverability of its deferred tax assets in Italy, Spain, France and Brazil is key to our audit because the amounts are material to the financial statements and the assessment process in those jurisdictions complex. This assessment involves significant judgment, including the weighing of all available evidence, and includes assumptions that may be affected by local tax legislation and projections of future taxable income in certain jurisdictions, as such we have assessed this as a Key Audit Matter in our audit.
Our audit approach	Our audit procedures included, but were not limited to: • Understanding the design and implementation of relevant internal controls within income taxes process, including controls over management's review of the significant assumptions • Evaluated the likelihood of the Group generating sufficient future taxable profits to support the recognition of the deferred tax assets, including the Company's assumptions and sensitivity analysis in relation to the likelihood of generating sufficient future taxable income, taking into account local tax regulations • Assessed the historical accuracy of management's forecasting of taxable profits by comparison to actual results, the accuracy of the forecast models and consistency of the projections with the forecasts used for the purposes of the goodwill and other non-current assets with indefinite and definite useful lives impairment analysis by the Company and results from other areas of our audit • Involved tax professionals to assist in evaluating the key tax considerations • Assessed the adequacy of the disclosures made (Note 9) by the Company in respect of recoverability of deferred taxes
Key observations	We did not identify any evidence of material misstatement of deferred tax assets as recorded in the statement of financial position or in the disclosures thereof, including Note 9.

Net realizable value of vehicles sold with buy-back commitment Note 13. Property, plant and equipment	
Risk	In relation to vehicles sold with buy-back commitment, the Group's net assets as of December 31, 2022 amount to €1,355 million. When the sale of the vehicle is combined with a buy-back commitment and a significant economic incentive exists for the customer to exercise the buy-back option, the sales transaction is recognized as an operating lease and an asset is recognized in the statement of financial position. The accounting policy for vehicles sold with buy-back commitment and management's significant judgements applied in relation thereto are further described in "Revenue recognition" section to the financial statements. Assessment and estimates are required for Iveco Group to define the net realizable value of amount of the assets recognized with buyback commitment. Estimated net realizable value is dependent on the situation in the used vehicle markets prevailing when the vehicles are expected to be returned. The future-oriented valuation is based on several assumptions and involves a high degree of estimation. This assessment involves significant judgement in determining the estimated net realizable value of the vehicles sold under buy-back commitment, as such we have assessed this as a Key Audit Matter in our audit.
Our audit approach	Our audit procedures included, but were not limited to: • Understanding the design and implementation of relevant internal controls within the determination of estimated net realizable value process, including controls over management's review of the significant assumptions. • Assessed the reasonableness of management's significant assumptions in relation to estimated net realizable value of net assets. • Tested the IT application in which buy back contracts are recorded, including data input against underlying contracts and clerical teste the accuracy of the model used to calculate the net realizable value of buy-back commitments. • Assessed the adequacy of the disclosures made by the Company in respect of vehicles sold with buy-back commitment.
Key observations	We did not identify any evidence of material misstatement in net realizable value of vehicles sold with buy-back commitment as recorded in the statement of financial position or in the disclosures thereof.

Allowance for Expected Credit Losses for Customer-Financing and Accounts Receivables Note 17. Current receivables and Other current financial assets	
Risk	Iveco Group applies the general approach in its IFRS 9 expected credit loss model (ECL) for determining the allowance on receivables from financing activities; hence the allowance is measured on either 12-months ECL or Lifetime ECL depending on whether a significant increase in credit risk – when the customer shows signs of operational or financial weakness has occurred on the underlying financial asset. The accounting principles for expected credit losses and management's significant judgments applied in relation thereto are further described in Note 17, paragraph "Allowance for Credit Losses of Receivables from financing activities" and "Trade receivables" to the financial statements. The determination of the allowance, which is reassessed throughout the life of the financial asset, requires management to make significant qualitative judgments, including assumptions regarding current and forecasted market conditions and corresponding resilience by the largest customers and dealers. Further, there is a high degree of uncertainty and subjectivity in determining the severity and duration of the current macroeconomic scenario which has resulted in market volatility and increased uncertainties in certain geographies and segments. As such, we have assessed this as a Key Audit Matter in our audit.
Our audit approach	Our audit procedures included, but were not limited to: • Understanding the design and implementation of relevant internal controls within the allowance for expected credit loss process, including controls over management's review of the significant assumptions • Assessed the reasonableness of the expected credit loss model and methodology used including reviewing management's written policies, procedures, and accounting position papers around the model • Tested the completeness and accuracy of the underlying data and information used in management's expected credit loss model and management overlays • Independently reperformed the calculations within the model to ensure the output is accurate and carried out a retrospective review of the past relevant impacts to assess the reliability of model's historical ability to estimate future credit losses • Assessed the reasonableness of management's significant assumptions in relation to the severity of default at portfolio level as well as at customer-by-customer level by evaluating the creditworthiness of the customer including inspection of documentation supporting key assumptions and considerations taken by management • Assessed the adequacy of the disclosures made by the Company in respect to the allowance for Expected Credit Losses for Customer-Financing and Accounts Receivables
Key observations	We did not identify any evidence of material misstatement in receivables as recorded in the statement of financial position or in the disclosures thereof.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The board report
- The remuneration report
- The information on the board of directors and auditor and the letter from the chairperson
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 for the board report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code for the remuneration report

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by

Part 9 of Book 2 of the Dutch Civil Code. Management and audit committee are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the audit committee as auditor of Iveco Group N.V on October 28, 2021 to perform the audit of the 2021 financial statements and have continued as the statutory auditor since then.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

Iveco Group N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by Iveco Group N.V., complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N, “Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument” (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- Obtaining an understanding of Iveco Group N.V.’s financial reporting process, including the preparation of the reporting package
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF

- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF

Description of responsibilities regarding the financial statements

Responsibilities of management and the audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The audit committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Iveco Group N.V.'s internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, March 2, 2023

Ernst & Young Accountants LLP

signed by P.W.J. Laan