IVECO • GROUP

Annual Report
at 31 December 2023

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 2023)

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

BOARD OF DIRECTORS AND AUDITOR

BOARD OF DIRECTORS

Executive Directors

Suzanne Heywood - Chairperson

Gerrit Marx - Chief Executive Officer

Senior Non-Executive Director

Lorenzo Simonelli(1)(*)

Non-Executive Directors

Tufan Erginbilgic(2)(3)(*)

Essimari Kairisto(1)(*)

Linda Knoll(2)(3)

Alessandro Nasi(2)(3)

Olof Persson(1)(*)

Benoît Ribadeau-Dumas(1)

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

(*) Independent Director

INDEPENDENT AUDITOR

Deloitte Accountants B.V.

Disclaimer

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. 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 difficult to predict and/or are outside the Company's control. 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 ongoing and/or threatened international conflicts and geopolitical tensions; supply chain disruptions and global logistic constraints, including, industry capacity constraints, supplier viability issues, material availability and relevant price volatility; increased vulnerability to cybersecurity or data privacy incidents, also due to potential massive availability of Generative Artificial Intelligence; the many interrelated factors that affect consumer confidence and worldwide demand for capital goods and capital goods-related products, including demand uncertainty caused by current macroeconomic and geopolitical issues; changes in government policies regarding banking, monetary and fiscal policy; legislation, particularly pertaining to capital goods-related issues such, 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; labour relations; interest rates and currency exchange rates; inflation and deflation; energy prices; 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 19th 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; further developments of geopolitical threats which could impact 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 realise the anticipated benefits from our business initiatives as part of our strategic plan; our failure to realise, or a delay in realising, 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 otherwise 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 public 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,

2023 was Iveco Group's second year as an independently listed company. Building on the solid foundations we laid in 2022, we launched ground-breaking products, enhanced our partnership landscape and further reinforced our sustainability efforts, in line with our strategic pillars of innovation, partnerships and sustainability.

Our lean and agile approach, coupled with the diligent efforts of our brands and functions, enabled us to navigate challenges and conclude the year on a positive note. It is with great pleasure that we can announce that, by year-end 2023, we had met the key targets for 2026, three years ahead of the plan announced at our first Investor Day in November 2021. We extend our sincere gratitude to all Iveco Group employees worldwide and you, our valued shareholders, for your continued support and trust.

Financial Highlights

Iveco Group concluded 2023 with strong results. Consolidated Revenues came in at €16.2 billion, up almost 13% compared to 2022, and the Consolidated Adjusted EBIT margin(*) was at 5.8%, up 210 basis points versus full year 2022. Net Income was €234 million, an increase of €75 million compared to the previous year, with an Adjusted Diluted EPS(*) at €1.23 per common share at the end of the year, which is 45 cents more than full year 2022. We achieved consistent profitability improvements across segments and an Adjusted EBIT Margin for Industrial Activities(*) at 5.2%, 2.2 percentage points above full year 2022. Yearly Free Cash Flow(*) generation was at €412 million, with investments up 25% year-over-year. Compared to last year, if normalised by the positive one-offs registered in 2022, this figure represents an almost flattish Free Cash Flow performance.

Our Net Industrial Cash(*) position, if adjusted by the extraordinary Argentine peso devaluation that occurred in December, was slightly above €2 billion at year-end 2023. Counting this extraordinary foreign exchange devaluation, we closed 2023 at €1.9 billion of Net Industrial Cash.

Our share buy-back programme commenced in 2023 and, during the year, about 6.8 million of Iveco Group's common shares were bought back, for a total net consideration of about €55 million. A large portion of these shares are being deployed to our Long-term Management Incentive Programme, aligning incentives with long-term shareholder value creation. Lastly, according to our dividend policy, the Board of Directors announced the intention to recommend an annual cash dividend of 22 cents per common share to the 2024 Annual General Meeting, totalling approximately €59 million of dividends to be distributed.

Our Business Approach

With our strong diversified business portfolio across commercial and specialty vehicles, comprehensive powertrain offering, and commitment to sustainable solutions, we retain our position as a global leader in the transport industries. In 2023, all our operations continued to be guided by our focus on innovation, partnerships and sustainability.

(*) This is a non-EU-IFRS financial measure. Refer to the Board Report, section "Operating and Financial Review" for information regarding the non-EU-IFRS financial measures used by the Group and the reconciliation between the non-EU-IFRS financial measure and the most comparable EU-IFRS financial measure.

Innovation

We have made innovation the cornerstone of our strategy because it is essential to gaining further market share across all our segments. In 2023, we launched many cutting-edge products, including FPT Industrial's all-new 13-litre Cursor multi-fuel engine and our new IVECO BUS E-WAY H2 hydrogen-powered city bus developed in partnership with Hyundai Motor Company. In the fourth quarter of 2023, IVECO unveiled a completely renewed model range in our truck segment, the Model Year 2024, further reinforcing our ability to compete head-to-head with the competition. At a cost of one billion euros, this was the company's biggest-ever investment cycle.

In addition, in 2023, we assumed full ownership of our European joint venture with Nikola, bringing in-house the development, manufacture and commercialisation of battery electric and fuel cell electric heavy trucks. This will consolidate our position as a European leader in clean, alternative fuel commercial vehicles.

In 2023 we were delighted to open our new IVECO BUS manufacturing plant in Foggia, heralding the return of Iveco Group bus production to Italy. With the increased focus on clean air in urban centres by local and regional Italian authorities, the decision to produce zero and low-emission buses in the country has proved decisive. In 2023, IVECO BUS won orders for 2,200 electric buses from municipalities and regional authorities from all around the world, including those from Italy. This strong order book reflects the strength of our bus technologies and the attractiveness of our vehicles both to governments and to transport users.

In July, GATE – Green & Advanced Transport Ecosystem – launched its innovative pilot programme in Italy, supporting customers in the transition to zero emission vehicles, by offering digital solutions with a pay-per-use formula for the long-term rental of hydrogen and electric commercial vehicles.

Our innovation investments remain firmly focused on delivering long-term profitability, increasing performance across our business units and optimising processes, as exemplified by the following initiatives. DRIVE, our company-wide transformation programme, saw the implementation of 175 projects designed to unlock potential and creativity within our organisation and boost our market positioning. Our continuous improvement programme, DOT – Driving Operations Together – ensured our operational excellence in our manufacturing processes to further step up. The new Platform Business Model, based on cross-functional working groups, evolved to integrate the Product Management Function, creating a more unified approach to product and service development and optimising our ability to bring products to market quickly and more efficiently. Furthermore, we took concrete steps to optimise our supply chain to minimise the adverse effects of material slowdowns or disruptions stemming from external factors.

Partnerships

We continue to deepen mutually beneficial relationships with existing partners while actively pursuing collaborations with new, like-minded organisations.

In 2023 our partnership with Hyundai Motor Company produced further results with the launch of the IVECO BUS E-WAY H2 hydrogen-powered city bus. Our collaboration with Amazon Web Services (AWS) continues to thrive, resulting in a more intuitive interface for IVECO's Driver Pal, our vocal driver companion embedded with Alexa technology. Another significant milestone was the commencement of on-road autonomous driving testing for the IVECO S-WAY truck equipped with PlusDrive.

We expanded our partnership landscape by signing a Memorandum of Understanding with Shell to develop low-carbon solutions and inaugurating the first high-pressure hydrogen station for long-haul trips in Europe with AirLiquide. IVECO CAPITAL announced a new partnership with Eurowag, to add integrated payment solutions to the brand's service offering for commercial and industrial vehicles. Additionally, GATE partnered with Bridgestone for tyre management and Wefox to offer digital insurance solutions to clients.

During the same period, FPT Industrial unveiled the first hydrogen-powered snow groomer with PRINOTH, signed a deal with GoodSense in China to provide engines to power forklift products, and collaborated with Maserati on the creation of the new Gran Turismo Folgore, the first car in the brand's history to adopt a 100% electric powertrain.

In a strategic move to expand IVECO's Nordic distribution network, Iveco Group and Hedin Mobility Group announced the signing of a Share Purchase Agreement by which Hedin is acquiring Iveco Group's distribution and retail operations in Sweden, Norway, Finland and Denmark.

Sustainability

We have made substantial progress in our sustainability journey and, in 2023, this was recognised when we were accepted as a member of the United Nations Global Compact. We secured placements on the Dow Jones Sustainability Indices World and Europe and the S&P Global Sustainability Yearbook, ranking in the top 5%, and obtained CDP scores of A- and B for Climate Change and Water Security respectively. Furthermore, we released our inaugural Sustainability Report, outlining our path to achieving net-zero carbon emissions by 2040 and highlighting our Environmental, Social, and Governance (ESG) accomplishments.

We also furthered our commitment to sustainable practices in our plants. Notably, the aforementioned IVECO BUS plant in Foggia, inaugurated in 2023, emits zero net CO_2 emissions and derives 100% of its energy from renewable sources, including over 1,000 photovoltaic panels that produce 640 MWh per year. The entire project focuses on reducing energy consumption and recycling, making use of high-performance construction materials, intelligent LED lighting and rainwater reuse.

Our dedication to Diversity, Equity, and Inclusion was exemplified by the announcement of our DEI Manifesto and the publication of our DEI Playbook, while our Diversity Council continue to run initiatives focused on talent mobility, career development, gender pay gap, work-life balance, employer branding and communications. Notably, we surpassed our ESG target for gender balance for the second consecutive year, with a 31% increase in the number of women in management positions since the establishment of Iveco Group.

2024 Outlook

The outlook for 2024 appears challenging, with worldwide projections indicating a flat year-over-year forecast for both light-duty trucks and buses, while heavy-duty trucks are expected to be down between 10% to 15%. Despite this, we expect our diversified set of businesses to counterbalance these challenges, allowing us to maintain the level of Industrial Activities Adjusted EBIT margin achieved in 2023.

As disclosed in the 2024 full year and fourth quarter press release, our 2024 preliminary financial guidance for the year is as follows:

- Group Adjusted EBIT, at a consolidated level, at between €900 and €950 million;
- Net Revenues of Industrial Activities (including currency translation effects) to be down around 5% versus full year 2023;
- Adjusted EBIT of Industrial Activities at between €770 and €820 million;
- Industrial Free Cash Flow at between €350 and €400 million;
- Investments of Industrial Activities in property, plants and equipment, and capitalised intangible assets at around €1 billion.

We are now in our third year as an independent company. This, our year of Acceleration, has clear objectives to prioritise faster and leaner ways of working, advance our electrification and multi-fuel strategy and further develop our partnerships to launch innovative products and services. We remain steadfast in our commitment to driving growth, technological advancements and sustainability across all areas of our operations.

On the back of our solid performance, our Capital Markets Day in Turin in March is meant to illustrate our revised ambitions for the period 2024 to 2028, with our former reporting segment Commercial and Specialty Vehicles split by its comprising business units.

We appreciate the ongoing support of our valued Shareholders, and we reaffirm our duty to deliver innovative solutions for sustainable mobility that will ensure positive returns for everyone.

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 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. 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.

As of 31 December 2023, 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 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. Commercial Vehicles regions are defined as follows: Europe (the 27 EU countries where Commercial Vehicles competes and for which market data are available, 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 15 European markets. Professional Cab-Chassis TIV is based on estimates subject to ongoing review and improvement; this supervision approach may lead to changes in Iveco Group market share, even in past periods. 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

We are committed to put sustainability at the heart of our strategy, making it an integral part of our day-to-day activities to ensure business is conducted in an economically sound, environmentally friendly, and socially beneficial way.

By fully integrating environmental and social considerations with economic objectives, we are 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.

In 2023, we became a member of the UN Global Compact, the world's largest corporate sustainability initiative with more than 18,000 companies and 3,800 non-business signatories in over 160 countries. We thus joined thousands of other companies worldwide that are committed to taking responsible business action to create a sustainable future. The initiative calls on companies to align their operations and strategies with universally accepted principles in the areas of human rights, labour, the environment, and anti-corruption. It also encourages action in support of the goals and issues addressed in the UN's Sustainable Development Goals (SDGs).

This integrated approach – environmental, social, and economic – allows us to meet the demands and expectations of our stakeholders: customers, employees, investors, suppliers, NGOs, and society as a whole.

For details on our commitments, processes, projects, and results, please refer to the 2023 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 four 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, in 2023 executive compensation is linked, among other things, to the achievement of two 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).

In general, the long-term incentive plans awarded by the Company to Executive Directors, officers and other employees are aimed to create a sustainable and lasting value over time. In particular Adjusted EBIT Margin[*] (profitability metric) is aligned with the Company's goal of economic and financial sustainability in the long term; Relative TSR[**] (value creation metric) is able to create a sustainable and lasting value over time for shareholders vis-à-vis peers; and CO_2 emissions reduction (Environment & Diversity metric) is 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.

During 2023, the Company made good contributions in achieving such goals. In particular, the Company closed the year with continuous margin improvements across segments on the back of solid positive price realisation. Repositioning of net pricing in Trucks was the major catalyst for the profitability uplift in 2023, with positive contribution also from favourable volumes in Europe and a positive product mix, all of which more than offset higher production costs in the year, due to still not stabilized raw materials and energy prices, increased R&D spending linked to the launch of our new Model Year 2024 and the EVCO (ex-Nicola JV) consolidation, soaring inflation, and an adverse foreign exchange rate scenario. As a result, the Consolidated Adjusted EBIT margin was up 210 bps, compared to 2022, to 5.8% and the Industrial Activities Adjusted EBIT margin was up 220 bps, compared to the previous year, to 5.2%, with Commercial and Specialty Vehicles margin up 220 to 5.6% and Powertrain margin up 120 bps to 5.9%.

(*) This is a non-EU-IFRS financial measure. Refer to the Board Report, section "Operating and Financial Review" for information regarding the non-EU-IFRS financial measures used by the Group and the reconciliation between the non-EU-IFRS financial measure and the most comparable EU-IFRS financial measure.

(**) Refer to the Annex of the Remuneration Report for the definition of this metric.

According to Bloomberg, in 2023 the Company reached 33.2% TSR, using a 30 calendar days average, and 46.6% TSR using one trading day average. In relation to Relative TSR, the average within the peer group was 21.4% and 27.8%, respectively. The Company ranked 5th out of 9 in 2023. Starting from its listing, the Company ranked 7th out of 9 within the peer group.

Referring to CO_2 emissions reduction, a comprehensive description of the goals achieved in the year is following provided in this section.

	CARBON FOOTPRINT	WORKPLACE AND PRODUCT SAFETY	LIFE CYCLE THINKING	INCLUSION AND ENGAGEMENT
	• 2040: net zero carbon emission			
Our People & Operations	• 2030: -50% vs 2019 in absolute CO_2 emissions (Scope 1 & 2) • 2026: 100% of total electricity consumption derived from renewable sources	• 2026: -40% vs 2019 in injury frequency rate	• 2026: 75% of industrial water recycled at Company plants worldwide	• 2026: to maintain gender pay equity[a] across the organisation and have it certified by a third party
Our Products & Services	• 2030: -38% vs 2022 in Scope 3 CO_2 emissions from the use of sold vehicles[b] per vehicle/km	• 2026: 100% of new vehicles in Europe equipped with Advanced Driver Assistance Systems ("ADAS") and additional advanced functions, such as Adaptive Cruise Control ("ACC"), ACC Stop & Go, Corrective Steering Function ("CSF"), and Lane Centering ("LC")	• 2026: 100% of new products developed using sustainability/ recyclability design criteria	• 2026: collaborations with 100% of key partners to improve the working conditions and work-life balance of drivers • 2026: +25% 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: -30% vs 2022 in absolute CO_2 emissions generated by key supplier of purchased goods, services and capital goods	• 2026: 100% of dealership staff involved in safety training on our electric product portfolio	• 2030: 100% recoverable cores from spare parts sold to be returned to the Company • 2026: 15% of net sales from spare parts generated by remanufactured components	• 2026: 100% of Tier 1 suppliers involved in sustainability self-assessment • 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

[a] Iveco Group assesses gaps in gender pay equity using multilinear regression. This analysis is performed in the countries of operation with a headcount of 100 or more.

[b] Target refers to vehicles manufactured in Europe.

2023 RESULTS AND PROGRESS RELATED TO OUR STRATEGIC SUSTAINABILITY TARGETS

Targets	2023 Results	Achievement at 31 December 2023
2040: net zero carbon emissions	• Progress towards CO_2 emissions reduction targets (Scope 1, 2, and 3) in line with plan	—
2030: -50% vs 2019 in absolute CO_2 emissions (Scope 1 & 2)	• '-19.9% vs 2019 in absolute CO_2 emissions achieved at Company plants worldwide	Target in line with plan
2026: 100% of total electricity consumption derived from renewable sources	• 98% of total electricity consumption derived from renewable sources	Target in line with plan
2030: -38% vs 2022 in Scope 3 CO_2 emissions from the use of sold products per vehicle/km	• '-6.1% vs 2022 in Scope 3 CO_2 emissions from the use of sold products per vehicle/km	Target in line with plan
2026: -7% vs 2022 in kg of CO_2 emissions per ton of goods shipped	• '-1.4% vs 2022 in kg of CO_2 emissions per ton of goods shipped	Target in line with plan
2030: -30%e vs 2022 in absolute CO_2 emissions generated by major suppliers of purchased goods, services, and capital goods	• '-3% vs 2022 in absolute CO_2 emissions generated by major suppliers of purchased goods, services, and capital goods	Target in line with plan
2026: -40% vs 2019 in injury frequency rate	• -35.6% vs 2019 achieved in employee injury frequency rate	Target in line with plan
2026: 100% of new vehicles in Europe equipped with advanced driver assistance systems ("ADAS") and additional advanced functions, such as adaptive cruise control ("ACC"), ACC Stop & Go, corrective steering function ("CSF"), and lane centring ("LC")	• Ongoing development of Level 2 ADAS for new vehicle models	Target in line with plan
2026: 100% of dealership staff involved in safety training on our electric product portfolio	• 27% of dealership staff involved in safety training on our electric product portfolio	Target in line with plan
2026: 75% of industrial water recycled at Company plants worldwide	• 68.4% of industrial water recycled at Company plants worldwide	Target in line with plan
2026: 100% of new products developed using sustainability/recyclability design criteria	• New design criteria for product launches being defined with the involvement of the supply chain	Target in line with plan
2030: 100% of recoverable cores from spare parts sold returned to the Company	• 30% of recoverable cores from spare parts sold returned to the Company	Target in line with plan
2026: 15% of net sales from spare parts generated by remanufactured components	• 7.7% of net sales from spare parts generated by remanufactured components	Target in line with plan
2026: 23% of management positions held by women	• 24% of management positions held by women	Target already achieved in 2023 and replaced by the following new target
2026: to maintain gender pay equity across the organisation, and have it certified by a third party	• New target	
2026: collaborations with 100% of key partners to improve the working conditions and work-life balance of drivers	• 50% of key partners involved in initiatives to improve the working conditions and work-life balance of drivers	Target in line with plan
2026: +25% vs 2021 in Net Promoter Score ("NPS") for IVECO Trucks	• +20% vs 2021 in the NPS for IVECO Trucks	Target exceeded and made more challenging by increasing its level of ambition from +20% to +25%.
2026: 100% of Tier 1 suppliers involved in sustainability self-assessment	• 82% of Tier 1 suppliers involved in sustainability self-assessment through the Open-es platform	Target in line with plan
2026: +100% vs 2021 in number of collaboration projects with suppliers to improve products' sustainability performance	• +33% vs 2021 in number of collaboration projects with suppliers to improve products' sustainability performance	Target in line with plan
2026: +50% vs 2019 in number of students involved in education activities, focusing on the jobs of the future	• +33% vs 2019 in number of students involved in education activities	Target in line with plan

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 eight 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.

When Iveco Group launched the Voice engagement campaign and related survey in 2022, it involved every employee in defining its purpose and 5 corporate Values that truly reflect the way the Company 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 goal 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.

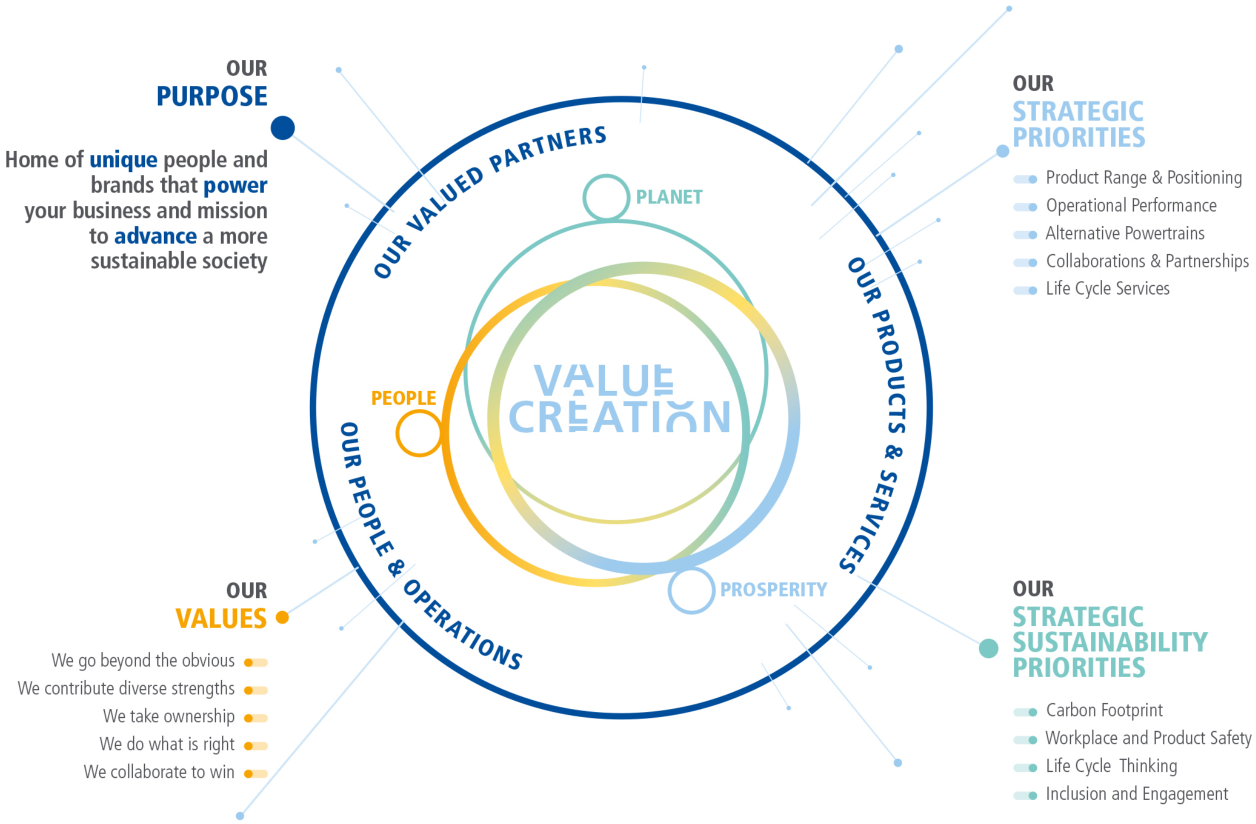
The key points of Iveco Group's value chain can be summarised as follows:

- **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.

OUR BUSINESS MODEL



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 **SLT 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, Public Affairs, HR, and Legal and Business.

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 Chief of the Public Affairs & Sustainability function ("PA&S"), the Sustainability Department, and the Sustainability Representatives.

The **Sustainability Department** is responsible for:

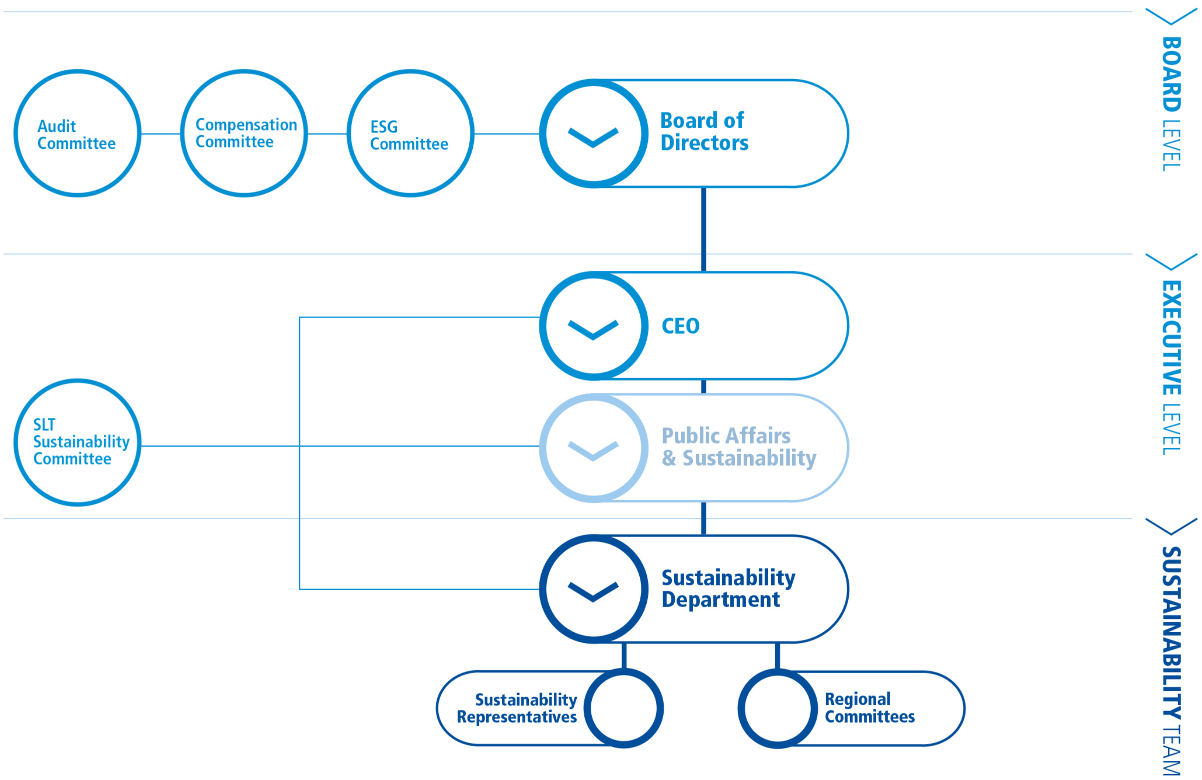
- monitoring external trends and incorporating them into the Company's activities in line with stakeholder requirements;

- 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, engaging all levels of the organisation;
- 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.



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;
- our **Supplier Code of Conduct;**
- a set of **Company policies** to manage specific issues;
- **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"), the Guidelines of the World Economic Forum ("WEF") 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 thirty-two 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. In 2023, the responsibility for monitoring the progress of companies' climate-related disclosures was transferred from the TCFD to the IFRS Foundation (effective as of 2024), following the release of the new IFRS Sustainability Disclosure Standards. As a result, Iveco Group has already started to incorporate the contents of the IFRS S2 Climate-related Disclosures, with full alignment expected by 2024.

MATERIALITY ANALYSIS

Iveco Group carried out a materiality analysis applying the revised approach to materiality introduced by the 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 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 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 four strategic sustainability priorities are: carbon footprint, workplace and product safety, life cycle thinking, and inclusion and engagement.

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

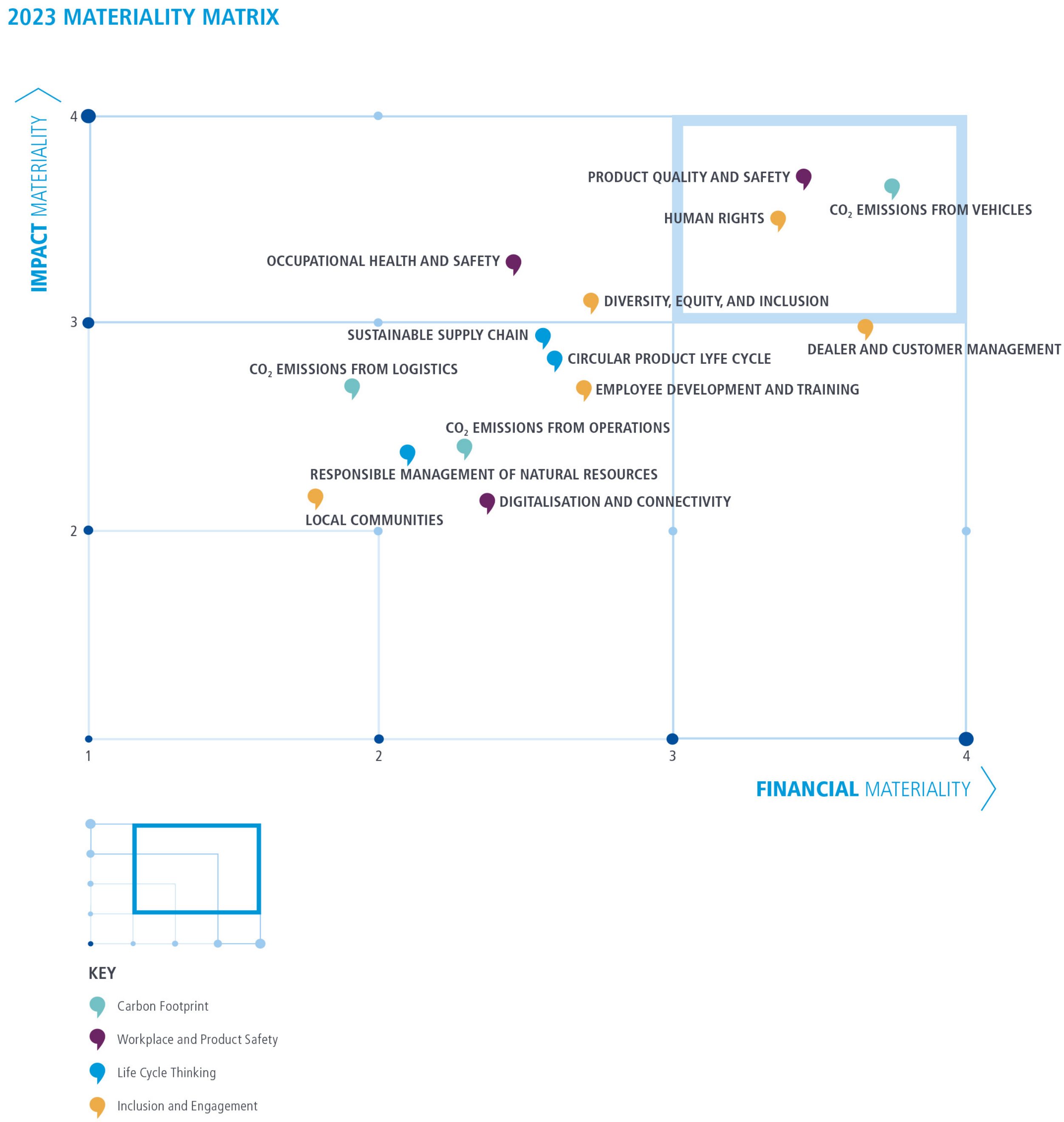
All topics submitted for assessment within the **impact materiality** analysis were found to be material to Iveco Group. It should be noted that, within the scope of the analysis, aspects related to Corporate Governance, business ethics, and regulatory compliance were considered prerequisites, and therefore 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.

In 2023, a further step in the materiality analysis was made by evaluating the relevance of our current material topics (and their associated impacts, risks, and opportunities) in South America, taking into account the local context and specific needs. The analysis was performed on site, directly involving the local management team through a dedicated workshop. It confirmed the same positioning on the Materiality Matrix of our top three material topics (Product quality and safety, CO_2 emissions from vehicles, and Human rights). It also showed the greater significance at local level of three material topics in terms of financial materiality (CO_2 emissions from logistics, CO_2 emissions from operations, and Sustainable supply chain) and of a material topic from an impact materiality perspective (Local communities).

IVECO GROUP 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 2023, 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 over €4.4 million in efficiency projects, generating more than €3.6 million in savings.

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

As of 31 December 2023, 22 plants were ISO 50001 certified.

Direct and indirect CO_2 emissions[a]

IVECO GROUP WORLDWIDE

	2023	2022	2021
Plants (no.)	22	23	25
Direct emissions (Scope 1) (tons)	59,673	60,712	66,229
Indirect emissions (Scope 2) – market-based (tons)	38,839	41,024	46,851
Indirect emissions (Scope 2) – location-based (tons)	128,485	132,064	145,537
Total CO_2 emissions[b] - market based (tons)	98,512	101,736	113,080
Direct and indirect CO_2 emissions per production unit (tons of CO_2/hour of production[c])	0.00279	0.00306	0.00348

(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 22 fully consolidated plants.
(b) Total CO_2 emissions calculated as per the market-based methodology of the GHG Protocol, including emissions from fuel used to test products.
(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.

The new IVECO eDaily – the first-generation, full-electric version of our best-selling IVECO Daily commercial van offers customers a full ecosystem of eMobility services, including a comprehensive selection of charging solutions delivered in collaboration with strategic energy partners. Other services include the innovative eDaily Routing and IVECO ON Easy Daily apps. The former communicates with the vehicle to predict vehicle range, required battery charge to reach a given destination, and precise time of arrival. The latter, which can be integrated with the IVECO Driver Pal voice assistant, offers vehicle-specific information on performance (health checks, battery levels, etc.), remote scheduling of battery recharge and preconditioning, navigation to recharging stations, and more.

IVECO BUS launched its new array of electric models, extending its range of zero-emission vehicles and minibuses to meet the demands of urban, peri-urban, and suburban missions:

- the CROSSWAY LE ELEC: a new full-electric bus to support sustainable suburban and peri-urban mobility projects
- the STREETWAY ELEC: a 12-metre, battery-electric city bus designed to meet the specific needs of European and extra-European markets
- the latest generation of the E-WAY range: featuring improved performance to match the most demanding European city missions. Nearly

1,000 units have already covered more than 56 million kilometres across 12 European countries

- the eDaily: the latest addition to the Daily minibus family; this new 100% electric minibus is also available in chassis version. 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 refuelling 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 2023, Iveco Group implemented several improvement projects, which reduced CO_2 emissions by 1.4% compared to the previous year, 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 2023, the overall expenditure on environmental protection was approximately €36.1 million, broken down as follows: about €19.6 million on waste disposal and emissions treatment, and almost €16.5 million on prevention and environmental management. A total of €5.1 million was invested in initiatives to reduce Iveco Group's environmental impact, while improvement projects and measures generated €1.5 million in cost savings.

As of 31 December 2023, 22 plants were ISO 14001 certified.

As further evidence of the Company's commitment to protecting the environment, 2023 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

	2023	2022	2021
Plants (no)	22	23	24
Volatile organic compounds ("VOC") emissions (g/m^2)	30.1	33.7	39.6
Water recycled (%)	64.5	60.1	55.3
Industrial water recycled (%)	68.4	64.1	59.6
Water withdrawals (m^3 per hour of production[a])	0.094	0.103	0.108
Waste generated (kg per hour of production[a])	2.45	2.49	2.54
Hazardous waste generated (kg per hour of production[a])	0.19	0.20	0.24
Waste recovered (%)	97.5	96.7	96.5

[(a)] *Total manufacturing hours are used to calculate the indicator per hour of production.*

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.

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.

Iveco Group is member of Open-es, the community-based digital platform that aims to increase suppliers' engagement and awareness of sustainability topics, while monitoring their sustainability performance. In 2023, we continued to invite our direct material suppliers to join the Open-es platform. The total suppliers currently registered on the platform are 749, representing approximately 82% of our direct material purchases. Moreover, their average progress so far in filling out the Open-es questionnaire (78%) is a clear reflection of their willingness to join us on our path and to share their progress with the Company. 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 2023, approximately €61.2 million was spent on improving health and safety protection, of which almost €55.8 million on improvements to occupational safety and working conditions (worker protection, structural improvements, inspections of plants and working environments), and approximately €5.4 million on employee health care costs.

As of 31 December 2023, 22 plants were ISO 45001 certified.

MAIN INJURY RATES

IVECO GROUP WORLDWIDE

	2023	2022	2021
Injury frequency rate[a] (injuries per 1,000,000 hours worked)	1.775	2.424	2.297
Employee injury frequency rate[b] (injuries per 1,000,000 hours worked)	1.738	2.364	2.402
Rate of high-consequence work related injuries among employees[c] (high-consequence work-related injuries per 1,000,000 hours worked, excluding fatalities)	0.017	—	—
Rate of recordable work-related injuries among employees[d] (recordable work-related injuries per 1,000,000 hours worked)	1.460	2.199	1.832

(a) The injury frequency rate is the number of injuries (work-related and non-work related, for employee and agency workers, resulting in at least 1 day of absence, excluding the day on which the event occurred) divided by the number of hours worked, multiplied by 1,000,000.

(b) The employee injury frequency rate is the number of employee injuries (work-related and non-work related, resulting in at least 1 day of absence, excluding the day on which the event occurred) divided by the number of hours worked, multiplied by 1,000,000.

(c) 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

(d) 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.

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

- 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 Diversity, Equity & Inclusion Policy, the framework for managing this material topic, Iveco Group is committed to acting impartially to eliminate any form of direct or indirect discrimination or undue preference, while supporting and nurturing a culture based on mutual respect and on valuing differences to foster and promote the expression of everyone's potential.

Furthermore, as stated in its Human Rights Policy, 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 chief 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 2023, 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 Siglo 21: Social & Labour Inclusion In Latin America, an initiative offering 3-month work opportunities at our Company to 18 people with cognitive disabilities, as part of the university's Diploma in Competences for Social and Labour Inclusion.

Gender equity is a focal point for the Company. Women at Iveco Group constitute 19.1% of the global workforce and 24% 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 well-being.

As stated in the Code of Conduct, Iveco Group recognises 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 2023, Iveco Group invested approximately €17 million in learning and development initiatives at global level, demonstrating a strong commitment to the growth of our people at all levels. As regards the training provided exclusively under our ON LEARN LMS platform (and covered by the circa €0.9 million investment), in 2023, Iveco Group delivered a total of 433,045 training hours to 24,996 employees.

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 three 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 well-being.

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, and five 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 2023, approximately €3.72 million in resources were allocated to local communities.

Initiatives supported during the year include:

- restoring native vegetation and the local ecosystem as well as ensuring access to sustainable water;
- promoting equitable and inclusive access to resources and to learning opportunities;
- addressing a supportive environment for health and well-being.

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.

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 Organisation ("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 2023, this task involved 3,854 Company employees located in 2 countries in South America, as well as 77 suppliers worldwide representing 7% of our total purchase value.

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 2023, online training on human rights and other Code of Conduct aspects was delivered to approximately 12,415 employees worldwide (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 seven 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 2023, 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 2023, it delivered an online course to all salaried and above personnel (approximately 12,415 employees).

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.

EU TAXONOMY ON SUSTAINABLE ACTIVITIES

The EU Taxonomy Regulation establishes a classification system (or EU Taxonomy) that helps companies identify and direct investments to the economic activities that can be considered environmentally sustainable, and that therefore support the EU Green Deal objectives and the transition to net zero carbon emissions by 2050. It also establishes six environmental objectives, two of which were regulated in 2021 while the remaining four in 2023.
Climate Change Mitigation ("CCM") and Climate Change Adaptation ("CCA") are the two objectives that the European Union regulated in 2021 through Commission Delegated Regulation (EU) 2021/2139 ("Climate Delegated Act"), which provides for two lists of economic activities that can potentially contribute to achieving the CCM and CCA objectives. For each economic activity' identified, the Climate Delegated Act provides a description and specific Technical Screening Criteria ("TSC"); the latter are subdivided in Substantial Contribution criteria ("SCC") and Do No Significant Harm criteria ("DNSH").

In 2023, the European Commission published the final Environmental Delegated Act, which defines the technical screening criteria of the four other environmental objectives of the Taxonomy Regulation, namely: sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems.

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

- be taxonomy eligible, i.e., fall under the description of one of the economic activities;
- (only if eligible) be taxonomy 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.

As of 2022, companies are required to disclose the proportion of turnover, capital expenditure ("CapEx2), and operating expenditure ("OpEx") of taxonomy eligible and non-eligible activities (for CCM and CCA). As of financial year 2023, companies are required to disclose these KPIs of taxonomy eligible and non-eligible activities for the remaining four environmental objectives, as well as of aligned and not-aligned activities (only for Climate Change Mitigation and Climate Change Adaptation). 2023 was the second year of reporting for which companies were required to assess and disclose the actual alignment of their activities with the technical screening criteria for Climate Change Mitigation and Climate Change Adaptation, and the first year of reporting on the eligibility of their activities with regards to the other four objectives.

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 economic activities of Annexes I and II of the Climate Delegated Act. 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;
- 5.4 'Sale of second-hand goods', (considered only for turnover KPI);
- 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 Disclosures Delegated Act 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 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 M1 and N1 vehicles that meet the GHG emissions threshold (less than 50 g CO_2/km).

Alignment assessment of Iveco Group's economic activities – Do No Significant Harm criteria

The economic activities previously assessed in relation to Substantial Contribution criteria were further analysed to verify whether they also met Do No Significant Harm ("DNSH") criteria.
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 activity 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 relevant communications required. Iveco Group is fully aligned with points (a), (b), (c), (d), and (e) of Appendix C. As regards the amendment of point (f) included in Regulation 2023/2485 on 27 June 2023, it does not appear to introduce any additional requirements beyond those outlined in the REACH Regulation. Accordingly, the Company will make every effort to collect and evaluate supply chain data over the required 18-month period to prove that no other suitable alternatives are available on the market for certain substances;
- 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 activity 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)

Iveco Group's Sustainability Department and Finance Department were involved in the identification of the values related to the three KPIs (Turnover, CapEx, OpEx). As per the criteria set out in Annex 1 to EU Commission Delegated 2021/2178 ('Disclosures Delegated Act'), these departments identified the 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, 5.4 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 further specified in the contextual information paragraph below).

The CapEx calculation was based on additions to tangible and intangible assets identified from Company reports, constituting the basis for any changes in asset disclosures.

The turnover information was obtained from the official consolidated financial statement, consisting of the value of revenue from all goods and services sold and invoiced during the period of reference. In order to avoid double-counting, all intercompany flows were excluded from revenues.

In order to meet taxonomy criteria, the OpEx was calculated as the sum of operating expenses of capital investment projects (by nature) and the costs related to maintenance and cleaning (by destination).

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

Iveco Group identified three taxonomy-eligible activities:

- Manufacture of low carbon technologies for transport (3.3), considering the sales from the vehicles manufactured by the Company and vehicle maintenance and repair. Revenues from the sale of spare parts and individual components were excluded from the numerator. As per Strategic Business Plan 2023 - 2026, the investments related to Manufacture of low carbon technologies for transport (3.3) will increase over the next years, changing the industry landscape with a focus on zero carbon footprint and carbon neutrality and expanding vehicle line-ups through tailored Zero Electric Vehicle Offerings;
- Sale of second-hand goods (5.4), considering the sales of second-hand vehicles;
- Transport by motorbikes, passenger cars, and light commercial vehicles (6.5), considering any active leasing for commercial vehicles (CV).

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 Iveco Group's consolidated net turnover from industrial activities.
- The numerator was identified including net sales from the sales of trucks and buses (new and used), Powertrain and Services, revenues from repair and maintenance, and leasing fees. Revenues from specialty vehicles (defence and firefighting), from the remaining segments of the industrial activities, and from spare parts were excluded.

CapEx KPI:

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

OpEx KPI:

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

The reported values do not include any amounts related to economic activities included in the taxonomy analysis conducted for Iveco Group's internal consumption.

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

The CapEx and OpEx allocated to the numerator were calculated using the Tool Semplice (specific to the Initiatives Mngt system), aggregating data based on dedicated fields for tracking projects and on their purpose/objective.

The tables on the following pages contain information on the disclosure of capital expenditure, operating expenditure, and proportion of turnover identified as eligible, non-eligible, and aligned according to the European Taxonomy, as per the new templates included in Annex V of the Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and European Council ("Environmental Delegated Act").

PROPORTION OF **TURNOVER** FROM PRODUCTS ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES
DISCLOSURE COVERING FINANCIAL YEAR 2023

ECONOMIC ACTIVITIES	2023 CODE[a]	ABSOLUTE TURNOVER (€ IN MILLIONS)	PROPORTION OF TURNOVER, 2023	Substantial Contribution Criteria: CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER	POLLUTION	CIRCULAR ECONOMY	BIODIVERSITY	DNSH criteria (Do No Significant Harm): CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER	POLLUTION	CIRCULAR ECONOMY	BIODIVERSITY	MINIMUM SAFEGUARDS	TAXONOMY -ALIGNED OR ELIGIBLE PROPORTION OF TURNOVER, 2022	CATEGORY (ENABLING ACTIVITY)	CATEGORY (TRANSITIONAL ACTIVITY)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of low carbon technologies for transport	CCM 3.3	397	2.50%	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	1.20%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**397**	**2.50%**	**100%**	**-**	**-**	**-**	**-**	**-**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1.20%**		
of which Enabling		397	100.00%	100%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	**100%**	E	
of which Transitional		-	-							-	-	-	-	-	-	-	**-**		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low carbon technologies for transport	CCM 3.3	12,038	75.82%	Y	N	N	N	N	N								79.00%		
Sale of second-hand goods	CE 5.4	233	1.47%	N	N	N	N	Y	N								-		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	86	0.54%	Y	N	N	N	N	N								0.61%		
Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		12,357	**77.83%**	-	-	-	-	-	-								79.61%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		12,754	**80.33%**	-	-	-	-	-	-								80.81%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		3,123	**19.67%**																
Total (A + B)		15,877	**100.00%**																

	TAXONOMY-ALIGNED PER OBJECTIVE	TAXONOMY-ELIGIBLE PER OBJECTIVE
CCM	2.50%	76.36%
CCA	-	-
WTR	-	-
CE	-	1.47%
PPC	-	-
BIO	-	-

[a] The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the Section number of the activity in the relevant Annex covering the objective, i.e.,:
- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water and Marine Resources: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

PROPORTION OF **CAPEX** FROM PRODUCTS ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES
DISCLOSURE COVERING FINANCIAL YEAR 2023

	2023			Substantial Contribution Criteria						DNSH criteria (Do No Significant Harm)									
ECONOMIC ACTIVITIES	CODE[a]	ABSOLUTE CAPEX (€ IN MILLIONS)	PROPORTION OF CAPEX, 2023	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER	POLLUTION	CIRCULAR ECONOMY	BIODIVERSITY	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER	POLLUTION	CIRCULAR ECONOMY	BIODIVERSITY	MINIMUM SAFEGUARDS	TAXONOMY-ALIGNED OR ELIGIBLE PROPORTION OF CAPEX, 2022	CATEGORY (ENABLING ACTIVITY)	CATEGORY (TRANSITIONAL ACTIVITY)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of low carbon technologies for transport	CCM 3.3	339	35.06%	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	30.79%	E	
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**339**	**35.06%**	**100%**	**-**	**-**	**-**	**-**	**-**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**31%**		
of which Enabling		339	100.00%	100%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	**100%**	E	
of which Transitional		-	-							-	-	-	-	-	-	-	**-**		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low carbon technologies for transport	CCM 3.3	108	11.17%	Y	N	N	N	N	N								11.09%		
Capex of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		108	**11.17%**	100%	-	-	-	-	-								11.09%		
A. Capex of Taxonomy eligible activities (A.1+A.2)		447	**46.23%**	100%	-	-	-	-	-								41.88%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		520	**53.77%**																
Total (A + B)		967	**100.00%**																

	TAXONOMY-ALIGNED PER OBJECTIVE	TAXONOMY-ELIGIBLE PER OBJECTIVE
CCM	35.06%	11.17%
CCA	-	-
WTR	-	-
CE	-	-
PPC	-	-
BIO	-	-

[a] The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the Section number of the activity in the relevant Annex covering the objective, i.e.,:
- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water and Marine Resources: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

PROPORTION OF **OPEX** FROM PRODUCTS ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES
DISCLOSURE COVERING FINANCIAL YEAR 2023

	2023			Substantial Contribution Criteria						DNSH criteria (Do No Significant Harm)									
ECONOMIC ACTIVITIES	CODE[a]	ABSOLUTE OPEX (€ IN MILLIONS)	PROPORTION OF OPEX, 2023	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER	POLLUTION	CIRCULAR ECONOMY	BIODIVERSITY	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER	POLLUTION	CIRCULAR ECONOMY	BIODIVERSITY	MINIMUM SAFEGUARDS	TAXONOMY -ALIGNED OR ELIGIBLE PROPORTION OF OPEX, 2022	CATEGORY (ENABLING ACTIVITY)	CATEGORY (TRANSITIONAL ACTIVITY)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of low carbon technologies for transport	CCM 3.3	104	21.53%	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	23.08%	E	
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**104**	**21.53%**	**100%**	**-**	**-**	**-**	**-**	**-**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**23.08%**		
of which Enabling		104	100.00%	100%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	**-**	E	
of which Transitional		-	-							-	-	-	-	-	-	-	**-**		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low carbon technologies for transport	CCM 3.3	14	2.90%	Y	N	N	N	N	N								2.07%		
Opex of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		14	**2.90%**	100%	-	-	-	-	-								2.07%		
A. Opex of Taxonomy eligible activities (A.1+A.2)		118	**24.43%**	100%	-	-	-	-	-								25.15%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Opex of Taxonomy-non-eligible activities		365	**75.57%**																
Total (A + B)		483	**100.00%**																

	TAXONOMY-ALIGNED PER OBJECTIVE	TAXONOMY-ELIGIBLE PER OBJECTIVE
CCM	21.53%	2.90%
CCA	-	-
WTR	-	-
CE	-	-
PPC	-	-
BIO	-	-

[a] The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the Section number of the activity in the relevant Annex covering the objective, i.e.,:
- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water and Marine Resources: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

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"). In 2023, the responsibility for monitoring the progress of companies' climate-related disclosures was transferred from the TCFD to the IFRS Foundation (effective as of 2024), following the release of the new IFRS Sustainability Disclosure Standards. As a result, Iveco Group has already started to incorporate the contents of the IFRS S2 Climate-related Disclosures, with full alignment expected by 2024. The following section contains four 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 Chief Public Affairs & Sustainability Officer 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 Chief Public Affairs & Sustainability Officer.

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 refuelling 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.

A scenario analysis is used to understand climate-related risks and opportunities and assess their potential business implications as well as to understand how climate-related risks and opportunities may evolve.

The medium to long-term (2030-2050) analysis of transition risks and opportunities for Iveco Group was performed using the RCP(1) 1.9 scenario of the Intergovernmental Panel on Climate Change ("IPCC"). This scenario is based on various assumptions regarding future emissions, policies, and economic trends. Iveco Group also adopted the NZE2050(2) scenario of the International Energy Agency ("IEA") to perform a comprehensive analysis of the energy and automotive markets. In addition, an analysis over the medium to long term (2026-2040) of physical risk was performed to evaluate any increase or decrease in risk exposure, using the weather patterns of the RCP(3) 8.5 scenario of the IPCC.

(1) Representative Concentration Pathways are a climate scenario analysis tool (with each scenario describing a potential future pathway). RCP 1.9 is a very ambitious scenario, being the IPCC's lowest emission pathway towards limiting global warming to below 1.5°C by the end of the century, which is the aspirational goal of the Paris Agreement.

(2) Net zero emissions by 2050.

(3) Representative Concentration Pathways are a climate scenario analysis tool (with each scenario describing a potential future pathway). The RCP 8.5 scenario assumes a high GHG emission future without effective climate change mitigation policies.

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

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.

In 2023 the main outcomes of the analysis conducted on climate-related risks (especially transition risks) were then incorporated into the Company's ERM assessment. The main drivers identified to evaluate our medium to long-term transition risks and opportunities were: market electrification and transport behaviour; current and emerging climate-related regulations; developments in technology and renewable fuels; and climate-related disclosures.

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.

In 2023 the Company performed an analysis on physical risk events that could impact Iveco Group sites, leading to property damages and/or business interruptions in the short and medium-long term (2030 and 2040). The first step in physical risk identification and assessment process consists in evaluating the relevance of all such risks for each Iveco Group site, through the analysis of climate zones and site-specific morphological features (such as altitude and proximity to rivers). The evaluation of the physical risk exposure considers specific drivers for each event which lead to the identification of the economic impact of each risk event in terms of property damage (cash flow), business interruptions (EBIT), and other impacts or indirect costs (in addition to EBIT or cash flow). The net impacts of each physical risk are then quantified, considering each plant's specific characteristics and any physical mitigators (such as the presence of mobile dams for river flooding). Based on the 2023 assessment, most of Iveco Group sites are located in areas that are not particularly associated with high-risk exposure, with the exception of a few situated in areas susceptible to hailstorms and/or water stress. However, extreme natural events still pose a risk to the Company given the significant damages they can generate. Overall, considering the mitigation measures in place and the nature of the risks, Iveco Group plants' main economic vulnerability is linked to their exposure to river floods, hurricanes, cyclones, and tornados.

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	2023	2022	2021
Plants in scope	22	23	25
Direct energy consumption from renewable sources (GJ)	18,951	1,256	83
Direct energy consumption from non-renewable sources (GJ)	1,022,312	1,043,148	1,137,398
Total direct energy consumption (GJ)	1,041,263	1,044,404	1,137,481
Total indirect energy consumption from renewable sources (GJ)	1,343,164	1,340,289	1,381,882
Total indirect energy consumption from non-renewable sources (GJ)	648,302	667,348	730,583
Total indirect energy consumption (GJ)	1,991,466	2,007,637	2,112,465
Total energy consumption (GJ)	3,032,729	3,052,041	3,249,946
Direct CO_2 emissions (Scope 1) (tons)	59,673	60,712	66,229
Indirect CO_2 emissions (Scope 2 – market-based) (tons)	38,839	41,024	46,851
Indirect CO_2 emissions (Scope 2 – location-based) (tons)	128,485	132,064	145,537
Total CO_2 emissions (Scope 1 & 2 – market-based) (tons)[a]	98,512	101,736	113,080
CO_2 emissions from the use of sold vehicles per vehicle/km (Scope 3) (grammes per vehicle/km)	651	681	Not available

(a) Total CO_2 emissions calculated as per the market-based methodology of the GHG Protocol, including emissions from fuel used to test products.

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

TARGETS	REFERENCE PERIOD	2023 RESULTS
-50% vs.2019 in absolute CO_2 emissions (Scope 1 & 2)	2030	-19.9 %
100% of total electricity consumption derived from renewable sources [a]	2026	98 %
-38% vs.2022 in Scope 3 CO_2 emissions from the use of sold vehicles[b] per vehicle/km	2030	-6.1 %
-7% vs. 2022 in kg of CO_2 emissions per ton of goods transported (including spare parts)	2026	-1.4 %
-30% vs. 2022 in absolute CO_2 emissions generated by major suppliers of purchased goods, services and capital goods[c]	2030	-3.0 %

(a) Target revised and made more challenging by bringing forward its deadline from 2030 to 2026.

(b) The target refers to vehicles manufactured in Europe.

(c) Target revised and made more challenging by increasing its level of ambition from -20% to -30%.

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 Control System
	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 Control System
	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 Control System
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 2023 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/ Ethics and Culture
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/Ethics and Culture
	The outcome of those policies.	Yes	Our Commitment to Sustainability; Corporate Governance/Ethics and Culture
	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/Ethics and Culture
	The outcome of those policies.	Yes	Our Commitment to Sustainability; Corporate Governance/Ethics and Culture
	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/Ethics and Culture
	The outcome of those policies.	Yes	Our Commitment to Sustainability; Corporate Governance/Ethics and Culture
	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/Ethics and Culture
	The outcome of those policies.	Yes	Our Commitment to Sustainability; Corporate Governance/Ethics and Culture
	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	Corporate Governance/Diversity, Equity and Inclusion
	Diversity targets	Yes	Corporate Governance/Diversity, Equity and Inclusion
	Description of how the policy is implemented.	Yes	Corporate Governance/Diversity, Equity and Inclusion
	Results of the diversity policy.	Yes	Corporate Governance/Diversity, Equity and Inclusion

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: 168,890 Powertrain: 806,433 Buses: 6,049 Specialty Vehicles: 2,283
	RT-IG-000.B	Number of employees	Number	36,037
Energy Management	RT-IG-130a.1	(1) total energy consumed	Gigajoules (GJ)	3,032,729
		(2) percentage of grid electricity	%	43.300
		(3) percentage of renewable	%	44.900
Employee Health and Safety	RT-IG-320a.1	(1) total recordable incident rate (TRIR)[a]	Rate	0.302
		(2) fatality rate[b]	Rate	—
		(3) near miss frequency rate (NMFR)[c]	Rate	2.520
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	119.700

(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 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.

ESG ASSESSMENTS

Inclusion in sustainability indexes, and the ratings received from specialised sector-specific agencies, further reflect the robustness of Iveco Group's commitment to sustainability.

In 2023, the Company was included in the Dow Jones Sustainability Indices ("DJSI") World and Europe, achieving a score of 78/100 in the Machinery and Electrical Equipment Industry category of the annual S&P Global Corporate Sustainability Assessment ("CSA"). We were also included in the S&P Global Sustainability Yearbook 2024 in the Top 5% S&P Global CSA Score category, based on our S&P Global ESG Scores calculated from the CSA.

Still in 2023, we received an A- score in the CDP Climate Change programme and a B score in the CDP Water Security programme.

Moreover, Iveco Group received an MSCI ESG Rating of A and a Corporate Rating of C from ISS, with a QualityScore(1) of 1 for both our environment and social disclosures. We also achieved an overall score of 72/100 and the Gold medal from EcoVadis, ranking among the top 5% of companies for this benchmark.

As at 31 December 2023, the Company was included in the ECPI Euro ESG Equity index and Integrated Governance Index ("IGI").

(1) The ISS QualityScore uses a numeric, decile-based rating system to assess a company's environmental and social risk compared to its industry. A score of 1 places the company's risk in the lowest 10% of all companies.

REPORT ON OPERATIONS
SELECTED FINANCIAL DATA

(€ million)	2023	2022	2021(*)	2020(*)	2019(*)
Net revenues	16,213	14,357	12,651	10,411	11,948
EBIT	837	466	295	(376)	n.a.
Profit/(loss) before taxes	387	260	180	(488)	175
Profit/(loss)	234	159	76	(372)	101
Attributable to:					
Owners of the parent	218	147	52	(408)	84
Non-controlling interests	16	12	24	36	17
Basic earnings/(loss) per common share (€)(1)	0.81	0.54	0.19	(1.50)	0.31
Diluted earnings/(loss) per common share (€)(1)	0.80	0.54	0.19	(1.50)	0.31
Investments in tangible and intangible assets	970	777	563	401	492
of which: capitalized R&D costs	489	390	271	178	177
R&D expenditure(2)	888	634	509	393	441
Total Assets	18,385	16,013	16,560	15,631	15,904
Total Equity	2,390	2,391	2,311	2,336	2,718
Equity attributable to owners of the parent	2,354	2,354	2,289	2,268	2,680

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

(1) For the years 2021, 2020, and 2019, basic and diluted earnings per share calculation is based on the number of Common Shares at the Effective date of the Demerger.
(2) Includes capitalised 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 organised 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 described below. The order in which they are listed 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 new or better deepen Risk Factors during 2023 Risk Assessment are:

- Extreme natural events exacerbated by ongoing climate change
- Mass generative Artificial Intelligence availability related risks
- Risks related to health, safety, and the environment

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 conditions. 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 fulfil 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 fulfil 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 (i.e. Argentina). 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 developing 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, also considering the ability to achieve economies of scale. Failure to develop and offer innovative products that compare favourably 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 realising the expected benefits of the transactions or the achievement of strategic objectives or could divert management's time and attention. By way of example Iveco Group has acquired the full and sole ownership of the German company resulting from the former joint venture Nikola Iveco Europe, now renamed as EVCO (Electric Vehicles Company), to reconfirm the steady commitment of the Company in playing a leading role in the zero-emission heavy duty transport segment.

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 is exploring possible areas of mutual interest, such as electric powertrains, vehicle automation and connectivity technology for commercial vehicles with potential partners.

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 promptly 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.

Transition to zero emission products related risks

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, require significant investments in product designs and increase environmental compliance expenditures. Emissions regulations are particularly demanding in EU, where the Company run most of its business. For example, the European fleet targets for 2025, 2030 and then for 2035 imposes 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 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.

Evolving of geopolitical expectations

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;
- labour disruptions;
- war, civil unrest and acts of terrorism.

Further, many escalated tensions are adversely impacting macroeconomic conditions, giving rise to regional instability and resulting escalate into further decoupling, affecting, directly or indirectly, countries where the Group operates (e.g. logistic, procurement, production, sales) as well as in heightened economic sanctions which may adversely affect Iveco Group business in relevant countries.

Main consequences arising from instability or exacerbation of existing conflicts and geopolitical risk may include:

- Oil & gas price volatility
- Terroristic attacks (including cyber attacks)
- Lower sales due to sanctions and trade restrictions
- Reputational damages from doing business in countries taking controversial stances
- Significant Supply Chain disruptions

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;
- avoiding operation in countries under sanctions (i.e. Russian Federation).

Mass generative AI availability related risk

Despite the significant opportunities that arise from adopting Artificial Intelligence ("AI") for Iveco Group's business (e.g., current utilization of AI in various areas such as Knowledge Management, Tenders Management, Human Resources, Customer Services, etc.), it also presents several challenges, including:

1. Increasing and more sophisticated cyber-attacks, Data privacy concerns (e.g., obtaining consent from all users/anonymization of sensitive data), Dissemination or leakage of critical Group information (e.g., through the spread of generative AI apps), Unauthorized access or manipulation of AI systems (i.e. AI Jailbreaks, prompt injection) / Errors in the algorithm creation process and failure to identify them

2. IP issues (e.g., potential infringement of others' IP, theft of own IP by third parties)

3. Difficulties in keeping up with evolving regulations (e.g., AI/Data acts)

4: Diminishing competitive differentiation over time due to difficulties in keeping up with competitors in the implementation of innovative AI technologies (e.g., development of innovative and highly customized proprietary algorithms by third parties)

5. Risk of wrong investments on buy/make projects and underlying technologies/vendors while industry is rapidly evolving and prone to disruption

6. The low AI explainability reduce the cause-consequences investigation during incidents

The Group is committed in adopting security measures and education enforcement aimed at ensuring the ability to effectively address the new challenges arising from the widespread adoption of Artificial Intelligence (GenAI) and at the same time preventing and minimizing the relevant risks through the promptly issuance/update of necessary policies and procedure, ensuring training, implementing new solutions/tools and continuously monitoring regulations evolution in different countries.

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. Moreover, as a turnkey solution integrator defining new sustainability requirements for tender participation in the EU, the Group's likelihood of being unable to participate due to lacking credentials has decreased.

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. Also, global logistics network challenges (including ocean freight capacity constraints), international port delays, trucking and chassis shortages, railway and air freight capacity, and labour availability constraints) may result 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, utilities and components, 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 favourable 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 analyse 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 visibility of critical semiconductors and consistent of monitoring their life cycle.

Iveco Group takes actions to perform last buy actions for semiconductors which approaching their end of life and establish direct relationships with semiconductors' suppliers to ensure sufficient capacities. Technology upgrade will be performed in the next possible generations.

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 centres 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 centres due to force majeure events as well as by cloud providers discontinuities, 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 conflicts escalation (e.g. Israel-Hamas 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. The organisation's exposure to legal compliance risks with an adequate preparation is a crucial task, since we're required to comply to local countries laws and different national European regulations, like the DORA for our Financial Services division or the Italian PSNC for IDV.

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 organisational 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 to block and detect anomalous behaviour, 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") as well as by the implementation of a Cyber Crisis Management Framework. 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 labour 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. Strategically repositioning business activities requires flexibility granted always in respect of laws and/or collective labour agreements. The ability to efficiently deploy personnel or implement permanent or temporary redundancy measures is subject to government approvals and/or the agreement of labour 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.

Labour relations might also be affected by 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 ("DEI") 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, dealer's commercial performances, sustainability of stock level and financial health. Furthermore, a structured audit process on dealers' activities is aimed at mitigating potential risk related to misuse of product warranties.

Risks related to health, safety, and the environment

Despite the Company's adverse appetite to Health, Safety & Environment ("HSE") risks, the possibility that incidents are detrimental to people's health and to the environment cannot be completely ruled out, also taking into consideration the fact that the risks connected with ordinary operations is mainly related to human behaviors (e.g. 80% of Iveco Group injuries are related to wrong people behaviors). Even though Iveco Group:

- has specific know-how and competencies constantly kept up to date,
- has implemented internal procedures and relevant controls for the execution of its operations, and
- regularly carries out maintenance work on its assets in order to monitor their quality and level of reliability,

it is not possible to fully exclude the occurrence of incidents on assets or facilities during the execution of works, which may cause:

- serious injuries to employees, including long-term disabilities and fatalities, caused by work-related accidents
- environmental pollution generated by an improper execution of Group's activities

In order to reduce the risk exposure, Iveco Group put in place many actions and controls starting from the set-up of a Health,Safety&Environment Central organisation and an Occupational Health, Safety & Environment Management Systems implemented and certified according to ISO45001. Relevant reporting is constantly updated and monitored, and personnel relevant training is periodically supplied.

Extreme natural events exacerbated by ongoing climate change

The analysis of climate related risks has been carried out by a detailed internal task force reported to the management. As a result, risks related to climate change, to which Iveco Group's activities are intrinsically exposed, have been classified into the following categories:

- physical risks, i.e., risks arising from physically observable climatic phenomena

- transition risks, i.e., risks arising from the transition phase that aims to reduce emissions and thus mitigate the effects of climate change.

Although most plants are located in areas which do not present particularly high-risk exposures, extreme natural events still pose a risk to the Group given the significant damages they can generate. Overall, considering the mitigators in place and the nature of the risks, most relevant economic exposures for Iveco Group sites are related to river flood, hurricanes / cyclones / tornados and hailstorm events.

In particular, such events exacerbated by ongoing climate change, resulting in damage to a Group production site/critical asset and/or interruption of production.

In order to reduce risk exposure, Iveco Group already put in place mitigation actions such as (but not limited to) insurance premium increase, presence of an Internal Emergency Team managed by Industrial Security*,* installation of additional equipment able to mitigate impacts in case of risk occurrence*,* and strengthening of the fire department and training of teams and volunteer firefighters.

For further details, refer to section “Our commitment to Sustainability”, paragraph “Climate-related disclosures”.

LEGAL & COMPLIANCE RISKS

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

Given 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 certain regulations, such as Greenhouse gas ("GHG") emissions regulations requirements on Iveco Group plants, Recyclability and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), requirements on the life cycle of batteries and the upcoming corporate sustainability due diligence directive along the overall supply chain (CSDD), due to be enforced in national legal systems across the EU by 2026 at the latest.

Besides continuous monitoring of regulations (including gap analysis on the actions to be implemented to ensure compliance with the upcoming directive 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 suppliers’ awareness about ESG issues (including Human Rights), supporting suppliers' qualification and monitoring and including sustainability scores as a criterion for suppliers’ selection. Furthermore, in order to prevent the risk of Human Rights violation risk by Vendors, Iveco Group provides for mandatory signature of the Supplier Code of Conduct by each supplier.

Risks related to legal proceedings involving the Group

Iveco Group is a party in judicial, tax and administrative legal proceedings. For a summary of the most significant cases, see Note 27 "Commitment and contingencies" to the Consolidated Financial Statement at 31 December 2023. Given the intrinsic and ineliminable risk that characterizes legal proceedings, while the Group has carried out and keeps updating on a regular basis the necessary assessments, including on the basis of applicable accounting standards, it is not possible to exclude the possibility that Iveco Group might in future face payment obligations 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 Iveco Group or in which Iveco Group is a defendant, should it not be possible to settle the disputes by means of negotiation, Iveco Group may have to bear further costs associated with the length of court proceedings.

To mitigate 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 Iveco Group in its risk anticipation and mitigation efforts, and represent the Group in legal proceedings.

Non-compliance with laws and regulations or with compliance policies

Although Iveco 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 subject to different interpretative decisions and, on the other hand, 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 in employment matters, with corrupt practices or breaching environmental, competition and other laws and regulations. Such misconducts could expose the Group to investigations, and monetary and injunctive penalties. Furthermore, Iveco 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 Iveco Group. Lastly, it cannot be excluded that non-compliance issues or the incorrect application of the European Data Protection Regulation ("GDPR") or foreign data protection 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 Iveco Group. Actual or alleged violations of any of these laws and regulations could adversely impact the operating results and financial condition of the Company and could damage its reputation, as well as its ability to conduct business.

Iveco 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 Iveco Group operates (including performance of corrupt practices, trade sanctions, and other) and, as a consequence, expose the Group to economic and reputational damages.

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, for a) compliance guidelines for the benefit of the affiliates that did not have a specific compliance program in place, b) for an update of the “Organisational Models” of certain affiliates along the provisions of the Italian Legislative Decree 231/2001 and c) for a regular review of the fundamental Group policies. Moreover, a structured framework is in place, in line with Italian legislation and with the legal systems of the country in which Iveco Group operates. Iveco Group’s Code of Conduct provides that “*Anti-corruption laws prohibit directly or indirectly paying, or promise to pay, of anything of value to any 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 manager in charge, among other, of monitoring prevention and education on Anti-corruption, a dedicated compliance officer in some countries (e.g. France) and a “lead” professional as a point of reference to contribute to awareness and prevention of competition law issues. Iveco Group periodically performs general audits, in addition to specific ones for suspected offences, also using external consultants and considering objective fraud indicators and red flags. 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 and analysis of facts relating to misconduct. Notwithstanding all the above, it is not possible to exclude the possible occurrence of fraudulent or unlawful conducts.

FINANCIAL AND TAXATION 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, Iveco Group might have difficulties to raise funds and might have to pay higher interest rates; being the Group exposed to floating rates, an increase in interest rates might also lead to a higher cost of debt.

Iveco Group also faces risks from currency devaluations (which is a downward adjustment of a country’s official exchange rate) in specific markets such as Argentina and Türkiye. 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 an ALM ("Asset and Liability Management") matching policy to offset the impact of differences in interest rates on the financed portfolio and the related liabilities.

In fact, although Iveco 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, Iveco Group potentially foregoes the benefits that may result from favourable fluctuations in currency exchange and interest rates.

In addition to the above-mentioned topics, Iveco 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), timely reaction in purchasing and production planning and upgrading cash flow management by increasing awareness and improving tools.

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

Iveco 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 securitization transactions; in addition, the Group’s investment strategies may at times require funds in excess of those generated by the Group’s operations. Consequently, Iveco Group could find itself in the position of having to seek additional financing and/or having to refinance existing debt, including in unfavourable 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. In order to mitigate its exposure to funding risk, Iveco Group monitors on periodical basis inventory and funding evolution.

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 Iveco 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 Iveco Group more vulnerable to a downturn in general economic conditions.

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. 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

Iveco 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 Iveco 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 Iveco 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 Iveco 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 Iveco 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.

Iveco 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.

Further information on Iveco Group's financial risks is provided in Note 18 "Derivative assets and derivative liabilities" and in Note 30 "Information on financial risks" to the Consolidated Financial Statements.

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

Iveco 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. Iveco 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 Iveco Group's taxes owed is for an amount in excess of amounts previously accrued or paid, Iveco 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 Iveco 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 Iveco Group's ordinary activities and extraordinary transactions. In case of challenges by the tax authorities to the Group's interpretations, Iveco 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.

In order to reduce its exposure to taxation risks, Iveco Group put in place several mitigation actions aimed at preventing risk or reducing its impact in case of occurrence, such as the implementation of a Tax Control Framework (integrated within the Group's Internal Control System) for the adherence to the Italian Cooperative Compliance Regime, and the use of other available regulatory tools for preventive dialogue with Tax Authorities (such as Advance Pricing Agreements on transfer pricing matter).

SENSITIVITY ANALYSIS ON NON-FINANCIAL RISKS

Sensitivity analysis performed on financial risks are available in the Note 30 "Information on financial risks" to the Consolidated Financial Statements".

In addition, deep dive on ERM risks is performed upon management or Audit Committee request. By way of example, in 2023, following the events occurred to USA and European banks (e.g. Silicon Valley Bank, Credit Suisse), an ad hoc Business Case has been deepened on macroeconomic scenario related risks. Three scenarios have been considered:

- No material liquidity restriction: this scenario was assessed with a medium probability but minor impact in case of occurrence (many related to potential reduction of Retail Sales and Retail Financing), because of mitigation actions already put in place, such as the wide range of financing partners to grant continuity to operations and the implementation of a set of KPIs and constant feedbacks of financial partners able to early detect potential challenges and act to mitigate the risk;
- Soft Liquidity crisis, which was assessed with a lower probability but higher potential impact. The main consequence of a soft liquidity crisis may be a temporary slowdown in sales which may be mitigated through the mitigant already in place. In case of persistent slowdown, additional actions may be required;
- Contagion Effect: the probability of a worst-case scenario is considered remote, but in case of occurrence the impact may be critical.

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 defense, firefighting 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, marine and power generation applications. The Group has manufacturing, commercial and financial services companies located in 36 countries and a commercial presence in approximately 160 countries.

As of 31 December 2023, Iveco Group had three operating segments:

- **Commercial and Specialty Vehicles** designs, manufactures and distributes a full range of light, medium, and heavy vehicles for the transportation and distribution of goods under the IVECO brand, minibuses, city-buses, intercity buses and coaches under the IVECO BUS and HEULIEZ brands, vehicles for civil defense and peace-keeping missions under the IDV brand, large-scale heavy-duty quarry and construction vehicles under the ASTRA brand and firefighting vehicles under the MAGIRUS 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 its 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 2023 and 2022 were as follows:

(€ million)	**2023**	**2022**
Commercial and Specialty Vehicles	13,778	12,100
Powertrain	4,258	3,960
Eliminations and Other	(2,159)	(1,895)
Total of Industrial Activities	**15,877**	**14,165**
Financial Services	494	281
Eliminations and Other	(158)	(89)
Total for the Group	**16,213**	**14,357**

Net revenues by region in the years ended 31 December 2023 and 2022 were as follows:

(€ million)	**2023**	**2022**
Europe	12,383	10,316
South America	1,442	1,853
North America	341	322
Rest of World	2,047	1,866
Total	**16,213**	**14,357**

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.

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 favour 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") 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 Level 2+ autonomous vehicles will also allow the industry to provide greater safety, emission reductions, fuel savings, and logistics efficiency.

Autonomous solutions are rapidly gaining importance in the Defence sector and are a key development focus for the Group.

Buses

The global bus business is organised 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 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 favoured concentration towards large private companies operating in one country, in more than one neighbouring 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 commercial 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.

The electrification demand of Industrial applications follows passenger cars trends and growth. After a first generation of Industrial product designed to easily replace the traditional combustion engines, key-players are moving on a second generation of products, designed to increase performance, efficiency and sustainability standards.

FPT is committed to continuous innovation, developing also on electrification side cutting-edge products, also thanks to the continuous scouting in the open innovation emerging technologies.

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-recognised 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 favour 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 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 31.4% (was 31.7% in 2022) market share in Europe (w/o UK & Ireland) in professional heavy cab-chassis (in 3.5- 7.49 ton GVW). The Group also offers shuttle vehicles used by public transportation authorities, tourist operators, hotels and sports clubs and campers for recreational travel.

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

The Group offers ecological diesel and natural gas engines on its entire range of vehicles. The Group continues to develop engines with specific components and configurations optimized for use with CNG and LNG. 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).

In November 2023 the Group presented the fully renewed truck portfolio with the MY24 version of Daily, Eurocargo and Way Range including the new version of eDaily and the S-eWay 4x2 BEV artic for regional haulage.

Under the ASTRA brand, the Group engineers and manufactures special vehicles for specialized transport heavy haulage and off-highway mining missions. These trucks are specifically designed to satisfy heavy mining, oil and gas and construction applications where payloads, duty cycles and climatic conditions are far above the standard use for heavy commercial vehicles.

Buses (IVECO BUS and HEULIEZ)

Under the IVECO BUS and HEULIEZ 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 with an additional new plant in Foggia inaugurated in 2023 supporting operations in Italy and is expanding its activities globally. HEULIEZ 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)

IDV develops and manufactures specialized vehicles for defense missions and civil protection. 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.

Powertrain

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

FPT Industrial has an extensive product offering, including six engine lines ranging from 42 to 1,000 hp, transmissions with torque up to 500 Nm, and front and rear axles from 2.45 to 32 tonnes GAW (Gross Axle Weight). Furthermore, FPT Industrial offers the most complete Natural Gas engine line-up on the market, with power outputs ranging from 50 to 520 hp. FPT Industrial's product portfolio includes engines for minibuses and buses, for light, medium and heavy commercial vehicles, engines for industrial machinery including construction equipment, 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 for minibuses and buses, light and heavy commercial vehicles, and for sports cars. This extensive offering, and its strong focus on R&D, makes FPT Industrial a world leader in industrial powertrains and solutions.

Launches: During 2023, FPT Industrial was involved in a series of important product launches and exhibited at major trade shows.

On 10 January 2023, at the 30th Ski World Cup in Flachau (Austria), FPT Industrial and Prinoth, a world leader in the production of snow groomers and tracked vehicles, officially presented the PRINOTH LEITWOLF h2MOTION – the world’s first hydrogen powered snow groomer featuring an internal combustion engine by FPT Industrial – to over 100 journalists. The new concept vehicle is, indeed, equipped with the new FPT Industrial XC13 Hydrogen version, a 13-liter, six-cylinder engine, delivering 460 hp (338 kW) and 2,000 Nm of torque. Leveraging the company's extensive experience with alternative fuels, the XC13 Hydrogen engine is an initial concept looking towards a complementary offering to accelerate the decarbonization process of the industrial applications sector.

The hydrogen combustion engine installed in the PRINOTH LEITWOLF h2MOTION is an additional technology in FPT Industrial's portfolio for net-zero CO_2 emission solutions, offering customers the familiarity they are used to with traditionally fueled machines. The hydrogen fuel is stored in five tanks mounted on the back of the machine for an indicative running time of more than three hours.

In February, FPT Industrial returned in the dual role of Diamond Premier Sponsor and exhibitor at POWERGEN International in Orlando (Florida, USA), the largest networking and business hub for electricity generators and solutions providers engaged in power generation. FPT Industrial's stand displayed an even more complete range of Tier 4 Final/Stage V and Tier 3 engines from 3 to 13 liters for power generation applications, offering high performance along with flexibility, reliability, and the lowest cost of ownership, all with compact engine layouts. The engines on display included the F34 40kW Tier 4, F34 75kW Tier 4 Final, F36 Tier 4 Final/Stage V, NEF45 Mechanical G Drive Tier 3, NEF67 PowerPack Stage V/Tier 4 Final and C9 Stage V.

In March the brand exhibited at CONEXPO CON/AGG 2023 in Las Vegas, the largest construction show in North America, to present its full range of Tier 4 Final and Stage V solutions, 2.8- to 16-liter engines which offer high performance along with flexibility, reliability, and maximized uptime. FPT Industrial's portfolio of high-productivity, high-efficiency engines can be used across a range of applications (off-road, industrial and power generation), and are compatible with renewable diesel fuels. Combined with FPT Industrial's proven ATS technology, these fuels are the low-emission solution, reducing CO_2 impact by up to 90%, with high levels of sustainability.

The star of the show was the new F28 modular, extremely compact engine family. The F28 has a multi-fuel design that shares common base components for diesel, natural gas, and scalable hybrid versions. On display in Las Vegas was the new PowerPack version of the F28, a smart ready-to-use installation solution incorporating all key aftertreatment components into a single package. Available for both construction and industrial applications, the F28's versatile design makes it ideal for equipment in the rental industry, such as AWPs, telehandlers, pumps, welders, chippers, and trenchers. The F28 Hybrid demonstrates FPT Industrial's commitment to providing zero-emission solutions for the construction equipment sector.

In early May, FPT Industrial exhibited at ACT Expo 2023, held at the Anaheim Convention Center (Anaheim, California, USA) to showcase its role as one of the major global players in the electric propulsion field, designing, developing, and manufacturing a wide and diversified range of zero-emissions products. At the brand's stand, visitors were able to admire the 140-kW central drive allowing easy installation of a full-electric solution even on the most complex existing vehicle architectures; the brand's electrified axles, offering power outputs of 145 kW to 840 kW, are a zero-emissions solution for light, medium and heavy commercial vehicles. Designed for the Nikola Tre BEV and already installed on production vehicles, the eAX 840-R could be seen first-hand at the Nikola stand at ACT Expo.

Still in May, FPT Industrial presented its full range of solutions for implementing a zero-carbon footprint virtuous cycle in agriculture at Agrishow 2023, which took place in Ribeirão Preto (São Paulo, Brazil). N60 NG engines for power generation, the Cursor 11 for agricultural machinery, Industrial Power Units (IPUs) for mobile and stationary applications, and the FPT Original Reman range of remanufactured engines rounded off the products on display at FPT Industrial's stand, while other important products of FPT Industrial's broad portfolio were exhibited by partners Case IH with the S8000 engine, Horsch with the N67, IVECO with the Cursor 13 Euro VI, New Holland Agriculture with the N67 Natural Gas, and Marcher with the N45 in the mechanical injection configuration. A powerful reminder that in Brazilian agribusiness, one out of every three tractors and one out of every two harvesters sold has an FPT Industrial engine.

In mid-May, FPT Industrial exhibited at the China International Construction Equipment Exhibition (CICEE) 2023, held at the Changsha International Convention & Exhibition Centre. After eight years of continuous development, CICEE has grown into one of the main sector trade fairs in China, and one of the largest trading platforms for construction machinery parts and components in the world. To continuously help China's OEMs in their internationalization drive, FPT Industrial offers a full range of T4 Final and Stage V solutions, 2.8- to 16-liter engines delivering high performance along with flexibility, reliability, and the lowest TCO, all with compact engine layouts. At the same time, it guarantees an extended range of solutions to support Chinese PG OEMs' global market, and is expanding its PG line-up by offering PG CHINA IV engines with FPT's patented Hi-eSCR ATS technology.

In June, FPT Industrial exhibited at REMATEC 2023, the global exhibition for remanufacturing professionals, held in Amsterdam (Netherlands) from 27 to 29 June. Original Reman by FPT Customer Service showcased remanufactured engines and components together with the brand's commitment to sustainability and to the circular economy. As supplier of Reman products for the entire Iveco Group and for many other non-captive customers, FPT Industrial has many years of experience in the remanufacturing of engines and components, and strongly believes that this industrial activity can make a major difference in terms of environmental impact without sacrificing quality and safety. In order to strengthen the brand's commitment to sustainability, the stand was designed with CO_2 reductions in mind, meaning no physical mockups or product literature was on display. An innovative app offered visitors the chance to discover FPT Industrial's product offering. On top of this, the brand is supporting Treedom, the platform that allows people to plant trees in different countries around the world and to follow their growth online, with the creation of a MYFPT Original Reman forest with 500 trees which will absorb 103.50 tons of CO_2.

In July, FPT Industrial and Reefilla, an innovative Turin-based startup offering the first predictive mobile charging service, launched a pilot project aimed at giving a second life to batteries from electric commercial vehicles, in particular the eBS37 model installed in the IVECO eDaily and minibus. FPT Industrial and Reefilla have joined forces in a full-circle process to reuse electric vehicle batteries once their service life has expired. The proposed solution also assures full sustainability and compliance with new European regulations. Some of the eBS 37 EVO batteries will be delivered to Reefilla when they are no longer suitable for powering electric traction. The startup will recover the batteries' modules and over 50% of their internal components. The components will then be installed in Reefilla's Fillee mobile power banks, for use in recharging its clients' electric vehicles. By using parts from the high-performance eBS37 batteries, Reefilla counts on significantly increasing the charge capacity of its Fillee power banks.

In August, FPT Industrial chose the Farm Progress Show 2023 in Decatur (Illinois, USA) to present its brand-new C16 TST, the two-stage-turbocharged engine powering the new flagship Case IH Steiger 715 tractor. As a guest at the Case IH stand, FPT Industrial showcased the result of a close and intense partnership with Case IH, in order to provide the new Steiger 715 with performance increases of more than 10% in terms of power and over 6% in terms of torque compared to the previous C13 TST-powered Steiger 645. The reason for this significant power and torque increase lies in the fact that Case IH Steiger customers are pulling wider and wider implements ever faster in order to increase productivity. This new top-of-the-range engine, with market-leading compactness and power-to-weight ratio, features proven Cursor engine reliability with robust and lean design and EGR-free combustion, and has been extensively tested for more than 20,000 hours both on the bench and in the field. In order to guarantee the increased performance required by the new Steiger 715, the new C16 TST has been reinforced in a number of aspects. The EGR-free combustion chamber was improved to allow for an increased maximum pressure up to 220 bar; intermediate cooling together with high torque availability ensures fast load response; while the second-generation Common Rail injection system, operating at up to 2,500 bar, ensures high engine efficiency and low fluid consumption. Last but not least, a maintenance-free aftertreatment system without DPF, as well as 600-hour oil change intervals, help keep the machine's operating costs down.

In September, for the third year in a row, FPT Industrial played a prominent role in the Grape Harvest Festival held at the beautiful Fontanafredda wine estate in Serralunga d'Alba (Piedmont region, Italy). The event included guided visits, tastings of dishes from Michelin-Starred chefs, 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 powered by the biomethane-fueled sustainable FPT F28 NG engine.

In November, FPT Industrial exhibited at AGRITECHNICA 2023, the world's leading trade fair for agricultural machinery, held in Hanover (Germany). At this key event, FPT Industrial showcased its leadership in the agricultural powertrain sector, based on a proven full-range portfolio covering all applications, a growing number of satisfied customers, and worldwide yearly production of over 100,000 agricultural engines, confirmed year-on-year through groundbreaking innovations and improvements. The brand also reaffirmed its steady commitment to constantly improving internal combustion diesel engines, paired with the introduction of totally sustainable fuels such as hydrogen and biomethane, while continuing to pioneer new, zero-emissions electric powertrains, as well as hybrid solutions. This commitment was perfectly shown off not only by the products showcased, but also by the brand-new stand, designed following the results of a study conducted together with Polytechnic University of Milan. The study analyzed the stand's global carbon footprint by taking into consideration materials, goods and passenger transport, energy consumption during the trade fair, set-up and dismantling, to name just some of the factors. For example, all the materials needed to build the booth were transported from Italy to Hanover, and back, by a fleet of IVECO S-Way trucks, powered by FPT Industrial Cursor 13 NG engines and fueled by BioLNG provided by Shell, contributing to driving emissions down towards zero. After the exhibition, FPT Industrial verified the residual emissions to offset them through the purchase of certified carbon credits. The main attraction of the FPT Industrial stand at Agritechnica 2023 was undoubtedly the new XC13, the brand's first multi-fuel single-base engine, exhibited for the first time in its hydrogen version for agricultural equipment. The XC13 H2 concept engine is an additional technology in FPT Industrial's portfolio for zero-CO_2 emission solutions, offering customers the familiarity they are used to with traditional machines.

The advanced and sustainable propulsion systems range from FPT Industrial co-starred at the launch of the new IVECO Model Year 2024 range during the IVECO event, held in Barcelona on 15 November. In order to highlight FPT Industrial's key role supporting IVECO in driving change in the commercial transport industry, each of the new vehicle models displayed in the walkaround area was flanked by its FPT Industrial powertrain, introduced by a brand product expert. This presence by the new IVECO full range of light, medium and heavy-duty vehicles was conceived perfectly in tune with the event concept "BE THE CHANGE", since IVECO and FPT Industrial together encourage customers and partners to feel the pulse of change throughout the industry and embrace it. Products on display included the N67 NG for the Eurocargo CNG, the XC13 Diesel for the IVECO S-Way, IVECO X-Way and IVECO T-Way, the F1C Diesel for the Daily, the eBS 37 EVO battery pack and eCD 140 central drive for the eDaily, and the eAx840 electric axle for the S-eWay Fuel Cell.

In the same month, FPT Industrial exhibited at METSTRADE 2023, the world's largest B2B marine equipment trade show, celebrating its 35th anniversary. Environmental protection, hybrid propulsion, smart solutions, and future-oriented collaborations were the main themes of the brand's attendance at RAI Amsterdam Europaplein (Amsterdam, Netherlands). The wide range of advanced and efficient marine engines showcased included the N67 450 N for auxiliary fixed-speed and Stage V applications, dedicated to both professionals and recreational boaters; the C90 650 EVO Hybrid Configuration, the modular and scalable parallel hybrid electric marine propulsion system for commercial and pleasure vessels developed by FPT Industrial and Vulkan Hybrid Architect; the new C90 650 E Light Duty, delivering best-in-class maximum power and peak torque for light-duty applications, and designed to increase the available power in the B1 light duty curve, up to 1,000 h/y usage, from 580 hp to 605 hp @ 2,530 rpm; the C16 600 for heavy-duty missions such as for push and tugboats, ferries, dredgers and commercial fishing vessels, available with heat-exchanger cooling and keel cooled systems, and IMO Tier III-compliant solutions, developed by FPT Industrial and Frydenbø Industri AS Marine for a cleaner environment and to reduce the environmental impact of the maritime industry. The Frydenbø ATS for FPT Industrial engines is a simple and flexible system that meets the IMO III emission requirements in emissions-controlled areas such as the Baltic Sea, the English Channel and the North Sea south of 62 degrees latitude, and is available for the brand's marine engines from 6 to 16 liters.

Also in November, FPT Industrial launched two newly rated marine propulsion engines at the Pacific Marine Expo 2023 (Seattle, USA). The new medium and heavy-duty Cursor C90 410 and high-performance commercial light-duty C90 650E @ 605 hp. Both engines build on FPT industrial's legacy of outstanding power output standards with minimum displacement and the highest levels of reliability.

In China, FPT Industrial and Goodsense launched the first forklift equipped with FPT Industrial's F28 Stage V/Tier 4F engine. The product launch was held in Taizhou, Zhejiang Province (China). This launch was the result of the letter of intent signed between the two partners in early 2023, concerning the delivery of more than 5,000 units of the F28 Stage V/Tier 4F engine as power units for GOODSENSE forklifts for export to markets with strict emissions standards, such as Europe and the United States.

Deliveries: In January 2023, FPT Industrial announced that it will be supplying up to 500 high-performance battery packs to sister company IVECO BUS to equip its fleet of E-WAY full-electric 18 m articulated city buses to be delivered in Belgium, following a recently signed framework agreement with the Flemish government-owned public transport enterprise De Lijn. The vehicles will be deployed in several cities in Flanders, with deliveries beginning in 2024 – a first batch of 65 vehicles – and potentially continuing over six years. They will represent the largest fleet of IVECO BUS articulated electric buses in operation.

After the fantastic victory at the 2023 Dakar Rally, FPT Industrial switched to the raceways as supplier and tuner of the Cursor 13 Common Rail engines powering the four IVECO S-Way trucks of the Usual Racing and Dakar Motorsports teams participating in the 2023 Copa Truck in Brazil.

Now in its seventh edition, the Copa Truck is a truck racing championship held on some of the most famous tracks in Brazil.

FPT Industrial's presence at the 2023 Copa Truck circuits is reinforced with the brand's logo on the trucks, on the drivers' overalls, in the teams' pit areas, and also on the truck miniatures produced by Usual Brinquedos.

In May, FPT Industrial and Maserati, the legendary House of the Trident, revealed the precious fruit of their collaboration. The two brands have worked closely together to create the new Maserati GranTurismo Folgore, the first car in the brand's history to adopt a 100% electric powertrain. The GranTurismo Folgore is based on 800 V technology and has been developed with cutting-edge technical solutions derived from Formula E. As a key point, it is equipped with three 300 kW permanent-magnet motors integrated into front and rear FPT Industrial electric axles, delivering up to 761 hp to the vehicle. This powerful and efficient system allows for an astonishing 2.7 sec 0-100 km/h time, with a top speed of 325 km/h.

Jointly developed by FPT Industrial and Maserati, the FPT Industrial eAxles – a single-motor electric axle at the front and a two-motor electric axle at the rear – deliver top levels of power density (up to 4.83 kW/kg). A first from the FPT Industrial brand, these axles feature a compact and lightweight design thanks to their fully aluminum structure and are manufactured in the ePowertrain plant, the Iveco Group's first carbon-neutral premises, located in Turin (Italy). The eAX 300-F front electric axle boasts a peak power output of over 300 kW and maximum wheel torque of 3,100 Nm. It also incorporates a parking lock system for enhanced safety, preventing vehicle movement while parked. The eAX 600-R dual-motor rear electric axle features peak power of over 600 kW and maximum wheel torque of 6,500 Nm.

At the end of the same month, FPT Industrial announced the supply of its F36 Stage V engine for the recently launched New Holland TE6 Straddle Tractor Range. The new and unique TE6.120N and TE6.150N are multifunction tractors specifically designed for narrow vineyards that require machines with exceptional maneuverability and compact dimensions. The main features of this new and revolutionary Straddle Tractor range are multifunctionality, maneuverability, compact design, and power, and the FPT Industrial F36 Stage V engine plays a key role in ensuring their perfect functionality and synergy. Both the F36 86 kW and F36 105 kW engines, powering the TE6.120N and TE6.150N models respectively, are mid-row longitudinally mounted for better weight distribution. The Stage V compact ATS ensures all-round visibility is not compromised. These engines also feature a new single cooling block (water, oil, air) with dual fan, and integrated fuel, urea, and oil tanks to speed up refilling operations.

In June, FPT Industrial and Zhejiang Goodsense Forklift Co., Ltd., a major player in the world forklift truck manufacturing industry, and the leading manufacturer in China, signed a letter of intent for the supply of F28 engines to power forklift products for export to European and American markets. According to the agreement, FPT Industrial will provide more than 5,000 F28 Stage V/Tier 4F engines as the core power sources for forklifts to Goodsense Forklift over the next five years. For FPT Industrial, this supply letter of intent represents the first successful application of the F28 series in the Chinese market, and also a major breakthrough in the global market for forklift products.

The F28 engines for Goodsense Forklift will be available in versions with power outputs of 43 kW and 55 kW, providing performance equivalent to 3-4 l engines in a 2.8 l engine package. By combining the advantages of compactness, high performance, and environmental protection, they will easily meet users' application requirements for limited space and high productivity, making them the ideal solution for goods handling machinery.

In late June, the Pre-Conditioned Air (PCA) vehicle equipped with a FPT Industrial Cursor 9 engine successfully passed testing and was delivered to Shanghai Pudong International Airport, in support of the airport's safety infrastructure and ensuring efficient operations.

As one of the essential support vehicles for airports, the Pre-Conditioned Air (PCA) vehicle is mainly responsible for ventilating and cooling down the electronic equipment compartment and cockpit of the aircraft when the aircraft engines are not running. They also cool down the aircraft's wheel hubs and brake pads for taxiing. With strong support from its partners, FPT Industrial has combined development planning and realistic operations to provide technical and product advantages, which have won praise from customers of airport ground support machines since the first successful application in this segment in October 2019. These include Ürümqi Diwopu International Airport, Nanchang Changbei International Airport, Chengdu Shuangliu International Airport, and Haikou Meilan International Airport.

Prizes and achievements: In 2023, FPT Industrial's products were honored with the following prestigious awards:

- TRACTOR OF THE YEAR® 2024 (TOTY) - McCORMICK X5.120 P3-Drive powered by F36 - Best Utility
- SUSTAINABLE BUS OF THE YEAR 2023 - IVECO BUS CROSSWAY Low Entry HYBRID Natural Gas powered by Cursor 9 Natural Gas
- GOLDEN AXLE AWARD 2023 - FPT Industrial eAX 375-R

On the 15 January 2023, the 45th edition of the DAKAR Rally, the world's most challenging motor raid, held in Saudi Arabia, concluded with a win for Janus van Kasteren Jr. in IVECO Powerstar #502 powered by a FPT Industrial Cursor 13 engine. Martin van den Brink in IVECO Powerstar #506 finished third, with fourth place in the general rankings going to Mitchel van den Brink in IVECO Powerstar #511, completing an extremely impressive performance. After fourteen stages over 8,500 km, including almost 5,000 km of specials on courses with demands well beyond the limits of the possible, unanimously rated as the toughest ever set, the 13-liter Cursor 13 engines installed on all the vehicles of the two new teams Boss Machinery Team De Rooy IVECO, and Eurol Team De Rooy IVECO, proved their worth as powerful, reliable partners in the achievement of the final result. The power and ruggedness of the brand's engines enabled the IVECO trucks to overcome the Empty Quarter, the largest sand desert in the world, not to mention harsh rocky landscapes, daunting fords and, last but not least, the sea of mud created by the final day's rain.

In May, FPT Industrial and Edison Next, the Edison Group company which guides companies and regions through the decarbonization process, announced the creation of the first biomonitoring station using bees in FPT Industrial's Turin Stura site. Bees are considered to be "air quality sentries", because they represent a reliable biological indicator of the state of health of the wider environment, and play a strategic role in safeguarding biodiversity. The biomonitoring station in Stura is home to six hives of Italian bees, Apis mellifera ligustica, a subspecies of the western honey bee. The lime (linden), wildflower, and acacia honeys produced by the work of these hives are of excellent quality, so much so that they recently received quality recognition at the 15th regional Ferrere Miele competition.

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 2023, Commercial and Specialty Vehicles had approximately 650 dealers globally (of which 15 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 2023, 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. 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 specializes in delivering propulsion solution products to the Commercial and Specialty Vehicle segment within the Iveco Group. The company extends its services to the Agriculture and Construction segments, catering to various third-party customers. Furthermore, Powertrain strategically aligns its commercial approach and business model towards cultivating a diverse portfolio of medium-to-large OEM clientele. The company has successfully engaged in establishing long-term supply agreements with an expanding 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 pricing of specific equipment or vehicles is determined by individual dealers or distributors, contingent upon various factors such as market conditions, features, options, and potential regulatory requirements. Deviations from the manufacturer-suggested list prices can arise due to factors like market demand, customer preferences, local economic conditions, access to financing, and other relevant considerations. The Group primarily sells its portfolio to dealers and distributors at wholesale prices, reflecting a discount from the manufacturer-suggested list price.

In the routine course of operations, the Group initiates promotional campaigns, which may involve price incentives or preferential financing terms for certain products. The Group actively promotes its products to transporters, distributors, and dealers in major markets through a comprehensive strategy encompassing general media, specialized design and trade publications, online platforms, and direct mail. Furthermore, the Group consistently participates in prominent international and national trade shows and collaborates on cooperative advertising initiatives with distributors and dealers. The promotional approach for each brand is tailored to align with the distinctive characteristics of the target customers associated with 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. For these old engines FPT Industrial Customer Service has developed the "Original Reman" line: a cost-efficient parts that are exactly as efficient as a brand-new unit. The remanufactured product, which are also a sustainable alternative, get tested and provided with a full warranty.

Connectivity and digitalization play an important part in the Company strategy, supporting both sustainability goals and to pursuing service excellence. More than 240,000 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 2023, the Group operated and administered 19 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 7 in Rest of World. The network includes 18 depots that support Commercial and Specialty Vehicles and 9 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. In particular,

- 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.

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 organisation 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., 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 recognised as a reduction in net sales for the applicable Industrial Activities segment.

In 2023 GATE - Green & Advanced Transport Ecosystem – started operations in Italy. GATE is the new company dedicated to rental business of Iveco green commercial vehicles. The mission of the company is to simplify the transition to electric mobility, with long term pay per use full service rental provided in collaboration with premium partners, and three different type of offers tailored according to customer needs.

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 recognised 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 rights disputes on intellectual property rights, product warranty and defective product claims, product performance liability, asbestos, personal injury, regulatory and contractual issues, competition law, anti-corruption and other investigations, environmental claims. All significant matters are described below.

The outcome of any current or future proceedings, claims, or investigations cannot be predicted with certainty. Adverse decisions in some of these proceedings, claims or investigations could require 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 Iveco Group's financial position and results.

When it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Iveco Group recognises specific provisions for this purpose. Contingent liabilities estimated by the Group, for which no provisions have been recognised since an outflow of resources is not considered probable at the present time, were not material at 31 December 2023 and 2022.

Although the ultimate outcome of legal matters pending against Iveco Group cannot be predicted, Iveco Group believes the reasonable possible range of losses for these unresolved legal matters in addition to the amounts accrued would not have a material effect on its 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 their 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 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 cannot be reliably predicted at this time and, therefore, the Group did not recognise any specific provision for these claims. In 2023, Iveco Group recognised a cost of €12 million related to certain claims for which it was possible to make a reliable estimate. This current position will be reassessed on a regular basis and updated as necessary, based on cases' evolution. 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 (later transferred to the public prosecutor's office in Stuttgart, Germany) and Turin, Italy, in relation to alleged noncompliance of two engine models produced by FPT Industrial S.p.A., which is now part of the Iveco Group. The Italian criminal investigation has been concluded in 2023. As a result of the full cooperation and discussions with the investigative authorities, the German criminal investigation has also been concluded in December 2023. We are also defending individual civil claims alleging emissions' non-compliance in Germany and Austria. We cannot predict at this time the extent and outcome of these individual claims and therefore we did not recognise any specific provision in such relation.

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 2022, 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 2022, Iveco Group relies on international brokers to place its insurance coverage.

PLANTS AND MANUFACTURING PROCESSES

As of 31 December 2023, the Group owned 30 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 2023, the Group's total capital expenditures in long-lived assets, excluding assets sold with buy-back commitments and equipment on operating leases, were €970 million of which 94% was spent in Europe, 5% 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 2022, the Group's total capital expenditures were €777 million. In 2023, capital expenditures were higher than in 2022 mainly due to the energy transition and Model Year 2024 launches across all ranges.

The following table provides information about our main manufacturing and engineering facilities as of 31 December 2023:

Location	Primary Functions	Approximate Covered Area (Sqm/000)
Italy		
Brescia	Medium vehicles, cabs, chassis; R&D centre	276
Brescia	Firefighting vehicles; R&D centre	25
Bolzano	Defense vehicles; R&D centre	83
Foggia	Engines; drive shafts; R&D centre	151
Foggia	Buses	5
Piacenza	Quarry and construction vehicles; R&D centre	64
Suzzara	Light vehicles; R&D centre	170
Torino	Transmissions and axles	222
Torino	Engines	142
Torino	R&D centre (Commercial and Specialty Vehicles)	41
Torino	R&D centre (Powertrain)	28
Torino	Powertrain generation	18

Location	Primary Functions	Approximate Covered Area (Sqm/000)
France		
Annonay	Buses (Coaches & City); R&D centre	114
Bourbon Lancy	Engines; R&D centre	107
Fourchambault	Engines (remanufacturing)	24
Rorthais	Buses (City); R&D centre	34
Venissieux	R&D centre (Buses)	14
Brazil		
Sete Lagoas	Heavy, medium and light vehicles; R&D centre	170
Sete Lagoas	Defense vehicles R&D centre	19
Sete Lagoas	Engines; R&D centre	22
Germany		
Ulm	R&D centre (Commercial and Specialty Vehicles)	45
Ulm	Firefighting vehicles; R&D centre	35
Ulm	Electric and hydrogen-powered heavy-duty trucks; R&D centre	25
China		
Chongqing	Engine; R&D centre	76
Chongqing	ATS plant	4
Shanghai	R&D centre (Powertrain)	—
Argentina		
Cordoba	(Medium/Heavy) Trucks and buses; R&D centre	58
Cordoba	Engines	32
Spain		
Madrid	Heavy vehicles; R&D centre	134
Valladolid	Light vehicles, heavy cab components	115
United Kingdom		
Coventry	R&D centre (Powertrain)	1
Nuneaton	R&D centre (Defence)	—
Shoream-by-Sea	R&D centre (Powertrain)	—
Others		
Vysoke Myto (Czech Republic)	Buses (City & Intercity); R&D centre	126
Arbon (Switzerland)	R&D centre (Powertrain)	6
Burr Ridge (United States)	R&D centre (Powertrain)	8

RESEARCH AND DEVELOPMENT

Iveco Group is positioned for significant strides in sustainable mobility and technological advancement. A cornerstone of the research and development initiatives is the introduction of a zero-emission vehicle tailored for light commercial use, exemplifying the Company's commitment to environmental responsibility and meeting evolving market demands.

In tandem, the focus on electrification extends to the development of heavy and medium-duty electric vehicles, reinforcing the Company's position as leaders in sustainable transportation. Complementing this, investments in multi-fuel energy solutions encompassing gas, hydrogen, and diesel underscore the dedication to providing versatile and sustainable options for customers.

Moreover, the commitment to innovation transcends products to embrace digitalization. Prioritizing Advanced Driver Assistance Systems ("ADAS"), the Company aims to enhance vehicle safety and operational efficiency. Concurrently, internal processes undergo transformation with the introduction of new work methodologies and advanced tools, positioning IVECO as a technological innovator.

In summary, Iveco Group's 2023 agenda revolves around sustainable mobility, technological prowess, and operational efficiency. As the Company forges ahead, it anticipates redefining industry standards and reinforcing its commitment to innovation in the commercial vehicle sector.

In 2023, our expenditure on research and development (including capitalized development costs and costs charged directly to operations during the year) totalled €888 million, or 5.6% of net revenues from Industrial Activities.

Research and development activities involved approximately 3,600 employees at 31 sites around the world of which approximately 260 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 2023 and 2022:

(€ million)	**2023**	**2022**
Commercial and Specialty Vehicles	696	462
Powertrain	192	172
Eliminations and Other	—	—
Total of Industrial Activities	**888**	**634**
Financial Services	—	—
Eliminations	—	—
Total for the Group	**888**	**634**

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 2023, the Group owned 1,074 patent families, totalling 6,054 active patents, which includes 62 new patents registered during the year. Additionally, there were 717 patents applications pending at that time. The Group's patents predominantly pertain to its product line, with 75% related to fire fighting vehicles, heavy, medium and light commercial vehicles, special vehicles, buses, and spare parts. The remaining 25% of patents are associated with engines and driveline systems. These patents encompass products, industrial processes, and both internal and external aesthetics of the Group's products. To elaborate, approximately 594 patents are related to fire fighting vehicles, 483 to buses, over 441 to heavy trucks, around 97 to medium trucks, 47 to defence vehicles and more than 316 to light trucks and vans. Around 470 patents safeguard the Group's vehicle spare parts, and over 1,000 patents pertain to innovative technologies intended for implementation in the Group's vehicles. These technologies include alternative propulsion, battery management systems, and autonomous driving solutions. The remaining patents, approximately 1,370, are related to engines, with 140 associated with drivetrain systems. Other patents pertain to electronic systems, chassis, hydraulic components, and manufacturing processes. In recent years, the Group's patent portfolio has strategically focused on 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 both short and long international goods transport. As of 31 December 2023, over 58% of the Group's patent portfolio serves to protect its current vehicles and engines. The entire patent portfolio is designed to defend the Group against potential 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 2023.

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, labour 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 2023 and 2022:

(number)	**2023**	**2022**
Commercial and Specialty Vehicles	27,121	26,718
Powertrain	8,167	8,198
Other Activities	222	207
Total of Industrial Activities	**35,510**	**35,123**
Financial Services	527	488
Total	**36,037**	**35,611**

(number)	**2023**	**2022**
Europe	31,012	29,914
North America	84	74
South America	3,854	4,432
Rest of World	1,087	1,191
Total	**36,037**	**35,611**

As of 31 December 2023, Iveco Group had 36,037 employees, an increase of 426 from the 35,611 employees at year-end 2022. The change was mainly attributable to the difference between new hires (approximately 3,500) and departures (approximately 3,300) during the year. A further increase of approximately 200 employees was due to several changes in the scope of operations, mainly related to: the insourcing of personnel from Stellantis (primarily from Custom Operations, HR, and Accounting Services), to the acquisition of the full and sole ownership of the former Nikola Iveco Europe joint venture in Germany, and to the sale of one dealer of property in France.

Excluding the changes in the scope of operations, the workforce increase compared to year-end 2022 was attributable mainly to the hiring of approximately 200 white collar employees in the research and development areas to strengthen the pool of skills and competencies related to project activities focused on adopting innovative automotive technologies strengthening the pool of skills and competencies aiming for to advance technology transitions, particularly in the Light Commercial Vehicles, Bus, Electrification, Digital, and Electronics product lines.

Approximately 20 white collar employees were also hired in the Financial Services business unit to support GATE (Green & Advanced Transport Ecosystem) a new Iveco Group company managing long-term, all-inclusive rental models for electric trucks and vans, which will be a powerful component of the industry's energy transition.

The increase in Europe in temporary and permanent workers in manufacturing due to growing production volumes driven by market demand, mainly in the Bus, Defence, Powertrain, and Truck business units, was offset by the manufacturing workforce reductions in Latin America.

For 2024, Iveco Group does not expect any significant change in its overall workforce compared to 2023.

COLLECTIVE BARGAINING

At global level more than 90% of the Iveco Group employees are covered by collective labour 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 13,950 Iveco Group employees, except Managers, are covered by the CLA that was renewed in March 2023 and will be in force until 31 December 2024 for the economic part and until 31 December 2026 for the regulatory one.

The approximately 350 Iveco Group Managers are covered by the CLA that, renewed in April 2023, continues to 31 December 2026.

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 36 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 recognised. 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 recognised at the time of the initial sale and the revenues of Financial Services are recognised on a pro rata basis in order to match the cost of funding.

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

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

Iveco Group monitors its operations through the use of several non-EU-IFRS financial measures. Iveco Group's management believes that these non-EU-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-EU-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-EU-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 2023, 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 EU-IFRS measure will include potentially significant items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end.
- *Adjusted Income Taxes:* is defined as income taxes less the tax effect of restructuring expenses and non-recurring items, and non-recurring tax charges or benefits.
- *Adjusted Effective Tax Rate (Adjusted ETR):* is computed by dividing a) adjusted income taxes by b) profit (loss) before income taxes, less restructuring expenses and non-recurring items.
- *Net Cash (Debt) and Net Cash (Debt) of Industrial Activities:* Net Cash (Debt) is defined as total Debt plus Derivative liabilities, net of Cash and cash equivalents, Derivative assets and other current financial assets (primarily current securities, short-term deposits and investments towards high-credit rating counterparties) and financial receivables from CNH Industrial deriving from financing activities and sale of trade receivables. Iveco Group provides the reconciliation of Net Cash (Debt) to Total (Debt), which is the most directly comparable EU-IFRS financial measure included in the Group's consolidated statement of financial position. Due to different sources of cash flows used for the repayment of the debt between Industrial Activities and Financial Services (by cash from operations for Industrial Activities and by collection of financing receivables for Financial Services), management separately evaluates the cash flow performance of Industrial Activities using Net Cash (Debt) of Industrial Activities.
- *Free Cash Flow of Industrial Activities (or Industrial Free Cash Flow):* refers to Industrial Activities, only, and is computed as consolidated cash flow from operating activities less: cash flow from operating activities of Financial Services; investments of Industrial Activities in property, plant and equipment and intangible assets; as well as other changes and intersegment eliminations.
- *Available Liquidity*: is defined as cash and cash equivalents, including restricted cash, undrawn medium-term unsecured committed facilities, other current financial assets (primarily current securities, short-term deposits and investments towards high-credit rating counterparties), and financial receivables from CNH Industrial deriving from financing activities and sale of trade receivables.

RESULTS OF OPERATIONS

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 2023 compared to 2022

	2023				2022			
(€ million)	Industrial Activities(1)	Financial Services	Eliminations	Consolidated	Industrial Activities(1)	Financial Services	Eliminations	Consolidated
Net Revenues	15,877	494	(158) (2)	16,213	14,165	281	(89) (2)	14,357
Cost of sales	13,376	295	(158) (3)	13,513	12,339	139	(89) (3)	12,389
Selling, general and administrative costs	940	86	—	1,026	871	65	—	936
Research and development costs	626	—	—	626	473	—	—	473
Result from investments	(5)	19	—	14	(20)	15	—	(5)
Gains/(losses) on the disposal of investments	—	—	—	—	33	—	—	33
Restructuring costs	35	—	—	35	15	—	—	15
Other income/(expenses)	(194)	4	—	(190)	(104)	(2)	—	(106)
EBIT	**701**	**136**	**—**	**837**	**376**	**90**	**—**	**466**
Financial income/ (expenses)	(450)	—	—	(450)	(206)	—	—	(206)
PROFIT/(LOSS) FOR BEFORE TAXES	**251**	**136**	**—**	**387**	**170**	**90**	**—**	**260**
Income tax (expense) benefit	(116)	(37)	—	(153)	(81)	(20)	—	(101)
PROFIT/(LOSS) FOR THE PERIOD	**135**	**99**	**—**	**234**	**89**	**70**	**—**	**159**

(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 €16,213 million in 2023, an increase of 12.9% compared to 2022. Net revenues of Industrial Activities were €15,877 million in 2023, an increase of 12.1% compared to 2022, mainly due to positive price realization and higher volumes and mix.

Cost of sales

Cost of sales was €13,513 million in 2023 compared to €12,389 million in 2022. As a percentage of net revenues, cost of sales of Industrial Activities was 84.2% in 2023 (87.1% in 2022). In 2022, cost of sales included €31 million related to the impairment of certain assets in connection with Group operations in Russia and Ukraine.

Selling, general and administrative costs

Selling, general and administrative costs amounted to €1,026 million in 2023 (6.3% of net revenues), up €90 million compared to 2022 (6.5% of net revenues), primarily due to emerging corporate costs.

Research and development costs

In 2023, R&D costs were €626 million (compared to €473 million in 2022) and included all R&D costs not recognised as assets in the year amounting to €399 million (€244 million in 2022), and the amortization of capitalized development cost of €227 million (€214 million in 2022). No impairment losses were recorded in 2023 (€15 million in 2022).During 2023, the Group capitalised new expenditures for development costs for €489 million (€390 million in 2022). The costs in both periods were primarily attributable to spending on engine development associated with emission requirements and continued investment in new products.

Result from investments

Result from investments was a gain of €14 million in 2023 and a loss of €5 million in 2022.

Gains/(losses) on the disposal of investments

Gains/(losses) on the disposal of investments was nil in 2023. In 2022, this item was a gain of €33 million and included €36 million gain on the final step of Chinese joint ventures' restructuring.

Restructuring costs

Restructuring costs were €35 million and €15 million in 2023 and 2022, respectively.

Other income/(expenses)

Other expenses were €190 million in 2023 compared to €106 million in 2022. 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 2023, this item also includes the negative impact of €43 million from the acquisition of full ownership of Nikola Iveco Europe GmbH (refer to the Consolidated Financial Statements Note 14 "Investments and other non-current financial assets", for details), now renamed EVCO GmbH. 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.

Financial income/(expenses)

Net financial expenses were €450 million in 2023 (€206 million in 2022). The increase was mainly a consequence of higher interest rates, as well as the impact of the Argentine peso devaluation and of hyperinflation accounting in Argentina.

Income tax (expense) benefit

(€ million, except percentages)	**2023**	**2022**
Profit (loss)/before taxes	387	260
Income tax (expense) benefit	(153)	(101)
Effective tax rate	**39.5 %**	**38.8 %**

In 2023, income tax expenses were €153 million, based on a profit before taxes of €387 million, compared to tax expenses of €101 million in 2022, based on a profit before taxes of €260 million. The effective tax rates for 2023 and 2022 were 39.5% and 38.8%, respectively. Excluding the negative impact of €43 million (€27 million after tax) from the acquisition of the full ownership Nikola Iveco Europe GmbH, the €41 million valuation allowance on Argentinian deferred tax assets, the pre-tax and corresponding tax impact of cost related to certain claims arising from the EU Commission's 2016 antitrust settlement decision and FPT emissions investigation closure, the positive impact from the release of provisions related to the Russia and Ukraine conflict, restructuring costs, separation costs, as well as other minor items, the effective tax rate was 28% in 2023. 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.

Profit/(loss)

Net profit was €234 million in 2023, an increase of €75 million compared to 2022, due to the positive performance.

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 2023 and 2022.

(€ million)	**2023**	**2022**
Profit/(loss)	**234**	**159**
Adjustments impacting Profit/(loss) before income tax (expense) benefit (a)	103	61
Adjustments impacting Income tax (expense) benefit (b)	15	5
Adjusted net Profit/(loss)	**352**	**225**
Adjusted net Profit/(loss) attributable to Iveco Group N.V.	**336**	**213**
Weighted average shares outstanding – diluted (million)	273	272
Adjusted diluted EPS (€)	**1.23**	**0.78**
Profit/(loss) before income tax (expense) benefit	**387**	**260**
Adjustments impacting Profit/(loss) before income tax (expense) benefit (a)	103	61
Adjusted Profit/(loss) before income tax (expense) benefit (A)	**490**	**321**
Income tax (expense) benefit	**(153)**	**(101)**
Adjustments impacting income tax (expense) benefit (b)	15	5
Adjusted Income tax (expense) benefit (B)	**(138)**	**(96)**
Adjusted Effective Tax Rate (Adjusted ETR) (C=A/B)	**28 %**	**30 %**

a) Adjustments impacting Profit/(loss) before income tax (expense) benefit		
Restructuring costs	35	15
Spin-off costs	12	30
Impacts from Russia and Ukraine conflict	(8)	44
Acquisition of full ownership of Nikola Iveco Europe GmbH	43	—
Costs related to certain claims arising from the EU Commission's 2016 antitrust settlement and FPT emissions investigation closure	19	—
Asset 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
First-time adoption of hyperinflationary accounting in Türkiye	—	14
Other	2	2
Total	**103**	**61**

b) Adjustments impacting income tax (expense) benefit		
Tax effect of adjustments impacting Profit/(loss) before income tax (expense) benefit	(26)	1
Valuation allowance on Argentinian deferred tax assets	41	—
Valuation allowance on Russian deferred tax assets	—	4
Total	**15**	**5**

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)	2023	2022	% Change
Net Revenues:			
Commercial and Specialty Vehicles	13,778	12,100	13.9
Powertrain	4,258	3,960	7.5
Eliminations and other	(2,159)	(1,895)	—
Total Net revenues of Industrial Activities	**15,877**	**14,165**	**12.1**
Financial Services	494	281	75.8
Eliminations and other	(158)	(89)	—
Total Net revenues	**16,213**	**14,357**	**12.9**

Adjusted EBIT by segment

(€ million, except percentages)	2023	2022	Change	2023 Adj. EBIT Margin	2022 Adj. EBIT Margin
Adjusted EBIT:					
Commercial and Specialty Vehicles	773	415	358	5.6 %	3.4 %
Powertrain	252	187	65	5.9 %	4.7 %
Unallocated items, eliminations and other	(207)	(178)	(29)	— %	— %
Adjusted EBIT of Industrial Activities	**818**	**424**	**394**	**5.2 %**	**3.0 %**
Financial Services	122	103	19	24.7 %	36.7 %
Eliminations and Other	—	—	—	— %	— %
Total Adjusted EBIT	**940**	**527**	**413**	**5.8 %**	**3.7 %**

Net revenues of Industrial Activities were €15,877 million in 2023, a 12.1% increase compared to the prior year, mainly due to positive price realisation and higher volumes and mix.

Adjusted EBIT of Industrial Activities was €818 million, compared to €424 million in 2022, representing an Adjusted EBIT margin of 5.2%, up 220 basis points ("bps") compared to 2022. The increase was primarily attributable to positive price realisation throughout the year.

Reconciliation of EBIT to Adjusted EBIT

The following tables summarize the reconciliation of Adjusted EBIT, a non-EU-IFRS financial measure, to EBIT, the most comparable EU-IFRS financial measure, for 2023 and 2022.

							2023
(€ million)	**Commercial and Specialty Vehicles**	**Powertrain**	**Unallocated items, eliminations and other**	**Total Industrial Activities**	**Financial Services**	**Eliminations**	**Total**
EBIT	**749**	**241**	**(289)**	**701**	**136**	**—**	**837**
Adjustments							
Restructuring costs	24	11	—	35	—	—	35
Other discrete items(1)	—	—	82	82	(14)	—	68
Adjusted EBIT	**773**	**252**	**(207)**	**818**	**122**	**—**	**940**

(1) This item mainly includes €43 million from the acquisition of full ownership of Nikola Iveco Europe GmbH (now renamed EVCO GmbH), €19 million costs related to certain claims arising from the EU Commission's 2016 antitrust settlement decision and FPT emissions investigation closure, as well as €8 million positive impact from the release of provisions related to the Russia and Ukraine conflict, and €12 million separation costs related to the spin-off of the Iveco Group business.

							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 included €44 million charge in connection with our Russian and Ukrainian operations, primarily 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.

Industrial Activities Performance

Commercial and Specialty Vehicles

Net revenues

The following table shows Commercial and Specialty Vehicles net revenues by geographic region in 2023 compared to 2022:

(€ million, except percentages)	2023	2022	% Change
Europe	10,956	9,087	20.6
South America	1,214	1,625	-25.3
North America	131	122	7.4
Rest of World	1,477	1,266	16.7
Total	**13,778**	**12,100**	**13.9**

Commercial and Specialty Vehicles net revenues were €13,778 million in 2023, up 13.9% compared to 2022, primarily driven by positive price realisation and higher volumes in truck and bus in Europe.

In 2023, the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, increased 14% compared to 2022. The light-duty trucks ("LCV") market increased 13%, and the medium and heavy trucks ("M&H") market increased by 16%. In South America, new truck registrations (GVW ≥3.5 tons) decreased 15% compared to 2022, with a decrease of 17% in Brazil and almost flat in Argentina. In Rest of World, new truck registrations increased 21% compared with 2022. Bus registrations increased 20% in Europe and 25% in South America.

Iveco Group's estimated market share in the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, was 11.8%, down 0.7 percentage points ("p.p.") compared with 2022. The European market share decreased 1.4 p.p. to 13.7% in LCV and increased 0.7 p.p. to 8.7% in M&H segment. In South America, in 2023, Iveco Group's market share increased 0.7 p.p. to 12.6%.

During 2023, Commercial and Specialty Vehicles delivered approximately 177,800 vehicles (including buses and specialty vehicles), representing a 1% increase from 2022. Volumes were 1% lower in LCV and 2% higher in M&H truck segments. Commercial and Specialty Vehicles deliveries increased 8% in Europe and 2% in Rest of World, and decreased 34% in South America.

Order intake is continuing to shorten to healthier levels and to accommodate phase-in of new Model Year 2024, with 23 weeks of production already sold for Light Commercial Vehicles ("LCV") and approximately 20 weeks for both medium and heavy-duty trucks ("M&H"). Worldwide truck book-to-bill was 0.76 at 31 December 2023.

Commercial and Specialty Vehicles deliveries

(units in thousands)	2023	2022	% Change
France	24.1	24.6	-2.0
Germany & Switzerland	20.3	18.7	8.6
U.K.	12.1	10.1	19.8
Italy	33.2	31.9	4.1
Iberia (Spain & Portugal)	17.0	13.2	28.8
Rest of Europe	33.0	30.5	8.2
Europe	**139.7**	**129.0**	**8.3**
South America	17.4	26.5	-34.3
Rest of World	20.7	20.4	1.5
Total Sales	**177.8**	**175.9**	**1.1**

Commercial and Specialty Vehicles Deliveries– by product:

(units in thousands)	2023	2022	% Change
Medium & Heavy	57.2	56.1	2.0
Light	103.7	104.6	-0.9
Buses	12.4	11.6	6.9
Specialty vehicles(*)	4.5	3.6	25.0
Total	**177.8**	**175.9**	**1.1**

(*) Defense and firefighting vehicles

Adjusted EBIT
Adjusted EBIT was €773 million in 2023, a €358 million increase compared to 2022, driven by positive price realisation, partially offset by higher product costs. The Adjusted EBIT margin was 5.6% in 2023 (3.4% in 2022).

Powertrain

Net revenues
Powertrain net revenues were €4,258 million in 2023, up 7.5% compared to 2022. The increase was mainly due to positive price realisation and better mix. Sales to external customers accounted for 52% of total net revenues (55% in 2022).

During 2023, Powertrain sold approximately 460,700 engines, a decrease of 3% compared to 2022. In terms of customers, 40% of engines were supplied to Commercial and Specialty Vehicles, and 60% to external customers. Additionally, Powertrain delivered approximately 64,800 transmissions, in line with 2022, and approximately 233,300 axles (of which 2,100 E-axles and 3,300 batteries), an increase of 15% compared to 2022.

Adjusted EBIT
Adjusted EBIT was €252 million in 2023, up €65 million compared to 2022, mainly driven by positive price realisation more than offsetting increased raw material and energy costs. Adjusted EBIT margin was 5.9% in 2023 (4.7% in 2022).

Financial Services Performance

(€ million, except percentages)	**2023**	**2022**	**Change**
Net revenues	494	281	76%
Adjusted EBIT	122	103	19

Net revenues
Financial Services reported net revenues of €494 million in 2023, an increase of €213 million compared to 2022, mainly due to higher base rates and higher receivables portfolio.

Adjusted EBIT
Adjusted EBIT was €122 million in 2023, a €19 million increase compared to 2022, primarily due to a higher receivables portfolio and better collection performances on managed receivables.

In 2023, retail loan originations (including unconsolidated joint ventures) were €1,641 million, €337 million higher compared to 2022.

The Iveco Group managed portfolio (including unconsolidated joint ventures) was €8,341 million as of 31 December 2023 (of which retail was 36% and wholesale 64%), up €1,534 million compared to 31 December 2022.

At 31 December 2023, the receivable balance greater than 30 days past-due as a percentage of on-book portfolio was 2.0% (2.4% as of 31 December 2022).

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".

	At 31 December 2023				At 31 December 2022			
(€ million)	**Industrial Activities(1)**	**Financial Services**	**Eliminations**	**Consolidated**	**Industrial Activities(1)**	**Financial Services**	**Eliminations**	**Consolidated**
ASSETS								
Intangible assets	1,824	17	—	1,841	1,496	15	—	1,511
Property, plant and equipment	3,184	2	—	3,186	3,096	1	—	3,097
Investments and other non-current financial assets:	49	161	—	210	84	153	—	237
Investments accounted for using the equity method	18	148	—	166	10	140	—	150
Equity investments measured at fair value through other comprehensive income	15	—	—	15	62	—	—	62
Other investments and financial assets	16	13	—	29	12	13	—	25
Leased assets	16	59	—	75	19	51	—	70
Deferred tax assets	588	71	(1) *(6)*	658	622	78	—	700
Total Non-current assets	**5,661**	**310**	**(1)**	**5,970**	**5,317**	**298**	**—**	**5,615**
Inventories	2,864	4	—	2,868	2,838	—	—	2,838
Trade receivables	317	33	(24) *(3)*	326	334	18	(11) *(3)*	341
Receivables from financing activities	1,041	6,183	(1,422) *(3)*	5,802	772	4,758	(1,152) *(3)*	4,378
Current tax receivables	167	4	(29) *(4)*	142	120	5	(30) *(4)*	95
Other current receivables and financial assets	245	140	(22) *(2)*	363	267	92	(20) *(2)*	339
Prepaid expenses and other assets	109	21	—	130	58	10	—	68
Derivative assets	30	1	(4) *(5)*	27	51	2	(3) *(5)*	50
Cash and cash equivalents	2,447	251	—	2,698	2,100	188	—	2,288
Total Current assets	**7,220**	**6,637**	**(1,501)**	**12,356**	**6,540**	**5,073**	**(1,216)**	**10,397**
Assets held for sale	59	—	—	59	1	—	—	1
TOTAL ASSETS	**12,940**	**6,947**	**(1,502)**	**18,385**	**11,858**	**5,371**	**(1,216)**	**16,013**
EQUITY AND LIABILITIES								
Total Equity	**1,548**	**842**	**—**	**2,390**	**1,623**	**768**	**—**	**2,391**
Provisions:	2,265	115	—	2,380	2,000	108	—	2,108
Employee benefits	528	16	—	544	495	15	—	510
Other provisions	1,737	99	—	1,836	1,505	93	—	1,598
Debt:	1,624	5,898	(1,422) *(3)*	6,100	1,173	4,412	(1,152) *(3)*	4,433
Asset-backed financing	—	3,860	—	3,860	—	3,149	—	3,149
Other debt	1,624	2,038	(1,422) *(3)*	2,240	1,173	1,263	(1,152) *(3)*	1,284
Derivative liabilities	42	3	(4) *(5)*	41	47	2	(3) *(5)*	46
Trade payables	3,918	34	(25) *(3)*	3,927	3,660	32	(2) *(3)*	3,690
Tax liabilities	122	27	(29) *(4)*	120	113	22	(28) *(4)*	107
Deferred tax liabilities	29	—	(1) *(6)*	28	25	—	—	25
Other current liabilities	3,333	28	(21) *(2)*	3,340	3,217	27	(31) *(2)*	3,213
Liabilities held for sale	59	—	—	59	—	—	—	—
Total Liabilities	**11,392**	**6,105**	**(1,502)**	**15,995**	**10,235**	**4,603**	**(1,216)**	**13,622**
TOTAL EQUITY AND LIABILITIES	**12,940**	**6,947**	**(1,502)**	**18,385**	**11,858**	**5,371**	**(1,216)**	**16,013**

(1) Industrial Activities represents the enterprise without Financial Services. Industrial Activities includes Commercial and Specialty Vehicles and Powertrain segments, as well as the holding company Iveco Group N.V.
(2) This item includes the elimination of intercompany activity between Industrial Activities and Financial Services.

(3) This item includes the elimination of receivables/payables between Industrial Activities and Financial Services.

(4) This item includes the elimination of tax receivables/payables between Industrial Activities and Financial Services and reclassifications needed for appropriate consolidated presentation.

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

(6) This item includes the reclassification of deferred tax assets/liabilities in the same jurisdiction and reclassifications needed for appropriate consolidated presentation.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion of liquidity and capital resources primarily 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 Flow Analysis

The following table presents the cash flows from operating, investing and financing activities by activity for the years ended 31 December 2023 and 2022.

				2023				2022
(€ million)	Industrial Activities (1)	Financial Services	Eliminations	Consolidated	Industrial Activities (1)	Financial Services	Eliminations	Consolidated
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,100**	**188**	**—**	**2,288**	**726**	**171**	**—**	**897**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:								
Profit/(loss)	135	99	—	234	89	70	—	159
Amortization and depreciation (excluding vehicles sold under buy-back commitments and operating leases)	596	3	—	599	558	2	—	560
(Gains)/losses on disposal of non-current assets (excluding vehicles sold under buy-back commitments)	(10)	—	—	(10)	(96)	—	—	(96)
Other non-cash items	5	(31)	—	(26)	7	11	—	18
Dividends received	55	—	(41) *(2)*	14	75	—	(71) *(2)*	4
Change in provisions	264	6	—	270	264	13	—	277
Change in deferred income taxes	23	7	—	30	(9)	(2)	—	(11)
Change in items due to buy-back commitments[(a)]	(29)	(4)	—	(33)	5	13	—	18
Change in operating lease items[(b)]	(5)	(26)	—	(31)	—	(29)	—	(29)
Change in working capital	353	(64)	—	289	505	2	—	507
TOTAL	**1,387**	**(10)**	**(41)**	**1,336**	**1,398**	**80**	**(71)**	**1,407**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:								
Investments in:								
Property, plant and equipment and intangible assets (excluding vehicles sold under buy-back commitments and operating leases)	(967)	(3)	—	(970)	(775)	(2)	—	(777)
Consolidated subsidiaries and other equity investments	(27)	—	6 *(3)*	(21)	(42)	—	12 *(3)*	(30)
Proceeds from the sale of non-current assets (excluding vehicles sold under buy-back commitments)	17	—	—	17	75	—	—	75
Change in receivables from financing activities	(20)	(1,384)	—	(1,404)	50	(1,370)	—	(1,320)
Change in other current financial assets	(19)	—	—	(19)	29	—	—	29
Other changes	(159)	332	—	173	237	446	—	683
TOTAL	**(1,175)**	**(1,055)**	**6**	**(2,224)**	**(426)**	**(926)**	**12**	**(1,340)**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:								
Change in debt and derivative assets/liabilities	381	1,163	—	1,544	424	922	—	1,346
Capital increase	—	6	(6) *(3)*	—	—	12	(12) *(3)*	—
Dividends paid	—	(41)	41 *(4)*	—	(1)	(71)	71 *(4)*	(1)
Purchase of treasury shares	(55)	—	—	(55)	—	—	—	—
TOTAL	**326**	**1,128**	**35**	**1,489**	**423**	**863**	**59**	**1,345**
Translation exchange differences	(191)	—	—	(191)	(21)	—	—	(21)
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS	**347**	**63**	**—**	**410**	**1,374**	**17**	**—**	**1,391**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,447**	**251**	**—**	**2,698**	**2,100**	**188**	**—**	**2,288**

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

(b) *Cash from operating lease is recognised under operating activities in a single line item, which includes capital expenditure, depreciation, write-downs and changes in inventory.*
(1) *Industrial Activities represents the enterprise without Financial Services. Industrial Activities includes Commercial and Specialty Vehicles and Powertrain segments as well as the holding company Iveco Group N.V.*
(2) *This item includes the elimination of dividend from Financial Services to Industrial Activities.*
(3) *This item includes the elimination of paid 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 2023, the Group had cash and cash equivalents of €2,698 million, an increase of €410 million, or 17.9%, from €2,288 million at 31 December 2022. Cash and cash equivalents at 31 December 2023 included €104 million (€83 million at 31 December 2022) of restricted cash that mainly consists in Central Bank deposits established for regulatory purposes by an affiliate benefiting from a banking license. At 31 December 2023, undrawn medium-term unsecured committed facilities were €2,000 million (€2,000 million at 31 December 2022) and other current financial assets were €43 million at 31 December 2023 (€26 million at 31 December 2022).

At 31 December 2023, 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", a non-EU-IFRS financial measure as defined in the section "Alternative performance measures (or "non-EU-IFRS financial measures")" above), totalled €4,748 million at 31 December 2023 (€4,364 million at 31 December 2022). At 31 December 2023 this amount also included €7 million financial receivables (€50 million at 31 December 2022) from CNH Industrial deriving from financing activities and the sale of trade receivables.

A reconciliation of Iveco Group's consolidated Cash and cash equivalents to Available liquidity is provided as follows:

(€ million)	**At 31 December 2023**	**At 31 December 2022**
Total Cash and cash equivalents	**2,698**	**2,288**
Undrawn committed facilities	2,000	2,000
Other current financial assets[(1)]	43	26
Financial receivables from CNH Industrial[(2)]	7	50
Total Available liquidity	**4,748**	**4,364**

(1) *This item includes short-term deposits and investments towards high-credit rating counterparties.*
(2) *This item includes financial receivables from CNH Industrial deriving from financing activities and sale of trade receivables.*

Net Cash from Operating Activities

Cash provided by operating activities in 2023 totalled €1,336 million and primarily comprised the following elements:

- €234 million in profit;
- plus €599 million in non-cash charges for depreciation and amortization (net of commercial vehicles sold under buy-back commitments and operating leases);
- change in working capital which generated €289 million;
- plus €270 million change in provisions;
- plus €30 million change in deferred income taxes;
- minus €33 million for changes in items due to buy-back commitments;
- minus €31 million for changes in operating lease items;
- minus €26 million for other non-cash items;
- minus €10 million gains on disposal of non-current assets (excluding vehicles sold under buy-back commitments).

In 2022, cash generated by operating activities during the year was €1,407 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 €900 million, and of €507 million increase in cash resulting from changes in working capital.

Net Cash from Investing Activities

In 2023, cash used by investing activities was €2,224 million. The negative flows were primarily generated by:

- investments in tangible and intangible assets that used €970 million in cash, including €489 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 change in receivables from financing activities which used €1,404 million in cash primarily due to the wholesale portfolio, partially offset by
- cash generated by "Other changes" of €173 million.

In 2022, cash used in investing activities totalled €1,340 million. Expenditures on tangible and intangible assets (including €390 million in capitalized development costs) totalled €777 million. Change in receivables from financing activities used €1,320 million in cash, primarily due to changes in the wholesale portfolio.

The following table summarises 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 2023 and 2022:

	Years ended 31 December	
(€ million)	**2023**	**2022**
Commercial and Specialty Vehicles	281	198
Powertrain	124	121
Total Industrial Activities investments in tangible assets	**405**	**319**
Industrial Activities investments in intangible assets	562	456
Total Industrial Activities capital expenditures	**967**	**775**
Financial Services investments in tangible assets	—	—
Financial Services investments in intangible assets	3	2
Total Capital expenditures	**970**	**777**

The Group incurred these capital expenditures in the regions in which the Group operates and 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 2023, cash generated by financing activities totalled €1,489 million, primarily due to an increase in asset-backed financing and in bank debt deriving from the higher portfolio of Financial Services, and to the signing of €450 million loan with the European Investment Bank as described in the following section Capital Resources.

In 2022, cash generated by financing activities totalled €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.

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 favourable 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 2023, 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 organisation, 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 at 31 December 2023 and 2022 is as detailed in the following table:

	At 31 December 2023			At 31 December 2022		
(€ million)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Total Debt	**6,100**	**1,624**	**5,898**	**4,433**	**1,173**	**4,412**

Iveco Group believes that Net Cash (Debt), a non-EU-IFRS financial measure as defined in the section "Alternative performance measures (or "Non-EU-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) of Industrial Activities and Net Cash (Debt) of Financial Services to reflect the different cash flow management practices in the two activities. Industrial Activities reflects the consolidation of all majority-owned subsidiaries, except for Financial Services. Financial Services reflects the consolidation of the Financial Services' legal entities.

The calculation of Net Cash (Debt) at 31 December 2023 and 2022, and the reconciliation of Total (Debt), the EU-IFRS financial measure that the Group believes to be most directly comparable, to Net Cash (Debt), are shown below:

	At 31 December 2023			At 31 December 2022		
(€ million)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Third party (debt)	(5,768)	(1,191)	(4,577)	(4,156)	(739)	(3,417)
Intersegment notes (payable)(1)	—	(431)	(991)	—	(432)	(720)
(Debt) payable to CNH Industrial (2)	(332)	(2)	(330)	(277)	(2)	(275)
Total (Debt)	**(6,100)**	**(1,624)**	**(5,898)**	**(4,433)**	**(1,173)**	**(4,412)**
Cash and cash equivalents	2,698	2,447	251	2,288	2,100	188
Intersegment financial receivables(1)	—	991	431	—	720	432
Financial receivables from CNH Industrial(3)	133	7	126	146	50	96
Other current financial assets(4)	43	43	—	26	26	—
Derivative assets(5)	27	30	1	50	51	2
Derivative (liabilities)(5)	(41)	(42)	(3)	(46)	(47)	(2)
Net Cash (Debt)(6)	**(3,240)**	**1,852**	**(5,092)**	**(1,969)**	**1,727**	**(3,696)**

(1) As a result of the role played by the central treasury, debt for Industrial Activities also includes funding raised by the central treasury on behalf of Financial Services (included under Intersegment financial receivables). Intersegment financial receivables for Financial Services, on the other hand, represent loans or advances to Industrial Activities – for receivables sold to Financial Services that do not meet the derecognition requirements – as well as cash deposited temporarily with the central treasury. Total Debt of Industrial Activities includes Intersegment notes payable to Financial Services of €431 million and €432 million as of 31 December 2023 and 2022, respectively. Total Debt of Financial Services includes Intersegment notes payable to Industrial Activities of €991 million and €720 million as of 31 December 2023 and 2022, respectively.
(2) This item includes payables related to purchases of receivables or collections with settlement in the following days.
(3) This item includes receivables related to sales of receivables or collections with settlement in the following days.
(4) This item includes short-term deposits and investments towards high-credit rating counterparties.
(5) Derivative assets and Derivative liabilities include, respectively, the positive and negative fair values of derivative financial instruments.
(6) The net intersegment receivable/(payable) balance recorded by Financial Services relating to Industrial Activities was €-560 million and €-288 million as of 31 December 2023 and 2022, respectively.

Net Debt at 31 December 2023 increased by €1,271 million compared to 31 December 2022, mainly reflecting higher Financial Services' third-party debt due to higher portfolio, partially offset by a Free Cash Flow generation from Industrial Activities of €412 million during 2023.

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

(€ million)	Years ended 31 December 2023	2022
Net Cash (Debt) of Industrial Activities at beginning of period	**1,727**	**1,063**
Adjusted EBIT of Industrial Activities	818	424
Depreciation and amortization	596	558
Depreciation of assets under operating leases and assets sold with buy-back commitments	234	221
Cash interest and taxes	(226)	(150)
Changes in provisions and similar(1)	(388)	(160)
Change in working capital	353	505
Operating cash flow of Industrial Activities	**1,387**	**1,398**
Investments in property, plant and equipment, and intangible assets(2)	(967)	(775)
Other changes	(8)	67
Free Cash Flow of Industrial Activities	**412**	**690**
Capital increases, dividends and share buy-backs	(55)	—
Currency translation differences and other	(232)	(26)
Change in Net Cash (Debt) of Industrial Activities	**125**	**664**
Net Cash (Debt) of Industrial Activities at end of period	**1,852**	**1,727**

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

Iveco Group believes that Free Cash Flow of Industrial Activities, a non-EU-IFRS financial measure as defined in the section "Alternative performance measures (or "Non-EU-IFRS financial measures")" above, is a useful analytical metric for measuring the cash generation ability of the Group's Industrial Activities. In 2023, Free Cash Flow of Industrial Activities was positive for €412 million, primarily due to strong business performance, partially offset by higher than expected Argentine peso devaluation in December 2023.

The reconciliation of Free Cash Flow of Industrial Activities to Net cash provided by (used in) Operating Activities, the EU-IFRS financial measure that Iveco Group believes to be most directly comparable, for the years ended 31 December 2023 and 2022, is shown below:

(€ million)	Years ended 31 December 2023	2022
Net cash provided by (used in) Operating Activities	**1,336**	**1,407**
Less: Cash flows from Operating Activities of Financial Services net of eliminations	51	(9)
Operating cash flow of Industrial Activities	**1,387**	**1,398**
Investments in property, plant and equipment, and intangible assets of Industrial Activities	(967)	(775)
Other changes(1)	(8)	67
Free Cash Flow of Industrial Activities	**412**	**690**

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

The non-EU-IFRS financial measures (Available liquidity, Net Cash (Debt) and Free Cash Flow of Industrial Activities), used in this section, should neither be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with EU-IFRS. In addition, these non-EU-IFRS financial measures 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 €1.2 billion at 31 December 2023 and €0.7 billion at 31 December 2022 and primarily consisted of bank debt and lease liabilities.

Bank Debt

At 31 December 2023 and 2022, Industrial Activities available committed unsecured facilities expiring after twelve months amounted to €1.7 billion.

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 two additional years with all lenders, by exercising the first and the second one-year extension option. The facility is now due to mature in January 2029.

On 27 November 2023, Iveco Group signed a €450 million term loan facility with the European Investment Bank with an 8-year amortization profile, which represents the first tranche of the €500 million total approved by the European Investment Bank. The proceeds of the loan facility, which have been drawdown in full in December 2023, will be applied, over a period of three years, to enable Iveco Group to develop innovative technologies and architectures in the field of electric propulsion and to increase efficiency, safety, driving comfort and productivity by further developing solutions for autonomous driving, digitalization and vehicle connectivity.

The facilities above 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 2023, Iveco Group was in compliance with the covenants of the above facilities.

Financial Services

Total third-party debt of Financial Services' was €4.6 billion at 31 December 2023 (€3.4 billion at 31 December 2022), and included the following.

Bank Debt

Bank Debt of €660 million at 31 December 2023 (198 million at 31 December 2022) mainly consisted of bank loans; it also included €115 million "Schuldschein" loan with a 3-year tenor. At 31 December 2023, Financial Services available committed, unsecured facilities expiring after twelve months amounted to €300 million (€300 million at 31 December 2022).

Asset-Backed Financing

At 31 December 2023, Financial Services' asset-backed facilities amounted to €1,025 million (€839 million at 31 December 2022), 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 2023, the Group's receivables from financing activities included receivables sold and financed through both asset-backed securitization transactions and factoring transactions of €4.7 billion (€3.3 billion at 31 December 2022), which did not meet derecognition requirements and therefore were recorded on the Group's consolidated statement of financial position. These receivables are recognised 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 2023).

Commercial Paper Programs

With the purpose of further diversifying its funding structure, Iveco Group has established a commercial paper program. IC Financial Services S.A. in Europe issued commercial paper under the program which had an amount of €38 million outstanding at 31 December 2023 (€66 million outstanding at 31 December 2022).

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 realised 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 2023, the Group had available committed, unsecured facilities expiring after twelve months of €2,000 million (€2,000 million at 31 December 2022).

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 2023, Financial Services' asset-backed facilities amounted to €1,025 million (€839 million at 31 December 2022).

Iveco Group continues to closely monitor its liquidity and capital resources for any potential impact that the challenging environment in which it operates, including current macroeconomic and geopolitical issues, supply chain issues and global logistic constraints, energy and material availability and relevant price variability, 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 require 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 totalling €422 million as of 31 December 2023 (€409 million as of 31 December 2022).

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 2023:

(€ million)	**Total**	**Less than one year**	**One to three years**	**Three to five years**	**After five years**
Debt obligations[1]					
Borrowings from banks	1,631	196	1,074	147	214
Asset-backed financing	3,860	3,282	578	—	—
Other debt	413	408	5	—	—
Undiscounted lease payments	227	63	75	34	55
Purchase obligations	1,099	545	504	48	2
Total	**7,230**	**4,494**	**2,236**	**229**	**271**

(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 2024 to pension plans is approximately €6 million. Potential outflows in the years after 2024 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 2024.

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 2023 as follows:

(€ million)	**At 31 December 2023**
Debt reflected in the consolidated balance sheet	**6,100**
Less:	
Lease liabilities	(196)
Total Debt obligations	**5,904**

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 2023 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 €936 million; and
- commitments to purchase tangible fixed assets, largely in connection with planned capital expenditures, in an aggregate amount of approximately €163 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 (2022 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 and managed, associated with the Company's strategy activities. The Board of Directors is aware that the control processes cannot provide absolute assurance 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.

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 matters;
- the Enterprise Risk Management ("ERM") Committee is responsible for supervising and reviewing risk assessment results, reviewing reports for the Audit Committee and Board of Directors, supporting in the identification of risk owners that will be accountable for executing risk mitigation plans and advocating for risk management at all levels of the organisation, including the Senior Leadership team;
- the Head/Chief of Risk Management, tasked with spreading an effective risk-based organisational culture, defining, implementing, and maintaining appropriate guidelines, processes and tools as well as supporting the management with a methodological approach, in the risks identification, adequate measurement and monitoring as well as proposing the Risk Appetite Framework's content and ensuring the integration of Risk Management process within a governance system consistent with strategic objectives.

Risks are monitored at managerial meetings held on periodical basis (e.g. Monthly Operating Review ("MOR") and other committees), where results, opportunities and risks are analysed also considering business unit and/or geographical area impacted. 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 organisation with the instruments for defining the risk categories to which attention should be drawn.

IVECO GROUP INTERNAL AUDIT and INTERNAL CONTROL SYSTEM

The Internal Control System is made up of the set of organisational functions, committees, IT support, administrative and management systems, policies, regulations, operating procedures and practices, and managerial behaviour 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, IT 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. The task of the internal audit function is to assess the design and operation of the internal risk management and System of Internal Control, 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 Bodies 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, 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 operations, assisting 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 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.

Based on the audit activities executed for the year 2023, Internal Audit believes that the Company's Internal Control and Risk Management system was effective.

PRINCIPAL CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM AND INTERNAL CONTROL OVER FINANCIAL REPORTING

IVG has in place a system of risk management and internal control over financial reporting based on the model provided by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"), according to which the internal control system is defined as a set of rules, procedures and tools designed to provide reasonable assurance of the achievement of corporate objectives. In relation to the financial reporting process, reliability, accuracy, completeness and timeliness of the information contribute to the achievement of such corporate objectives. Risk management is an integral part of the internal control system. A periodic evaluation of the system of internal control over financial reporting is designed to ensure the overall effectiveness of the components of the COSO Framework in achieving those objectives.

Identification and evaluation of the risk of misstatements which could have material effects on financial reporting is carried out through a risk assessment process that uses a top-down approach to identify the organisational entities, processes and the related accounts, in addition to specific activities, which could potentially generate significant errors. Under the methodology adopted by IVG, risks and related controls are associated with the accounting and business processes upon which accounting information is based.

Management assessed the effectiveness of the Company's internal control over financial reporting as of 31 December 2023, using the criteria set forth in Internal Control - Integrated Framework (2013) issued by COSO. Based on that assessment, management believes that, as of 31 December 2023, the Company's internal control over financial reporting was effective.

IVECO GROUP RISK MANAGEMENT

In the course of its business, IVG is exposed, like all organisations of any type and size, to internal and external challenges that make both the market and the achievement of strategic and business objectives uncertain. In order to effectively manage IVG business risks and achieve its strategic goals in an increasingly unpredictable environment, IVG has adopted an ERM system - in line with the main national and international best practices. This system enables the systematic identification, assessment, management, and monitoring of business risks (including environmental, social, and governance); it is combined with the coordinated and balanced application of resources, so as to minimise, monitor, and control the probability or impact of adverse events or to optimise the realisation of opportunities. Risk management is an important component of IVG's overall corporate culture and is integral to the achievement of its long-term goals.

The ERM function is headed by the Chief Risk and Internal Audit Officer, who reports hierarchically to the CEO and functionally to the Audit Committee, so ensuring independence from the business units. The function helps the Company effectively manage and implement the risk management framework through facilitation, coordination, monitoring, and methodological support.

The ERM process is also integrated with the strategic sustainability targets of IVG Sustainability Plan, the aspirational goals set out in the Strategic Business Plan, and employee and customer safety goals. These targets and goals provide a framework to address the long-term challenges of creating value for stakeholders and proactively mitigating associated risks.

IVG's ERM process is based on the framework published by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"), as well as on the principles of the Dutch Corporate Governance Code (DCGC) and adapted for specific business requirements by incorporating Company management expertise and best practices.

A risk assessment is a detailed evaluation of the risk events that could impact IVG's strategic and management objectives, it takes into account changes in the business and organisational model and Group processes and procedures, developments in the external environment (from a political, economic, social, technological, and legal perspective), and the relevant industry and competitors. The process follows an integrated top-down and bottom-up approach, evaluating the residual exposure to current and emerging risks associated with the ongoing and evolving internal and external context.

Although risk assessment is a process that is ongoing throughout the year, a dedicated report on Group current risk exposure is submitted at least twice yearly (usually in July and December) to the Audit Committee, which in turn is required to provide a review of the report. Furthermore, all Company levels involved in ERM receive periodic updates and training during the year on ERM activities and processes. For example, in 2023, management and control bodies received regular information on so-called 'black swan' analysis, cyber risks, the impacts of climate change, ERM Policy, and Risk Appetite Framework.

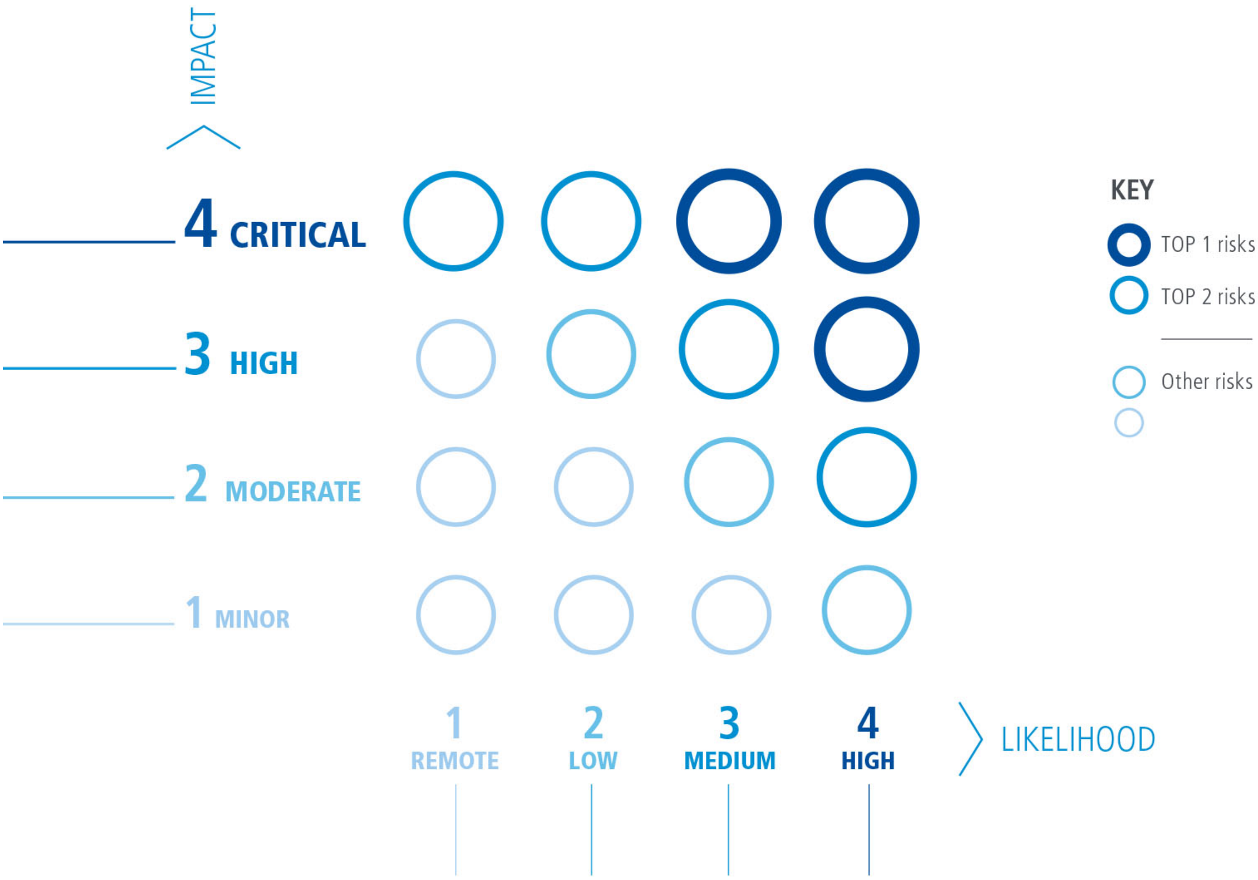
The 2023 ERM process identified 76 risks, several of which related to significant risk areas such as business strategies and operations, competitive factors, social responsibility, environmental issues, and regulatory compliance (better detailed in the Risk Factors section of the 2023 Annual Report).

According to their likelihood of occurrence and the evaluation of their potential impacts, risks are categorised as Top 1, Top 2, or Other Risks, as illustrated in the following matrix:

RISK MANAGEMENT

According to its category (Top 1, Top 2 or Other), each risk is then prioritised in terms of:

- risk quantification and/or in-depth analysis
- risk treatment.



Direct feedback received from each Company level, 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 in question, activities that are subsequently executed by management. These activities are designed to mitigate adverse impacts on IVG's strategic goals and financial and operational performance.

Despite the risk management process and internal control system in place, it is not possible to predict, identify or eliminate all risks and uncertainties that could impact IVG business.

EMERGING RISKS

The ERM process also monitors emerging risks, defined as new risks or risks for which the impacts are unknown or evolving, and which may therefore be incorporated into risk assessment and mitigation activities when appropriate. In 2023, the key emerging risks with the potential for significant impact on Iveco Group over the long term (more than 3 years) were those associated with the mass availability of generative AI and with possible geopolitical developments (as described in the Risk Factors section of the 2023 Annual Report).

Despite the significant opportunities offered by AI, it also presents several potential challenges, including: increasing and ever-more sophisticated cyberattacks, issues over data privacy and sensitive information, intellectual property issues, and difficulties in keeping pace with evolving regulations, which may affect a significant part of the Company's operations and require the company to adapt its strategy. The potential unique competitive advantage and industry disruption offered by new generative AI products and business models will require investments in transformational use cases, resulting in greater costs, complexity, and risk. This in turn will demand a higher risk tolerance, as well as new investment criteria that prioritise strategic value over task- or process-specific productivity benefits. In order to minimise risk exposure, IVG has started to implement specific mitigating measures, including the provision of adequate training, policy development, and solutions/tools, and the continuous monitoring of regulatory changes.

The evolving expectations of possible geopolitical developments increase geopolitical risk, particularly regarding: political and financial instability (e.g., in Africa and the Middle East); the exacerbation of military conflicts (e.g., Russia-Ukraine, Israel-Palestine); and difficult relations between the USA and China. The second and third of these may potentially lead to trade tensions that may escalate into further decoupling, which in turn may directly or indirectly affect countries where the Group operates. The main consequences arising from instability or the exacerbation of existing conflicts and geopolitical risk may include supply chain disruption, oil and gas price volatility, terrorist attacks, cyberattacks, and lower sales due to sanctions and trade restrictions, which could have an adverse effect on IVG's business model, operating results, and financial situation. Our mitigation activities include maintaining relations with local authorities, ensuring regular negotiations, and avoiding operations in countries under sanctions.

RISK APPETITE

In 2023, IVG adopted a Risk Appetite Framework as a comprehensive and structured approach to proactively managing risks while pursuing its strategic objectives. This framework clearly and concisely outlines the Group's approach to risk, supporting the Company in navigating uncertainties and opportunities with confidence, fostering sustainable growth, and ensuring the protection of stakeholders' interests.

IVG's risk appetite is set within risk taking and risk acceptance parameters driven by its Strategic Business Plan, Code of Conduct, core principles and Values, policies, and applicable laws. To protect the interest of IVG's stakeholders, the group has defined the following levels of risk appetite:

- tolerant: high tolerance to risk occurrence, meaning Iveco Group is willing to accept risk exposure in pursuing its business objectives
- moderately tolerant: moderate tolerance to risk occurrence, meaning Iveco Group is comfortable with risk within certain limits
- moderately averse: aversion to risk occurrence, meaning Iveco Group seeks to minimise the occurrence and consequences of unforeseen risks
- adverse: no acceptance of risks, meaning Iveco Group's priority is to avoid risk occurrence.

The Risk Appetite Framework considers, among other things, risk dimensions, i.e., key areas where the Group's risk appetite is explicitly defined. These are identified based on a comprehensive analysis of industry challenges, IVG's business model, Values, strategic objectives, and ERM risk assessment outcomes. For the following risk dimensions, an adverse risk appetite has been approved:

- ethics and integrity
- lawsuits and litigation
- environment, health, and safety (EHS)
- compliance with corporate law and regulations
- product safety
- human rights.

Other main risks dimensions are classified with a risk appetite from moderately adverse to moderately tolerant.

ENHANCEMENTS TO THE RISK MANAGEMENT PROCESS

The development and implementation of an effective and robust Enterprise Risk Management (ERM) process requires ongoing evaluation and improvement. For this reason, IVG continuously enhance its risk management process in compliance with Company principles and international best practices. The evolving ERM model comprises the following spheres:

- risk governance: which provides a general framework as regards roles, responsibilities, and information flows for managing the Company's main risks

- process: which covers all groups of activities implemented by the various actors involved to identify, measure, manage, and monitor the main risks that could affect IVG's ability to achieve its objectives
- reporting: which 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.

In 2023, in order to strengthen the ERM process, the ERM function issued the first IVG ERM Policy and the Risk Appetite Framework, while the risk assessment was carried out in parallel with the development of the 2024-28 Strategic Business Plan, by integrating a bottom-up risk assessment approach into the latter starting from the existing risk portfolio, which is based on an assessment of black swan, emerging risks, and residual exposure to current risks. 2023 risk assessment also includes main outcome of climate change risk management project by the implementation of specific rules established to integrate both physical and transitional risks into ERM catalogue.

Approximately 20 new risks have been identified through this approach (main changes from previous year outcome is better detailed in the Risk Factors section of the 2023 Annual Report).

As further ERM process development, IVG aims for a more in-depth quantification of risks based on the forecasts of our Strategic Business Plan, and for a direct link with the sustainability objectives and the Company's value.

RISK TRANSFER

In order to mitigate the unpredictability and financial impact of any detrimental event that is insurable, Iveco Group has transferred the respective residual risk exposure to the insurance market. Over the years, IVG's changing needs have been clearly reflected in its insurance coverage, which has been regularly optimised to decrease the Company's exposure to intrinsic risks related to the type of activities carried out. Global insurance programmes ensure that all IVG companies currently have key risk insurance coverage. The latter includes property (all risks), general liability and umbrella excess liability, directors' and officers' liability, public offering of securities, cyber risk and potential fraud, and environmental liability.

Additional coverage has been arranged locally based on the specific requirements of local legislation or of collective labour agreements and/or corporate agreements or regulations, such as coverage of product liability, employment practices or general third-party liability. Insurance analysis and the transfer of Iveco Group's risk exposure are conducted in collaboration with highly respected insurance brokers, which support this process internationally and are responsible for the compliance and management of Group insurance programmes at global level.

CORPORATE GOVERNANCE

INTRODUCTION

The Company is a public limited liability company *(naamloze vennootschap)*, incorporated and organised 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 governance statement, Iveco Group summarises its overall corporate governance structure as it applied to the Company as of 31 December 2023, providing the information required by Dutch law and 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"); deviations from the DCGC are described in the present section, too. Other parts of the Board Report (and/or the Company's 2023 Sustainability Report, which is available on the Company website and the Board adopted and submitted to Shareholders for discussion, in the same meeting called to discuss and adopt the annual financial statements) complement the description of how Iveco Group complies with the principles and best practice provisions recommended by the DCGC, by addressing the strategy, values and culture of Iveco Group in furtherance of sustainable long-term value creation (see the Sustainability Report and section "Our Commitment to Sustainability" of the Board Report), the remuneration of the Company's Board members and management (see section "Remuneration Report" of the Board Report), the Company's approach to risk management, its risk assessment, and the design and operation of the internal risk management and control system (see sections "Risk Factors" and "Risk Management and Internal Control System" of the Board Report). Disclosure due in accordance with the Dutch Decree on establishing further rules regarding the content of the Annual Report (*Besluit van 23 december 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag*) is published on the Company website at www.ivecogroup.com.

Upon the Demerger and in connection with the start of the trading of its Common Shares on Euronext Milan, the Company adopted the DCGC, as existing and in force from time to time, as a guide for its corporate structure. The Company is aware of the invitation the Italian Corporate Governance Committee has addressed to issuers with a non-Italian home country, but listed in Italy, to evaluate and consider the adoption of the corporate governance code sponsored by Borsa Italiana S.p.A. (which manages Euronext Milan, where the Common Shares are listed) and compliance with its recommendations. For the time being, Iveco Group believes that compliance with the recommendations of the DCGC (including in terms of disclosure) enables Iveco Group to fully respond to investors' demands for high corporate governance standards, consistency with international best practice, and transparency. On the other hand, the DCGC addresses substantially the same concerns as the Italian corporate governance code, whilst better fitting with the Company's Dutch legal structure and corporate operation.

In this Report, reference to the DCGC is to its December 2022 version, effective as from the financial year starting on 1 January 2023.

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. the adoption of the Company's annual accounts;
b. the policy of the Company on additions to reserves and on dividends, if any;
c. if applicable, the proposal to pay a dividend;
d. 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;
e. the annual appointment of Directors and the external auditors;
f. an advisory vote in respect of the remuneration report;

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.

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 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 present 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 their absence, by the person chosen by the Board of Directors to act as chair for such meeting. The chair 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 chair 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 chair 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 and 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 ("AGM") 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 any 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 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.

According the guidelines on its composition (available on the Company website at www.ivecogroup.com), and in full consistency with the Company's overall Policy on Diversity, Equity and Inclusion (see below), the Board of Directors is composed of individuals who bring the appropriate skills and experience needed for a company of IVG size, geographic distribution and business focus, as the Company believes that bringing different perspectives into the Boardroom creates more effective discussions. The profile aims for an appropriate combination of knowledge and experience among the members of the Board, encompassing general and industry-specific management, international business, ESG, quality and regulatory, finance and accounting, human resources, information technology and digital (namely cybersecurity), marketing, and governmental and public affairs, all in relation to IVG's business mission. Appropriate diversity criteria (considering age, gender, identity, and cultural and professional background) are followed for the purpose, to ensure that the Board has sufficient diversity of views and the expertise needed for a good understanding of current affairs and longer-term risks and opportunities related to the Company's business, taking into account the social and environmental context in which the Company operates. Similar drivers govern the choice of the members of the Senior Leadership Team (the "SLT", as further described and defined below), provided that in the composition of the Board and the SLT competence and merit are key. With reference to the required setting of gender diversity targets for the Board of Directors and the senior management (that the Company identifies in the SLT), according to applicable Dutch law, the Company believes that women and men should each represent at least one-third of the members of the Board of Directors and the SLT. This goal is presently achieved with the Board (the goal here is maintaining – and possibly improving – this gender diversity rate while managing retirement and vacancies) whereas IVG aims at attaining the same result for the SLT by 2028. To this end, appropriate measures are in place, to ensure the achievement of targets (which resulted in an immediate year-on-year improvement in the gender balance at the SLT level). Moreover, the Diversity Equity & Inclusion ("DEI") strategy ensures our general processes have the DEI principles integrated (e.g. talent review, succession plans, and development nominations). Further details are provided below, under "Senior Leadership Team" and "Diversity, Equity and Inclusion".

On 31 December 2023, the Board was made up of nine members (66% men and 33% women, the same percentages as on 31 December 2022), out of which two Executive Directors (male and female genders equally represented) and seven Non-executive Directors (7 men and 2 women: 71% and 28% respectively), all of them appointed for a term ending at the AGM of the Company to be held in 2024. Their skills and relevant personal details are summarised below. No member of the Board exceeds the maximum number of positions allowed by Dutch law for Dutch large companies.

IVECO GROUP BOARD OF DIRECTORS **SKILLS MATRIX** AS AT 31 DECEMBER 2023

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

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.

Biographical Details of the Executive Directors

- Suzanne Heywood (Chairperson)

  Date of first appointment: 1 January 2022

  Born in 1969, British citizenship.

  Suzanne Heywood 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. Suzanne co-led McKinsey's global service line on organisation design for several years and also worked extensively on strategic issues with clients across different sectors. 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 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 member of the UK Investment Council. She has published a book, “Reorg” and multiple articles on these topics, and she is Chair of Quartz, a small consultancy that works on these topics based on the thinking in that book. She 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). In 2023 she achieved a specialization certificate in Google Cybersecurity.

External directorships in publicly listed companies (as of 31 December 2023):

- CNH Industrial N.V.

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

  External directorships in publicly listed companies (as of 31 December 2023):

  - None.

Biographical Details of the Non-Executive Directors

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

  Date of first appointment: 1 January 2022

  Born in 1973, Italian, British, Swiss and American 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 2023):

  - Baker Hughes Company.

- 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 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 stepped down as a partner in Global Infrastructure Partners, a private equity firm focused on large-scale investments in infrastructure businesses, however, remained 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 2023):

- Roll-Royce plc.

- 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.

  Essimari Kairisto has a diploma in Business Administration from the University of Fachhochschule Bielefeld (Germany). Ms. Kairisto was the Chief Financial Officer and a Board Director for Hochtief Solutions AG until 2016 after which she has taken on independent consulting roles. 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. Presently Ms. Kairisto is Vice Chair of TenneT Holding B.V. (a Dutch state-owned leading European electricity transmission system operator with its main activities in the Netherlands and Germany) and Chair of its Audit Committee, Vice Chair of Fortum Oyj (a clean energy generation and distribution company listed on the Helsinki stock exchange, with the Finnish State as majority shareholder) and Chair of its Audit and Risk Committee, Supervisory Board Member and member of the Audit Committee of Freudenberg SE (the privately owned German technology company), director and member of the Audit Committee of Applus+ Services S.A. (a Spanish company, listed on the Madrid Stock Exchange, that is a worldwide leader in the testing, inspection and certification sector), member of the Supervisory Board and Chair of the Audit Committee of Fugro N.V. (a world leading Geo-data specialist that supports clients in mitigating risks during design, construction and operation of their assets).
  External directorships in publicly listed companies (as of 31 December 2023):

  - Applus+ Services S.A.
  - Fortum Oyj.
  - Fugro N.V.

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

  External directorships in publicly listed companies (as of 31 December 2023):

  - 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.

  Alessandro Nasi started his career as a financial analyst in several banks, gaining experience at Europlus Asset Management, a division of Unicredit in Dublin, Ireland, PricewaterhouseCoopers in Turin, Italy, Merrill Lynch and JP Morgan in New York, U.S. He also worked as an Associate in the Private Equity Division of JP Morgan Partners in New York, U.S. Mr. Nasi joined the Fiat Group in 2005 as manager of Corporate and Business Development, heading the APAC division and supporting Fiat Group sectors in Asia Pacific. In 2007, Mr. Nasi was appointed Vice President of Business Development and a member of the Steering Committee of Fiat Powertrain Technologies. In 2008, he joined CNH in the role of Senior Vice President of Business Development and from 2009 to 2011 he also served as Senior Vice President of Network Development. In January 2011, he was also appointed Secretary of the Industrial Executive Council of Fiat Industrial, continuing in the role of Executive Coordinator to the successor Group Executive Council of CNH Industrial until January 2019. In 2013 he was appointed President Specialty Vehicles, a role he held until January 2019. Mr. Nasi is a Director of 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) and Chairman of GVS S.p.A. He is a 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, member of the Board of Istituto Italiano di Tecnologia and member of the Strategic Advisory Board of 3 Boomerang Capital LLC. Mr. Nasi obtained a degree in Economics from the University of Turin.

  External directorships in publicly listed companies (as of 31 December 2023):

  - 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 and 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 2023):
  - New Wave Group AB.

- Benoît Ribadeau-Dumas (Non-Executive Director), Member of the Audit Committee

  Date of first appointment: 13 April 2022

  Born in 1972, French citizenship.

  Benoît Ribadeau-Dumas was appointed Non-Executive Director of Iveco Group N.V. in April 2022. He began his career at the French Council of State in 1997 before joining Thales, a leading French technology group in aerospace and defense, as Director of Business Development. He held different roles within the Company until 2009 when he was named CEO of Thales Underwater Systems. Mr. Ribadeau-Dumas was later appointed at geoscience global leader CGG as Senior Executive Vice President, responsible for Data Acquisition and then at ZodiacAerospace, as member of the management Board and CEO of Aerosystems Branch. In 2017 he joined the Cabinet of the French Prime Minister as Chief of Staff. He is a Partner at Exor and a Non-Executive Director of Stellantis N.V. 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 2023):
  - Stellantis N.V.

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.

Meetings

Regular meetings shall be held according to the calendar determined by the Board. In addition, special meetings shall be held whenever it is deemed convenient, including by direction of 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.

The Board met seven times during 2023. The following chart shows the 2023 Board members and their attendance at Board meetings.

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

In these meetings, the Board addressed a number of topics, including the Company's general affairs and business, its results and expectations, its overall strategy, plans and specific risks/opportunities, the most relevant transactions, risk management, ESG-related and compensation issues, Iveco Group funding and its capital market performance. 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.

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 organisation, 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. As per the DCGC's recommendation, all transactions in which there are conflict of interests with Board members shall be agreed on terms that are customary in the market. No decisions to enter into material transactions in which there are conflicts of interest with members of the Board were taken during the financial year 2023.

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.. Benoît Ribadeau-Dumas, who is a Non-Executive Director of the Company, is also a Partner at Exor N.V. and a non-executive director of Stellantis N.V. (an affiliate 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, as well as the chair of COMAU S.p.A. (a fully owned subsidiary of Stellantis). As a result, Suzanne Heywood, Alessandro Nasi, and Benoît Ribadeau-Dumas owe duties both to Iveco Group and to CNH Industrial, Stellantis, COMAU 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, Stellantis, COMAU, Exor or their affiliates.

The current version of the Regulations of the Board of Directors 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 2023, in addition to a survey to verify due compliance with applicable corporate governance rules (the outcome of which was satisfactory), 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 the same written questionnaire as the questionnaire administered the year before, for the sake of comparison, 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 aggregated and 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. Collation with previous year's results evidenced general improvement throughout the spectrum of the different items considered, most likely the effect of enhanced and more effective interaction between Executive and Non-Executive Directors, as well as the SLT and the Board, which smoothed processes and improved team working.

The conclusions from the evaluations will be considered in the ongoing furtherance of an ever more mature approach and practice of corporate governance at Board level, with a specific focus in the definition of an annual routine and agenda cycle, enabling the Board, its Non-executive component and its Committees to perform their job in a timely and effective manner. Overall the Board of Directors confirmed it believes the skill mix and combination of diversity factors are appropriate to enable the Board as a whole to manage its responsibilities and exercise its role effectively and considers its composition well-suited to fulfil the Board's 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, is aware of the impacts of the Company's operations, including beyond financials, is in a position to effectively direct, monitor, overview, and challenge the different aspects of the Company's business and operations, according to the capacities and responsibilities entrusted to the Board as such, as well as separately to Executive and Non-Executive Directors, by applicable rules. It was further concluded that each of the Directors in charge demonstrate due commitment to their respective role in the Company.

BOARD COMMITTEES

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 terms of reference, tasks and relevant procedures for the proper functioning of the committees are set forth in their charters, as adopted by the full Board.

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 proposals and recommendations where appropriate, according to their remit in supporting the Board's decision-making. 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 organisation 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 and non-financial reporting, (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 Directors and is chaired by a member who meets the independence requirements as set forth by the DCGC (as the majority of the members are required to do). 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, Benoît Ribadeau-Dumas, and Lorenzo Simonelli as members. The expertise and experience available in the Committee, in conjunction with the possibility to take advice from internal and external experts and advisors, are sufficient for the fulfillment of the tasks and responsibilities of the Audit Committee. The Board acknowledged its members 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 six times during 2023, duly and timely reporting its activities to the Board and the Non-Executive Directors. In preparation for the meetings, the Committee chair met one-on-one with management members and the external auditor, when she considered it appropriate. The following chart shows the attendance by the Audit Committee members at its meetings.

Committee member	**Kairisto**	**Persson**	**Ribadeau-Dumas***	**Simonelli**
Attendance	6/6	6/6	6/6	6/6

** Mr. Ribadeau-Dumas was appointed as a member of the Audit Committee only in April, when two out of six meetings of the Committee had already taken place. Nevertheless, he attended both at the Committee's invitation.*

In these meetings (all attended in full or in part by the General Counsel, the CFO and the Chief Risk and Internal Audit Officer, 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 adoption of a Tax Compliance Model, in connection with the Company's admission to the Italian co-operative compliance regime), the Company's funding plan, the finetuning of the Company's internal control and risk management systems, the Company's risk assessment and risk appetite, the Company's insurance policy, key risks and controls relating to cybersecurity, performance and plans of the Company's internal audit function (including the adequacy of the remediation actions agreed with management vis-à-vis internal audit's findings and the appropriate follow-on activities) and the Company's independent public auditors, performance of the external auditor in conducting the statutory audits and – based on this performance review – the proposal for Deloitte's re-appointment, 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 organisation 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. With reference to the new ESG reporting regime, pursuant to the EU Corporate Sustainability Reporting Directive, a division of responsibilities among Board Committees has been agreed upon: the Audit Committee shall oversee procedures and mechanisms for data collection, consolidation methods, and verification process, while the ESG Committee will be responsible for the management, review, and approval of the information to be published.

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: Alessandro Nasi as chair, and Tufan Erginbilgic (who qualifies as independent) and Linda Knoll as members.

In 2023 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 full or in part by the General Counsel, the Chief Public Affairs & Sustainability Officer, 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, CO_2 performance, energy and water consumption); managed the nomination process in preparation for the (re)appointment of Board members (with due consideration of the existing guidelines on the Board composition and the Company's DEI Policy: see above and below); approved the evaluation process of the Board and its Committees; overviewed the preparation of the sustainability report and the Company's policy on stakeholder dialogue, which is published on the Company website at www.ivecogroup.com.

Human Capital and Compensation Committee

The tasks, functions and organisation 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 chair or a majority of its members may determine, but at least once every year. The Chief 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: Linda Knoll as chair, and Tufan Erginbilgic (who qualifies as independent) and Alessandro Nasi as members.

In 2023 the Human Capital and Compensation Committee met six times, duly and timely reporting its activities to the Board and the Non-Executive Directors. In preparation for the meetings, the Committee chair met separately with management members and/or the Committee's external advisor, when she considered it appropriate. 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 full or in part by the General Counsel, the Chief of Human Resources & Information Technology, as well as other representatives of the Company's management, depending on the issues at stake), the Committee inter alia confirmed 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), reviewed and discussed short-term and long-term variable pay initiatives (preparing the Board's relevant decision-making, as appropriate), the Company's diversity, equity & inclusion initiatives (including the Board's adoption of the Company's Diversity Equity & Inclusion Policy), 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 (and the feedback from the AGM on April 2023).

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 2023 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 – Anna Tanganelli; Human Resources & Information Technology – Francesco Tutino), and the Corporate Functions (Public Affairs and Sustainability – Michele Ziosi; Communications – Francesco Polsinelli; Legal, Compliance and Corporate Governance – Gabriella Porcelli; Enterprise Risk Management & Internal Audit – Alessandra Ramorino), for a total of 16 managers, out of which 75% men and 25% women (at the end of 2022 they were 81% and 19%, respectively). 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 2023, 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.

DIVERSITY, EQUITY AND INCLUSION

Within the activities aimed at compliance with the 2022 version of the DCGC, in October 2023 the Board of Directors adopted a Policy on Diversity, Equity and Inclusion ("DEI Policy"), applicable to the Company's Board, management and entire workforce, acknowledging that DEI is business critical, and not just a matter of compliance: IVG's stance is that its people are the foundation to drive its business and diverse perspective and thinking help it develop as an organisation, act as a stimulus to continuous improvement and are conducive to the advancement of a more sustainable society. As such, the Company lists contributing diverse strengths among its core values and considers an inclusive and diverse environment to be beneficial to sustainable long-term value creation, as the basis of an effective, attractive and resilient organisation.

Provided that the composition of the Company's Board and workforce at large is based on competence, merit and talent, and the underlying rationale of the Company's entire remuneration approach is competitive rewarding of performance, in the framework of its overall strategic planning remit, the Board sets a range of targets addressing relevant DEI aspects with reference to the same Board, the members of the SLT and the overall workforce. These targets (that are short-, medium- or long-term, depending on the aspect to tackle) are intended to direct decision-making and operations and ensure focus. Their annual re-assessment (and possible fine-tuning) is meant to ensure ongoing consistency with the Company's evolving strategic priorities and actual capacities.

The goals (that are listed in full in the DEI Policy) span from fostering awareness on the topic, to counteracting (unconscious) bias through appropriate training and dialogue, to integrating DEI elements into the Company's performance, recruitment and talent development processes, whilst working for the progressive elimination of gender pay gap (that already is within EU Directive thresholds) and pursuing gender balance. Fostering a culture of DEI is part of the Company's sustainability priorities, which resulted in 2023 in the adoption of a DEI Manifesto, the publication of a DEI playbook, the setting-up of a structured governance. Iveco Group's DEI Council (made up of the SLT and a diverse selection of managers) has been developing and delivering a range of initiatives to reduce inequality, support diversity and promote inclusion, focusing on six key workstreams: Employer Branding; Talent Mobility, Succession & Hiring; Career Development Programmes; Gender Pay Gap; Wellbeing at Work; and Structured Awareness Campaign.

Apart from target setting, the Board of Directors is responsible for ensuring adherence to the DEI Policy at strategic level, as well as monitoring its outcome and progress throughout time and providing proper disclosure.

The DEI Policy (to be read and construed in conjunction with the Company's remaining governance documents, namely its Code of Conduct and the Human Rights Policy) is available in six languages on the Governance section of the Company's website (www.ivecogroup.com). In 2023 it was included in an extensive campaign aimed at the entire workforce, meant to go beyond the internal communication of the new policy, but with a broader cultural focus on inclusion and raising bias awareness, while promoting an inclusive language. This led, inter alia, to the development of the aforementioned:

- DEI Playbook, available to employees in 11 languages, offering tools, tips, standards, definitions, and examples to help all of us improve our culture of inclusion and create an equitable workplace

- DEI Manifesto, reflecting the Company's ambition to foster an open and supportive culture in which everyone can thrive, and to build an inclusive environment where all perspectives are valued and everyone is encouraged to fulfill their potential.

Coming to the tools to implement the Company's DEI priorities, within the Human Resources & IT Department, an ad-hoc office is responsible for creating DEI programmes and initiatives and for promoting such a culture at all corporate levels in coordination with the HR heads of each business unit/function and the Heads of Communication and Sustainability. This ensures that, in every aspect of the employment relationship – be it recruitment, training, compensation, development,promotion, or relocation – employees are treated based on their ability to meet the requirements of the job, and all decisions are free from any form of discrimination. The DEI strategy is to integrate the principles and behaviours in our employee lifecycle process to ensure the sustainability of the approach. Furthermore, initiatives were defined based on the following 6 key pillars, which identify the areas we will work on as a Company, using a bottom-up approach:

- awareness and communication, regarding how we manage our key messaging and storytelling
- career development programmes, which should be specifically tailored to employee diversity
- wellbeing at work, which entails reviewing both the policy and process for how we handle maternity and paternity leave, as well as introducing and aligning mental health support
- the employee value proposition (EVP), encompassing how we attract, onboard, and retain diverse candidates
- gender pay gap
- hiring and mobility processes, designed to counteract bias.

Given the Company's global presence, there may be differences in legislation among the countries where the Company operates, as well as different levels of awareness, concern, and ability among employees in applying the principles of non-discrimination. Our Code of Conduct (please see below, under "Ethics and culture") and specific policies ensure that the same standards are applied worldwide. Indeed, as stated in the Code of Conduct itself, Company standards supersede in jurisdictions where legislation is more lenient.

To strengthen the Company's DEI efforts and outcomes, a strategic sustainability target was incorporated into its Strategic Business Plan: 23% of management positions to be held by women by year-end 2026. In 2023, we exceeded this target, as the percentage of management positions held by women at Iveco Group was 24%. The Board therefore revised it by changing its metrics and perimeter. The updated target is: to ensure that 30% of office positions are held by female office workers by year-end 2028. For further details on the male/female diversity at Board (and SLT) level, please see above, under "Board of Directors – Responsibilities and composition".

Gender equity is a focal point for the Company. Women at Iveco Group constitute 19.1% of the global workforce. More than 64% of the Company's part-time employees are female, and 34.5% of temporary contracts are with women.

A survey monitoring the employment of people with disabilities is conducted every 2 years. The latest such survey was carried out in 2022 in 13 countries (where the law requires companies to employ a minimum percentage of workers with disabilities), covering more than 90% of our global personnel. The survey showed that differently-abled workers in these countries make up 5.3% of the total workforce. It also showed that differently-abled women account for 36% of the total surveyed. In those countries of operation where there is no legislation establishing minimum quotas for the employment of people with disabilities, there are objective limitations to reporting the number of differently-abled workers, as the information is sensitive and often subject to data protection legislation. As a result, the Company is only aware of employees' personal status if they choose to disclose it.

During 2023, it was also carried out an employee nationality survey at Iveco Group legal entities in 7 countries, comprising 83% of the worldwide workforce. The survey evidenced that 7% of employees were of a nationality other than the country surveyed. It should be noted that this percentage was higher for female employees (8%) than for male employees (6%). Germany, Italy, and Belgium were the countries where our legal entities employed the highest percentage of workers of a nationality other than that of the host country (14% in Germany, 9% in Italy, and 8% Belgium). For female workers, the figure was 14% in Germany, 13% in Belgium, and 11% in Italy.

ETHICS AND CULTURE

The Company shares the definition of culture adopted by the DCGC and in this respect, since the very inception of its activities as a fully independent entity (IVG is the result of the Demerger, effective as of the beginning of 2022) it has immediately worked for the definition of a set of values that may inform its employees' actions and resulting behaviours. The effort was towards making explicit the values already embedded in the Company's DNA, so as to ensure the engagement of its people in actively pursuing them, and through them the Company's sustainable success. Culture is not a given and cannot be imposed, but needs continuous fostering and nurturing (as well as guidance) and develops throughout time, jointly with the organization it belongs to. In 2023 our focus was to align our Performance and Talent Management processes with those values. For the time being, we believe our culture responds to the Company's needs and priorities and is correctly represented:

- by our purpose: "Home of unique people and brands, that power your business and mission to advance a more sustainable society". This is the cornerstone of our business: it reflects the reason why our Company exists and illustrates how our products and services positively impact our customers, stakeholders and the communities where we operate.
- by our values:
  "We go beyond the obvious". All of us at Iveco Group are determined to do more than what is expected or predictable. We encourage each other to set bold personal objectives and drive positive change and innovation while taking into consideration our impact on our local communities, the people and nature around us, and society as a whole.

"We contribute diverse strengths". We value the unique skills and points of views of all our people and we actively foster an inclusive environment where everyone is able to express their full potential. Our Diversity, Equity & Inclusion Council sets the framework and develops opportunities for all of us to contribute towards a truly equitable workplace.

- "We take ownership". We work proactively and take full responsibility to meet the needs of our customers and stakeholders, holding ourselves accountable for the impact of our actions. Our aim is to do high-quality work with integrity and make a unique contribution to the company's offering of products and services for the mobility of today and tomorrow.

"We do what is right". Our company acts with integrity always and everywhere, a commitment that makes our business stronger and more sustainable over time. We care passionately about respecting human rights and the environment, working systematically to uphold them within our internal operations and across our entire value chain.

"We collaborate to win". Iveco Group is home to unique people committed to reaching ambitious objectives – together. In addition to our strong collaborative culture within the company, we also prioritise partnering with likeminded organisations that share our principles and join us enthusiastically to find innovative solutions.

No changes are presently foreseen, while ongoing initiatives are aimed at enhancing awareness, engagement, and pride in being part of the organization, based on the belief in the link between culture, accountability, sustainability and performance.

Consistently with all of the above, 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. In this connection, in 2023 the document underwent a "re-shaping" to include and reinforce messages related to the Company's Purpose and Values: this was meant to help the Company stay focused on its goals and objectives and stakeholders be aware of the Company's priorities, whilst supporting its vision and contributing to its living culture. The review focused on substantive contents (namely to ensure adherence to current policies), but on language as well, as an instrument of engagement of people, the true foundation of the Company's success in pursuing "Integrity Always Everywhere", the motto of this new edition.

The Code of Conduct covers topics such as environment, health and safety, antitrust/competition, anti-corruption, data privacy, internal control, 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 endeavours 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 labour 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 suspected general, operational and financial wrongdoing within 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 app, by phone (to a call centre managed by a third party), or in person to an authorized manager. In those countries where the law establishes that each Legal Entity meeting certain dimensional thresholds must have its own reporting channel, reports can be made either to the Group Compliance Helpline or to the relevant Legal Entity Compliance Helpline. In this case reports will be handled by the appointed persons for the Legal Entity concerned. Where legally permissible, reports may be submitted on an anonymous basis. Company employees are required to report compliance issues and can rely on the Company's prohibiting any form of retaliation against whistleblowers even if their concerns are ultimately found to be unsubstantiated after investigation. Iveco Group is committed to ensure a secure reporting environment that encourages whistleblowers to speak-up and raise issues and concerns without fear. The Company investigates reports submitted and, in appropriate cases, implements corrective and/or disciplinary actions. Matters assessed as material (based on the extent of the potential penalties or monetary losses involved, the seniority of the implicated person, or the nature of the alleged violation) are properly escalated and reported up to the Audit Committee. In 2023, out of 161 reports 4 cases were classified as material and reported as such. No violations related to corruption or bribery were reported to the Compliance Helpline in 2023.

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 organisation 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.

Actual implementation of the Code of Conduct is primarily ensured by training. The 2023 Code of Conduct training course included 3 modules – *Anti-Bribery and Anti-Corruption*, *Antitrust and Competition Law*, and *Speaking Out and Preventing Retaliation* (regarding the Compliance Helpline) – made available to approximately 12,415 employees worldwide. Several targeted compliance training sessions on the main issues identified via a risk assessment, were also delivered, with a focus on: *Anti-Bribery and Anti-Corruption, Antitrust and Competition Law,* data privacy, human rights, and the Compliance Helpline. Moreover, tailored anti-corruption and conflict of interest training was delivered – either in class or online – to the most exposed employees, identified on the basis of an internal risk assessment, and specific training on Antitrust and Competition Law was provided to all members of the SLT.

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 all 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 with 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 Agreement

In relation to lease of premises and several corporate services provided by the Company to CNH Industrial or vice versa, the Company and CNH Industrial entered into a Master Services Agreement (MSA) whereby each Party (and its subsidiaries) may provide services to the other (and its subsidiaries), in substantial continuity with previous practice.

The MSA is intended as an umbrella agreement, while the identification of each of the services and their specific terms and conditions is governed by ad hoc opt-in arrangements. Upon termination of the service, 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 to be provided. Such Stellantis MSA was terminated in 2023. The Company either indemnified the service provider from any direct cost incurred as a result of such termination or purchased the lines of business dedicated to providing such services for its benefit or had them purchased by third-party providers that entered into new dedicated services agreements to supply the corresponding services. Only limited services (namely in relation to industrial security) are still shared.

SHARE CAPITAL

Amount

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 2023, 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, respectively representing 78.51% and 21.49% of the aggregate issued share capital.

Loyalty Voting Program

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.

Issue and repurchase of shares

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. 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 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. In addition the shareholders' meeting on 14 April 2023 authorized the Board to decide upon the acquisition of the Company's own Common Shares through purchases on the stock exchange and/or multilateral trading facilities, directly and/or otherwise, for a period of 18 months from the date of the AGM, i.e. up to and including 13 October 2024, in one or more transactions, subject to market and business conditions and in compliance with applicable rules and regulations. The Board's authority was limited to a maximum of up to 10,000,000 Common Shares with a maximum total allocation to this end of €130,000,000. An initial tranche of the share buy-back program announced on 14 April 2023 was completed on 20 December 2023: for additional details please see Note 21 "Equity" to the Consolidated Financial Statements.

DISCLOSURES PURSUANT TO EU-DIRECTIVE ON TAKEOVERS

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 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 2023, 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. The term of office of all members of the Board of Directors is for a period expiring on the day the first AGM is held in the following calendar year. The General Meeting 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 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 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 7 of the Articles of Association of the Company. According to its provisions, the shareholders' meeting on 14 April 2023 authorized the Board to decide upon the acquisition of the Company's own Common Shares through purchases on the stock exchange and/or multilateral trading facilities, directly and/or otherwise, for a period of 18 months from the date of the AGM, i.e. up to and including 13 October 2024, in one or more transactions, subject to market and business conditions and in compliance with applicable rules and regulations. The Board's authority was limited to a maximum of up to 10,000,000 Common Shares with a maximum total allocation to this end of €130,000,000. An initial tranche of the share buy-back program announced on 14 April 2023 was completed on 20 December 2023: for additional details please see Note 21 "Equity" to the Consolidated Financial Statements.

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 composition as of 31 December 2023 the Board of Directors was composed of two Executive Directors and seven Non-executive Directors, out of which four qualified as independent. Since,
  – Non-Executive Director Ms. Linda Knoll does not qualify as independent, as the relevant cooling-off period re. her previous professional relationship with the Company's associates had not matured at the time of her appointment,
  – Mr. Nasi (another non-independent Non-Executive Director) can be considered to be affiliated with Exor (where he serves as Director), and
  – Non-Executive Director Mr. Ribadeau-Dumas does not qualify as independent and can be considered to be affiliated with the Company's over 10% shareholder Exor (where he is a partner);

  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, it is appropriate that more than one affiliate with Exor (including a member of the family, which controls Giovanni Agnelli B.V., qualifying as the ultimate reporting entity with the AFM of the interest in the Company) 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. The majority of the members in the ESG Committee and the Human Capital and Compensation Committee 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, Executive and Non-Executive Directors nominated for appointment should attend the AGM at which votes will be cast on their 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 AGM 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 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 AGM.

- 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 AGM 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 board in one-tier companies (or to the chair 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 2023 (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 2023 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, Company's culture and policies, 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 system, the performance of Deloitte in conducting the external audit activity, also in preparation for its nomination for re-appointment, as well as the integrity and quality of the financial reporting, reviewing the Company's periodic disclosure. In this connection, as a rule a portion of each meeting of the full Board is organised as an executive session of the Non-Executive Directors, which gives them opportunity of unbiased analysis of the Company's general affairs. Moreover, in 2023 Non-Executive Directors collectively and individually interacted with Executive Directors and SLT members and/or other representative of the Company's senior management outside of formal meetings, particularly during off-site events where plants or other corporate premises were visited.

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 and Compensation Committee, which are entirely made up of Non-Executive Directors and report to the full Board in the latter's first available meeting, for information, acknowledgment, endorsement, or action by the Board (and/or its Non-Executive Directors), as the situation requires. Details on the manner in which these Committees have carried out their duties, their composition, the numbers of meetings which took place in 2023 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 as of 31 December 2023 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 2023 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 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 CORPORATE GOVERNANCE CODE

Based on the assessment performed, the Board of Directors believes that, as of 31 December 2023, 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.

5 March 2024

Suzanne Heywood

Chairperson

Gerrit 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 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.

5 March 2024

The Board of Directors

Suzanne Heywood

Gerrit Marx

Lorenzo Simonelli

Tufan Erginbilgic

Essimari Kairisto

Linda Knoll

Alessandro Nasi

Olof Persson

Benoît Ribadeau-Dumas

REMUNERATION REPORT

Letter from the Human Capital and Compensation Committee Chair

Dear Stakeholders,

With this annual Remuneration Report, our aim is to provide you with a clear and comprehensive disclosure of the Company's executive compensation policies and practices with respect to our Executive and Non-Executive Directors. This year's report includes a new section added to address in detail the dissenting shareholder concerns from last year's report.

Feedback from our shareholders is considered invaluable and we believe that this added section - along with the performed shareholders outreach held during the first quarter of 2024 - will help to illustrate the integral link between executive pay, Company performance and shareholder interests, all key principles set in our Remuneration Policy.

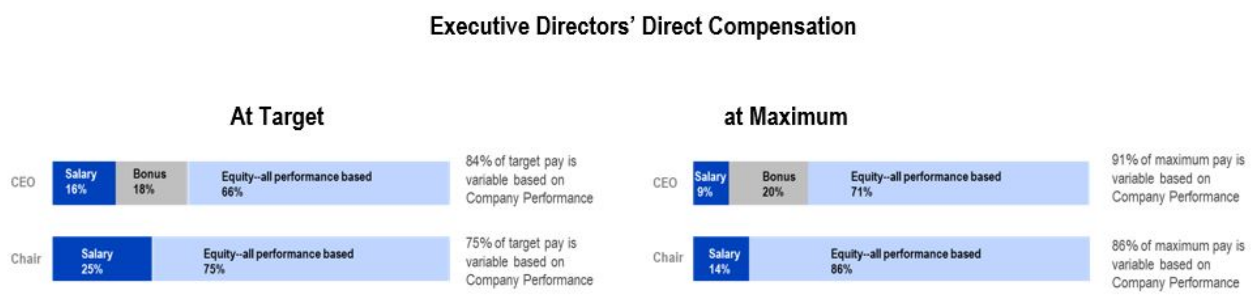
As you'll appreciate in the following paragraphs, we enhanced transparency and level of ex-post disclosure of all the incentive plans provided in this year's report in response to the raised point on pay for performance link related to 2022 executive incentive pay; the business context analysis was expanded to better explain the robustness of setting challenging goals for the 2023 Short Term Incentive and the 2023-2025 LTI plans.

The Board of Directors considers that keeping a cash metric is a high priority to fuel growth, repay debt and provide dividend returns. With the aim to provide more direct line of sight to focus on and to measure and disclose executive performance more easily we changed the cash related metric from a Cash Conversion Ratio (Free Cash Flow of Industrial Activities over Net Income) to the absolute Free Cash Flow of Industrial Activities in order to simplify the 2023 Short Term Incentive Plan measurement.

Performance ranges of each metric have been extended, resulting in more challenging targets. The maximum performance is now set at 150% of target for Adjusted EBIT (up from 130% in 2022) and Free Cash Flow of Industrial Activities, and at 200% of target for Gender Balance (from 150% in 2022). These actions ensured that the achievement of payouts beyond target are significantly stretched.

We better explain the dilution effect deriving from the Legacy CNH Industrial LTI awards and provide evidence of the fact that after its vesting occurring early in 2024, the ongoing Iveco Group awards will fall well below the European standard of <5% dilution of total outstanding shares.

In line with the Company's Remuneration Policy, the majority of the Executive Directors' target and maximum pay opportunity in 2023 was variable and based solely on Company performance and predominately in equity awards. This structure drives shareholder aligned performance and did not change from 2022 levels. The following charts demonstrate the Executive Directors' direct compensation components (fixed, STI and LTI) at both target and maximum pay opportunity:



Finally, this years' report recognises the continued strong performance our senior leaders have demonstrated during the Company's second year of operations while building upon the solid foundation for growth, profitability and sustainable long-term value creation established in the previous year. The Group is living up to its aspirations of an independent industrial group and is beginning to realise its potential in terms of financial performance, shareholder and broader stakeholder value generation and sustainability commitments.

With the further clarifications of our compensation practices that are detailed in this report, we, the Human Capital and Compensation Committee ("the Committee"), believe the Executive Directors' remuneration in 2023 is consistent with the Company's shareholder-approved Remuneration Policy and reflects a clear link with performance that creates sustainable long-term value for all stakeholders.

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 2023.

With this, I present to you our 2023 Remuneration Report.

Sincerely,

Linda Knoll

Chair of the Human Capital and Compensation Committee

Executive and Non-Executive Directors in 2023

The Board of Directors of Iveco Group N.V., which collectively has responsibility for the strategy of the Company, is a one-tier Board structure consisting of two Executive Director roles with managerial responsibilities: the Chair, Suzanne Heywood, and the CEO, Gerrit Marx, and seven Non-Executive Directors with supervisory Board responsibilities. All were reappointed effective at the 2023 Annual General Meeting ("AGM") on 14 April 2023. The term of office of all Directors is for the period expiring on the day of the Annual General Meeting of shareholders to be held in 2024, subject to reappointment upon shareholders' approval.

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 2023, 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 2023, there was no deviation from the Remuneration Policy.

In April 2023, the Company submitted its 2022 Remuneration Report to the General Meeting of Iveco Group Shareholders for an advisory vote and 73.17% of the share capital represented at the meeting voted in favour. While a majority of our shareholders were supportive of our approach to executive compensation, this year's report addresses the key concerns that we heard from dissenting viewpoints, as summarised in the following section on shareholder engagement.

Shareholder Engagement

To obtain valuable external insights on our application of Iveco Group's remuneration policy and how its implementation reflected the 2022 remuneration report vote, the Company reached out to several stakeholders. These included the Company's shareholders, proxy advisors and executive compensation consultants to discuss the issues raised on the back of the 2023 AGM remuneration vote. Our goal was to understand the concerns raised at the 2023 AGM, with the objective to improve transparency and clarify understanding of Iveco Group's executive compensation actions and programs, which are solidly linked to the principle of pay-for-performance. We also have made changes to our disclosure to enhance evolving governance best practices, some of which we highlight below.

Stakeholder Concerns	Iveco Group Response and Changes Going Forward
Many stakeholders noted the perceived lack of disclosure on the Short-Term Incentive Plan ("STIP"), particularly the ex-post target disclosure to assess link between remuneration and performance.	We understand our stakeholders' concerns that the actual outcome for each of the STI measure should be disclosed as this helps investors understand pay-for-performance clearly. Given that the cash conversion metric was weighted 35%, the lack of disclosure prevented shareholders on being able to establish a link between the executive's achievement and the actual payout on a major performance measure. Nonetheless, the STIP disclosure overall provides extensive details on the metrics selected, how those are defined, measured, and weighted, the range of performance goals and how linked to pay opportunity at threshold, target and outstanding results, as well as the % of target bonus earned. For the 2023 disclosure, the business context has been expanded now providing additional explanation on the relevance of the metrics selected to the company's strategy and how results were achieved. To further transparency, this year's report shows the performance % achieved with the payout factor achieved to see the payout scale. Additionally, the % of maximum bonus earned has been included to provide additional perspective on the actual pay vs performance realised. See the full disclosure in the STIP section regarding "Background on 2023 Company Bonus Plan ("CBP") results"
The cash conversion ratio metric was not readily understood.	We understand our stakeholders' concerns that the metric did not clearly define how it assesses company and executive performance. During our engagement we explained that cash conversion ratio was important to measure Iveco Group's efficiency of how much cash flow is generated compared to the accounting profit. Please note that a cash generation and management metric remains an important priority for the Industrial Activities of the Company to fund investments for growth, repay debt and provide dividend returns. To improve transparency on cash-based measures, the 2023 STIP has changed the cash related metric from a cash conversion ratio to the absolute Free Cash Flow of Industrial Activities. The aim is to simplify the measurement with the aim to provide more direct line of sight to focus on.
Several stakeholders perceived that there was inadequate stretch on target setting in particular on the cash conversion ratio metric and the ESG metric for gender diversity among managerial ranks.	We acknowledge that some shareholders may consider target stringency could be enhanced to ensure targets set are sufficiently challenging. We want to make yourselves aware that each year and throughout the year, scenario analyses are done to set rigorous targets for each metric and to monitor the level of difficulty to achieve. In this year's report, additional clarity on the business context for each of the metrics has been provided under the STIP section with the aim to provide the perspective needed to understand the rigor applied to set challenging 2023 targets. For the cash metric, target setting is done within the context of the expected cash needs consistent with the annual operating plan to grow the businesses and is not necessarily linear year-over-year. For gender diversity among managerial ranks, this metric is embedded in our company values and long-term business strategy. This ESG metric is strategic for the value creation that can be reaped when expanding viewpoints that generate new ideas and enhance decision making. Targets are set with robust external benchmarking inputs. The starting point for representation of females in management in Iveco Group, not unlike other industrial companies, is low, and incremental gains are expected in the short-term while the gender gap is filled in with external hiring and development pipelines, in particular for STEM (Science, Technology, Engineering, and Mathematics) related roles. The 2023 STI goal was aggressively set to meet the 2026 Strategic Business Plan goal of 23% females in management ranks three years earlier. The challenging goal was exceeded.
Stakeholders were concerned on the excessive dilution impact of all equity award programs: performance awards ("PSUs") and non-performance awards ("RSUs").	We understand shareholder concerns that excessive dilution risks adverse impacts on shareholder interests. The dilution impact should be kept in perspective that the Company has new Iveco Group awards and prior CNH Industrial legacy ("Legacy") awards of which the latter were an obligation that transferred to Iveco Group at time of Demerger and which were disclosed in the Demerger prospectus. The high number of Legacy Awards is why the equity plan dilution threshold had been exceeded. However, most Legacy awards have now been delivered, which results in Iveco Group no longer experiencing this dilution effect. For your interest, there is a small remaining legacy tranche of RSUs vesting on 30 April 2024. After these awards vest, the volume of awards to be transferred to participants under all outstanding plans will fall below the accepted 5% threshold. Additional disclosure of the Long-Term Incentives now includes a breakdown and explanation about the dilution impact of the Legacy awards versus the on-going Iveco Group awards. For this information, see the LTIP section. Please also consider that the Executive Directors only have company **performance-based** equity awards under the Iveco Group EIP, which have a Relative TSR metric weighted to 40% which only pays out at the minimum level if the TSR result is at least the median of peers' performance and at the maximum level if achieving the highest TSR among peers, compliant with evolving market practices. As mentioned above, after the one-time impact of the Legacy awards, the dilution of the Iveco Group awards under the current shareholder authorization ranges from 2.6% at target payout to 4.3% at maximum payout. Therefore, this range falls well within the accepted level per European standards.

Stakeholder Concerns	Iveco Group Response and Changes Going Forward
Absence of disclosure regarding the size of the Legacy awards' pay opportunity.	Some investors had concerns that previous remuneration disclosures were not considered transparent enough to determine what the executive's pay opportunity would be upon the Legacy Awards. Therefore, we wish to explain that the Legacy Performance Share Unit awards that vested on 28 Feb 2024 were a transition award granted in December 2020 by CNH Industrial when moving from a front-loaded 3-year award vesting every 3 years to a rolling annual Long-Term Incentive grant. The average annual value of the vesting opportunity over the 3 years of the Legacy award was the same as having three annual grants. The Legacy awards were an obligation that Iveco Group had to assume upon the spin-off from CNH Industrial. Ongoing, under the Iveco Group Long-Term Incentive Programme approved by shareholders, grants are made on annual rolling cycles. For information on the vesting of the first set of legacy awards, see the explanation and illustration in the LTIP section.

In addition, the Company has initiated in 2024 direct shareholder outreach that aims to solicit specific feedback of the main investors representing more than 20% of the total shares outstanding. The initiative also engaged the European proxy advisors, ISS and Glass Lewis for additional investor perspective on the Company's executive pay practices. The stakeholder valuable feedback has been incorporated in this report and will be instrumental in the development and determination of any 2024 pay programs.

Purpose and Values

The businesses are driven by Iveco Group's purpose that reflects the reason why the Company exists and illustrates how the products and services positively impact customers, stakeholders and the communities where it operates: "Home of unique people and brands that power your business and mission to advance a more sustainable society".

The Group's corporate values express the way the more than 35,000 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 help us to fulfill our purpose and are integral components of the 2023 Performance Development Process ("PDP"), guiding behavioural expectations while forming the basis for how our employees are evaluated (in addition to the achievement of individual and team performance objectives) and in turn are rewarded.

The Group's purpose and values call for taking courageous steps to innovate product and service offerings, advance promising emerging technologies and business models and collaborate with like-minded partners to better meet the current and future needs of customers.

A key element of our compensation philosophy is to drive organisation-wide alignment of shared Company goals and values, by rewarding the achievement of those goals in a manner consistent with our purpose and values. This principle is reinforced through the Company's Remuneration Policy, performance management and pay programmes.

2023 – A Transformational Year

The year ending 31 December 2023 was a truly transformational year for Iveco Group. Building on the solid foundations of Year 1, Iveco Group continued in 2023 on pace on its long-term strategic journey by:

- launching an outstanding number of ground-breaking products like the full Model Year 24 product lineup and the Cursor 13-litre engine;
- transforming our partnership landscape, a strategic priority, by taking full control of the former Nikola Europe joint venture, strengthening collaboration with Hyundai Motor Company and Amazon Web Services and forging new impactful partnerships, such as with Shell and AirLiquide;
- continuing our rebranding process to solidify our strong identity in the markets we compete;
- making fast-paced inroads towards our net-zero pledge;
- progressing with connecting all internal processes to our Purpose and Values, gaining operational efficiencies in plants, depots, logistic and product development centers and offices;
- reaching record-high levels of production globally; and
- all brands racking up industry leading accolades and posting impressive business results.

Company Highlights

At the basis of Iveco Group's Remuneration Policy is a Pay-for-Performance model. The key 2023 Company achievements, successes, and developments were driven by a pay philosophy that rewards the achievement of predefined goals.

Our senior leaders delivered a strong performance in 2023 while continuing to invest and innovate for future profitable growth and sustainable long-term value creation, demonstrating the remarkable potential of the still nascent Iveco Group.

Iveco Group successfully balanced its operational goals for 2023 despite ongoing global geopolitical and economic challenges. The Company closed its second year with consistent performance on the back of favourable volume and mix, particularly as regards net price realisation, which more than offset higher year-over-year production costs, resulting from increased energy costs and bodybuilder bottlenecks that led to historically high levels of backorders. In addition, the Company successfully launched several new products, most notably its Model Year 2024 full range of vans and trucks, with best-in-class powertrains and the all-new Cursor 13 combustion engine. This major renewal of IVECO's entire product and service offering provides the targeted boost to keep pace with the Company's growth strategy, and features CO_2 emission reduction and fuel efficiency for the internal combustion engine vehicles, an enhanced zero-emission vehicle portfolio, and a rapidly evolving ecosystem of financial solutions including the e-born GATE *"pay per use"* platform.

The Company's unwavering commitment to improving its products and the efficiency of its processes led to increased profitability while keeping cash flow under control. Persistent focus on inventory levels and control of working capital also helped preserve relative profitability. Furthermore, the Group maintained a sound level of available liquidity, together with cash generation, which allowed it to keep investing in its new energy future.

Highlights of financial performance in 2023

In its second year of operations as a stand-alone enterprise, Iveco Group delivered solid results:

- Consolidated revenues of €16,213 million, up 12.9% compared to 2022. Net revenues of Industrial Activities of €15,877 million, up 12.1% compared to 2022, mainly due to positive price realisation and higher volumes and mix.
- Adjusted EBIT of €940 million, a €413 million increase compared to 2022, with a strong price realisation throughout the year. Adjusted EBIT margin at 5.8%, up 210 basis points compared to 2022.
- Adjusted EBIT of Industrial Activities of €818 million (€424 million in 2022) and margin at 5.2% (up 220 bps compared to 2022).
- Adjusted Net Income of €352 million, a €127 million increase compared to 2022.
- Adjusted diluted earnings per share ("Adjusted diluted EPS") of €1.23, up €0.45 compared to 2022.
- Free cash flow of Industrial Activities positive at €412 million (vs positive at €690 million in 2022) primarily due to strong business performance, partially negatively offset by the Argentinian currency devaluation.

Environmental, Social and Corporate Governance (ESG) Highlights

Iveco Group is committed to "advance a more sustainable Society" as stated in its Purpose, by 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 four 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 22% reduction in Scope 1 & 2 emissions by 2025 is an objective for the 2023-2025 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 in the number of women in management roles is a strategic ESG goal to add diversity in decision making and leadership roles, and it is a KPI in the 2023 Company Bonus Plan to provide goal alignment and incentive to progress towards reaching the 2026 SBP objective to at least 23%. In fact, the 2023 year-over-year target was aggressively set to accelerate reaching the absolute 2026 SBP sustainability goal three years earlier and was exceeded.

For additional information please refer to the section “Our Commitment to Sustainability”.

Business Highlights

Major milestones contributed to the consistent financial performance of the Group during this Transformational Year, including the launch of the Model Year 2024 full range of vans, trucks and related services. The Group also pursued mutually beneficial collaborations with like-minded partners for best-in-class technologies.

Commercial and Specialty Vehicles

- **IVECO** launched its renewed product range and service offering in Barcelona, Spain. For the first time in its history, the brand renewed every single product line in its entire range at the same time through its biggest investment ever: €1 billion. The all-new FPT Industrial XCursor 13 multi-fuel engine on the MY24 S-Way heavy-duty truck can save up to 10% in diesel and gas.
- The brand, with Plus, dm-drogerie markt and DSV, launched an automated trucking pilot project in Germany, the first customer pilot in the country involving highly automated trucks destined to move commercial freight in the Baden-Württemberg-Hessen region.
- **IVECO BUS** signed a framework agreement with the Flemish public transport enterprise De Lijn for up to a total of 500 vehicles in Belgium.
- In Brazil, the brand won the national school transport programme tender to supply up to 7,100 units of Rural School Buses.
- In Italy, it was also awarded a public tender for the supply of 120 electric city buses for Autoguidovie Group and for lots in a tender awarded by Consip, the central purchasing body of the Italian public administration, for potentially more than 1,000 new buses. Furthermore, it was awarded a public tender for the supply of 225 electric city buses in Turin, including recharging and spare part services, and signed an agreement to supply 153 electric buses to Milan's public transport company.
- At Busworld 2023 in Brussels, Iveco Group and Hyundai Motor Company unveiled the IVECO BUS E-WAY H2. This new hydrogen-powered fuel cell electric bus is another result of the partnership announced in March 2022.
- **IDV** acquired a controlling stake in MIRA UGV, the Uncrewed Ground Vehicle (UGV) division of HORIBA MIRA, to establish its IDV Robotics business.
- During the year, the brand signed a framework agreement to provide up to 3,000 light vehicles to the Swedish Armed Forces, with an initial order of 400 vehicles. It also announced the supply of a second tranche of 1,107 trucks to the Romanian Ministry of National Defence as part of a frame agreement for more than 2,900 High Mobility Trucks.
- **MAGIRUS** launched its own Uncrewed Aerial Vehicle (UAV) called M-Eye, a flying drone for situation reconnaissance and mission monitoring, capable of providing valuable information for making informed decisions in real time.

Powertrain

- **FPT Industrial**’s new Cursor 13 hydrogen combustion engine made its field debut at Flachau Ski World Cup with Prinoth at the official presentation of the world’s first hydrogen-powered snow groomer.
- The brand collaborated with Maserati on the creation of the new Gran Turismo Folgore, developed with cutting-edge technical solutions derived from Formula E. This is the first car in the brand’s history to adopt a 100% electric powertrain.
- FPT Industrial and Zhejiang Goodsense Forklift Co., Ltd., a leading global forklift truck manufacturer in China, signed a Letter of Intent for the supply of F28 engines to power forklift products for export to European and American markets.

Financial Services

- **GATE** – Green & Advanced Transport Ecosystem, debuted its pilot programme in Italy in July.
- It announced a strategic partnership with Bridgestone. The Fleetcare programme by Bridgestone offers an integrated end-to-end digital ecosystem of services to manage tyres with telematics and AI to improve vehicle autonomy and performance. It also signed a multi-year agreement with Wefox, Berlin-based insurtech company, for digital insurance service solutions.
- **IVECO CAPITAL** announced a partnership with Eurowag for cards to be used for fuel purchases, toll payments, VAT refund offerings, etc.

Corporate Initiatives

- In April, **Iveco Group** inaugurated its new bus manufacturing plant in Foggia, Italy, for the production of zero- and low-emission buses. At full speed the production volume of the plant will be 1,000 vehicles per year.
- In May, Iveco Group and Nikola Corporation entered a new phase of their partnership, and Iveco Group assumed full ownership of the joint venture in Ulm, Germany.
- The European Investment Bank (EIB) financed Iveco Group for up to €500 mn for the decarbonisation of the transport sector, specifically regarding electrification, efficiency and safety.
- Iveco Group and Hedin Mobility Group announced the signing of a Share Purchase Agreement by which Hedin will acquire Iveco Group's distribution and retail operations in Sweden, Norway, Finland and Denmark.
- Iveco Group joined the UN Global Compact, was included in the Dow Jones Sustainability Indices, World and Europe, and earned a Gold Medal in the EcoVadis Sustainability Rating.

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 2023 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	
Free Cash Flow of Industrial Activities	Aligned with the Company's financial priorities, reflecting the ability to generate cash to service and reduce debt, pay dividends, 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 vis-à-vis peers
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 on the basis of 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, retain, 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 most relevant talent market and best compensation comparison of each role.

In 2023, Iveco Group engaged their external Executive Compensation consultancy partner, Mercer, to support in the re-evaluation of the Executive Directors' compensation benchmark.

For the CEO role, no changes to the relevant peer group were made. The selected peers remain predominately based in Europe with the exception of direct competitors who are U.S. based, as shown in the table below:

CEO Peer Group	
Company	**Country**
Cummins	USA
Daimler Truck Holding	Germany
Faurecia	France
Knorr-Bremse	Germany
Oshkosh	USA
Paccar	USA
Plastic Omnium	France
Rheinmetall	Germany
Schaeffler	Germany
Traton	Germany
Valeo	France
Volvo	Sweden

In respect to the Executive Chair role, the Committee considered the increasing complexity and growth potential of the Iveco Group as well as the significant strategic contribution the Executive Chair provided in the first 2 years of the group existence. Her strategic view and guidance supported instrumentally the transformational journey of Iveco Group by ensuring a solid and safe start of its independence in 2022 and incrementally enabling the group performance and proven shareholder return in 2023.

The companies of the current Chair Peer Group of Iveco Group was comprised of Executive Chair only roles, but five(*) of those companies were no longer comparable or had Executive Chair roles vs 2022.

(*) **Atlantia** de-listed in 2022, **Compagnie De Saint Gobain** and **Valeo** introduced a Non-Executive Chair role, **Dassault Systemes** and **Essilor Luxottica** combined the role of Executive Chair and CEO role.

To maintain an adequate number of peers for the relevant benchmark, the selection needed to be expanded which was done by also including comparable companies with Non-Executive Chair roles. For the most relevant benchmark of the recent talent market, the Committee updated the peer group with a blend of Non-Executive and Executive Chair roles with similar set of responsibilities to the Executive Chair.

Chair Peer Group		
Company	**Country**	**Role**
Acciona	Spain	Executive Chair
ACS- Actividades de Construccion y Servicios	Spain	Executive Chair
Ariston Group	Italy/Netherlands	Executive Chair
Brembo	Italy	Executive Chair
CIR	Italy	Executive Chair
Datalogic	Italy	Executive Chair
De'Longhi	Italy	Executive Chair
Dufry	Switzerland	Executive Chair
ERG	Italy	Executive Chair
Faurecia	France	Non-Executive Chair
Fincantieri	Italy	Executive Chair
Knorr-Bremse	Germany	Non-Executive Chair
Maire Tecnimont	Italy	Executive Chair
Oshkosh	USA	Non-Executive Chair
Plastic Omnium	France	Non-Executive Chair
Schaeffler	Germany	Non-Executive Chair
Traton	Germany	Non-Executive Chair
Valeo	France	Non-Executive Chair

The Executive Chair peer group companies were selected for comparable size, complexity, deep global presence and similarity of role. The Iveco Group's revenue size and number of employees are above the upper quartile of the group, ranking 2nd highest in revenue and 3rd highest in the number of employees.

The new peer group results in a lower overall level of compensation to compare the Executive Chair to versus the prior benchmark reference.

Our Chair's initial compensation was set below peers while the newly established Iveco Group as a stand-alone entity gained its financial footing. This approach would allow room to recognize additional compensation as the Company succeeded and progressed towards its long-term strategy commitments. With two consecutive years of positive results and with the Chair's competitive base pay position still remaining under peers even with a lower benchmark, the Board has addressed the gap with a pay action, effective 1 January 2024. See the section called "Changes to 2024 Remuneration" at the end of the Remuneration Report for more details.

Overview of Remuneration Elements

The Executive Directors' 2023 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. No changes to the target and maximum compensation structure were made in 2023.

Remuneration Element	Description	Terms & Conditions	2023 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	• No change in base salary • CEO annual base salary of €750,000 • Chair annual base salary of €250,000

Remuneration Element	Description	Terms & Conditions	2023 Implementation
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% • Free Cash Flow of Industrial Activities - 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 payout factor achieved in 2023 was 154.7%. The 2023 performance bonus to be paid in 2024 is €1,276,000 (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 • Annual target PSU award valued at 4x annual base salary, €3,000,000 Fair Market Value or "FMV" at grant Chair • Annual target PSU award valued at 3x annual base salary, €750,000 FMV at grant. Both: • Maximum payout is capped at 200% of target.	Both: • 2023-2025 performance period grants made in May 2023, vesting February 2026, subject to achievement of Company goals. • No vesting of 2022-2024 PSUs during 2023; vesting in February 2025, subject to achievement of Company goals. • CEO: Legacy RSUs had a vesting on 30 April 2023 • Chair: No legacy awards are applicable.
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 as well as the non-solicitation period are set at 12 months, in line with DCGC and best practices as well as in line with the foreseen severance protection	CEO • Retirement benefits in line with other Germany salaried employees • Severance protection is limited to 12 months' base salary, consistent with DCGC and 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
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 own 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 2023, the CEO's IVG shareholdings of 137,647 shares represent 1.5 times the base salary as of the end of 2023. Chair • As of the end of 2023, the Chair's IVG shareholdings of 64,338 shares represent 2.1 times her base salary as of the end of 2023.

2023 Realised Pay

The tables below show the key components of total direct compensation realised in 2023, base salary, and short- and long-term incentives, to provide additional perspective.

CEO

The CEO's realised compensation related to the 2023 performance year compared to his annual Total Direct Compensation ("TDC") at target variable pay levels is shown below:

Pay Element (Euro)	2023 Realised and paid	2023 Annual Compensation at Target
Base Salary	750,000	750,000
2023 STI [(1)(2)]	1,276,000	825,000
2023 LTI [(3)]	—	3,000,000
Total Direct Compensation [(4)]**:**	**2,026,000**	**4,575,000**

Notes:

(1) For the 2023 Company bonus, the payout factor was 154.7% of target and 77% of maximum bonus. The performance achieved by metric is shown in the STI section below.

(2) The 2023 bonus will be paid in March 2024.

(3) Not included in the table is the value of the CEO's Legacy award from CNH Industrial of 83,857 RSUs granted in December 2020 that vested on 30 April 2023, with a FMV of €7.85 per share at vesting, that is a total FMV of €658,646. In 2023, 371,490 Iveco Group PSUs were granted, but no PSUs vested in 2023.

(4) Not included in the total realised compensation are the Company provided fringe benefits and pension or similar benefits, which are included in the Summary Remuneration table.

Chair

The Chair's realised compensation related to the 2023 performance year:

Pay Element (Euro)	2023 Realised and paid	2023 Annual Compensation at Target
Base Salary	250,000	250,000
2023 STI	—	—
2023 LTI [(1)]	—	750,000
Total Direct Compensation [(2)]**:**	**250,000**	**1,000,000**

Notes:

(1) In 2023, Iveco Group 92,870 PSUs were granted but none vested.

(2) Not included in the total realised 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 2023 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"), less the CEO who is included in the total average year FTE.

The first two years of Iveco Group's history is shown in the table, which will set the trend for future years' reports.

Internal Pay Ratio	2023	2022	Year-over-Year % change
CEO compensation €[1]	6,406,242	5,784,778	10.7 %
Average Employee compensation €	60,507	56,252	7.6 %
CEO Pay Ratio[2]	105.9	102.8	3.0 %
Memo: Pay Ratio without Legacy Awards[3]	67.4 %	49.6 %	35.0 %

Notes:

(1) The compensation is as reported in the Summary Remuneration table.

(2) Included in the CEO's compensation is the amortization of the share-based compensation expense for the CEO's Legacy awards of €2,330k and €2,993k in 2023 and 2022 respectively.

(3) The CEO pay ratio without the one-time impact of the Legacy awards would be 67.4% and 49.6% in 2023 and 2022, respectively.

The CEO's compensation structure at target and maximum did not change in 2023.

For perspective, the Company`s key performance metrics for 2023 and 2022, the first two years of Iveco Group as a stand-alone entity, are shown below:

Selected Performance Data [1]	2023	2022	Year-over-Year % Change	Memo: 2021
Adjusted EBIT (€ million)	940	527	78.4 %	376
Free Cash Flow of Industrial Activities (€ million)	412[2]	690	(40.3)%	(125)
Adjusted Net Income (€ million)	352	225	56.4 %	140
Adjusted Diluted Earnings/(Loss) per share (€)	1.23	0.78	57.7 %	—

Notes:

(1) Includes non-EU-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-EU-IFRS financial measures mentioned in this report.

(2) With reference to the 2023 Company Bonus Plan, the performance result used for the bonus payout factor calculation was €340 million. Management proposed and the Board accepted a reduction of €72 million, stemming from unusual item.

Iveco Group's second year results reflect greatly increased profitability as seen with a year-over-year increases of 78% for Adjusted EBIT, of 56% for Adjusted Net Income and 58% for Adjusted Diluted EPS. The Free Cash Flow of Industrial Activities absolute result was also a strong performance versus the expected usage of cash for investments and working capital when setting the 2023 targets.

2023 Remuneration of the Executive Directors

The following is intended to expand on the general implementation of the Remuneration Policy in 2023 and provide additional context for understanding the actual compensation paid in 2023.

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 2023, Mr. Marx's base salary remained unchanged at €750,000. It is currently positioned below the first quartile of our compensation peer group. The 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 €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. For 2024, no increase in base salary is planned for the CEO but whereas, the Chair's base salary will be increased to €375,000 annually, effective 1 January 2024, based on the competitive positioning review versus the appropriate peer group for an Executive Chair role that was conducted in 2023. See the section called "Changes to 2024 Remuneration" at the end of the Remuneration Report for more details.

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.

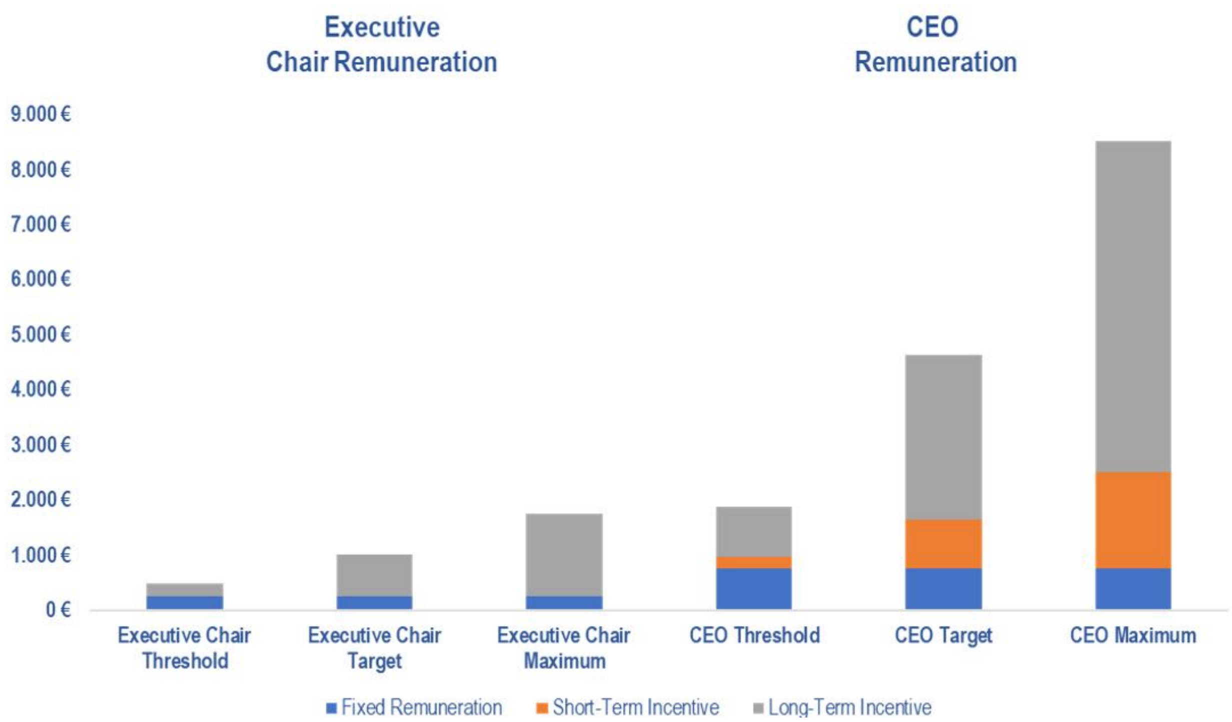
The Executive Chair's and CEO's compensation packages are structured as follows:

As the two graphs show, a significant portion of the compensation opportunities is delivered in equity recognised through long-term performance, the vesting and value of which are intended to align the executives' interests with shareholder returns. Furthermore, the majority of the Executive Director's compensation is variable tied to achievement of Company performance: 75% of the Executive Chair's and 84% of the CEO's compensation at target.

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 to ensure incentives encourage the right behaviours and promote goal alignment. Such analyses review the link of pay for performance for the full range of outcomes and are done periodically throughout the year and upon determining the final payout. For the 2023 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. The resulting awards under both the short-term and long-term incentive components were appropriate.

The following chart describe compensation levels, as a percentage of base salary, that the Executive Chair and the CEO could receive under the approved Remuneration Policy and different scenarios in a calendar year, assuming a constant share price (*i.e.,* no appreciation).



In the event of performance below the set threshold, both in the short- and long-term, the Chair and CEO will be recognised with fixed remuneration only.

Short-Term Incentives

The primary objective of short-term variable incentives is to ensure goal alignment on the business priorities for the current or following year. The CEO is eligible for participation in the annual incentive plan with weighting of overall compensation that appropriately balances managerial focus between short-term and long-term goals. The Chair does not participate in the short-term variable incentives given the more long-term focus of the Chair role. 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.

2023 Company Bonus Plan

The Human Capital and Compensation Committee approved the 2023 Company Bonus Plan design which included financial measures of consolidated Adjusted EBIT, Free Cash Flow ("FCF") of Industrial Activities, 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%	553	614	921
FCF of Industrial Activities MM Euro	35%	260	325	488
YOY % increase of women graded Manager/Sr Professional and above	15%	1.3%	2.0%	4.0%

Note: Refer to the "Annex" at the end of the Remuneration Report for the definition of the non-EU-IFRS financial measures mentioned in this report.

For performance below the threshold level 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.
- 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.

The selected metrics are the same as the prior year with the exception of the cash related metric. The decision to change from a cash conversion ratio to the absolute Free Cash Flow of Industrial Activities for the year simplifying the metric has the aim to provide clearer line of sight, enabling participants to better focus on actions that make a direct impact on generating cash and prudently managing uses of cash.

CEO's 2023 Company Bonus Plan Performance Factor Calculations:

Corporate Measures[1]		Weight	Performance					Payout Factor % of Target Bonus	
			Threshold	Target	Upper Limit	Results	% of Target Achieved	Unweighted	Weighted
Adjusted EBIT MM Euro	a)	50%	553	614	921	940	153.1%	200.0%	100.0%
2023 Bonus Euro	b)		165,000	412,500	825,000	825,000			
FCF of Industrial Activities MM Euro[2]	a)	35%	260	325	488	340	104.6%	109.2%	38.2%
2023 Bonus Euro	b)		115,500	288,750	577,500	315,000			
% increase of women graded Manager/Sr Professional and above	a)	15%	1.3%	2.0%	4.0%	2.2%	110.0%	110.0%	16.5%
2023 Bonus Euro	b)		49,500	123,750	247,500	136,000			
TOTAL %	**a)**	**100%**							
2023 Bonus Euro	**b)**		**330,000**	**825,000**	**1,650,000**	**1,276,000**			**154.7%**

Notes:

(1) Adjusted EBIT and FCF of Industrial Activities are non-EU-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 these non-EU-IFRS financial measures.

(2) The FCF of Industrial Activities performance was €412 million, but for the purpose of the CBP the bonus payout factor calculation, a performance result of €340 million was used. Management proposed and the Board accepted the reduction of €72 million in FCF of Industrial Activities, stemming from unusual item.

Per the Company Bonus Plan (CBP) design and the predetermined goals, the overall Company performance payout factor earned in 2023 was 154.7% of target bonus for a payout of €1,276,000 for the CEO. The overall performance achievement paid was 77.3% of the maximum bonus opportunity under the CBP.

Background on the 2023 CBP Results

Iveco Group delivered a second strong year of results in its two-year history as a stand-alone enterprise. Specific to the annual bonus plan, each of the key metrics exceeded challenging objectives. In 2023, Adjusted EBIT was €940 million, which was 53% higher than the 2023 target and 78% higher than the 2022 result. The strong performance was accomplished by increased revenue through market expansion and continued positive net pricing and strengthening of profit margins across all the business segments. The outlook at the end of 2022 envisioned a softening of demand and increasing costs from supply chain challenges. The achievement in 2023 reflects the leadership and teams' focus, pressure and execution on the drivers that offset those detrimental factors.

To meet debt obligations and strengthen liquidity to fund growth opportunities, free cash flow was chosen as a high priority metric in the 2023 operating plan. The 2023 target was set considering the build-up of inventory in anticipation of increased demand in 2023 which would require higher cash usage. The increased demand over expectations - which Iveco Group was well positioned to meet along with careful cash management - fueled the overachievement in FCF of Industrial Activities.

Diversity, equity, and inclusion in the managerial ranks continues to be highly valued for building stronger leadership throughout the organisation and Iveco Group achieved a second year of increased representation of female leaders. The percentage of female leaders at the beginning of 2023 was 21.7% and increased to 23.9% by year end, an actual increase of 2.2 percentage points versus a year-over-year target of 2.0% points.

The 2023 year-over-year target was aggressively set to accelerate reaching the absolute 2026 SBP sustainability goal of 23% three years earlier and was exceeded. This achievement further improves Iveco Group's attractiveness as an employer valuing diversity and inclusion. Accordingly, the 2024 goal has been re-set to cover a broader employee population (office workers) of nearly 13,000 employees.

Long-Term Incentives

The Committee and the Board of Directors believes that long term awards in the form of equity 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, providing an annual grant and vesting opportunity:

- 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").

Grant and vesting cycles illustration

Each cycle covers a three-year performance period, starting each fiscal year. Multiple plans run simultaneously. LTIP awards are subject to Board approval each year.

Under the LTIP, share units representing the right to receive one common share in the capital of the Company are awarded to the Executive Chair and Chief Executive Officer, and key leaders of the Group. The Executive Chair and Chief Executive Officer, only receive PSUs which are subject to reaching predetermined Company performance goals. Others receive a combination of the company performance-based share units and RSUs which are subject to the achievement of individual performance goals.

Both the PSUs and RSUs require the participant's continuing service as officer, director, or employee of the Company through the respective vesting dates of the awards, as well as acceptable individual performance during the vesting period.

As of the end of 2023, the first two annual grants have been awarded.

2023 -2025 LTIP Awards

On 15 May 2023, the Company awarded the second annual cycle of awards under the LTIP for the 2023-2025 performance period, following the same framework as the 2022-2024 LTIP awards:

- The Executive Directors have only been awarded PSUs, so entirely on achieving company performance objectives. Other key leaders have both PSU and RSU awards.
- All awards vest subject to meeting the company and individual performance conditions, as applicable, after the end of the 3-year performance period.

Executive Directors’ Awards

2023-2025 LTIP Awards

The following was awarded to the Executive Directors under the LTIP on 15 May 2023:

	Number of Share Units Granted	
	CEO	**Chair**
2023-2025 LTIP PSUs	**371,490**	**92,870**
Average Annual Target		
* % of Salary	400%	300%
* € (€8.076/unit FV@ Grant)*	€3,000,000	€750,000
Maximum Award (2X target)		
* % of Salary	800%	600%
* € (€8.076/unit FV@ Grant)*	€6,000,000	€1,500,000

**The Fair Value ("FV") indicated in the above table reflects a 30-day average share price at the time of grant which was used to determine the number of shares set at target performance. The accounting FV as indicated in the Financial Statements in Note 31 "Fair value measurement" and as reported in the Share table per the Dutch Corporate Governance Code convention reflects a lower value by applying a simulation for the market metric, Relative TSR, which is weighted 40% overall for the PSUs (see the table below on Company Performance Metrics). The TSR is considered as not achieved in case of positioning below the Median of the Peer Group.*

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 ("SBP"). The chosen metrics and the payout ranges remained the same as the ones focused on for the prior year, 2022-2024 awards. The new 3-year goals have been set higher in line with reaching the SBP commitments by 2026.

For the three-year period, 2023-2025, 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**	4.3%	4.8%	6.3%
			Payout	50%	100%	200%
Relative TSR (1) (2)	**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**	20.0%	22.0%	24.5%
			Payout	50%	100%	200%

Note: Refer to the “Annex” at the end of the Remuneration Report for the definition of the non-EU-IFRS financial measures mentioned in this report.

(1) The Relative TSR peer group remains the same as the 2022-2024 PSU awards which 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.

(2) The Relative TSR payout per ranking.

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 with the exception of TSR where no payout is foreseen in case of relative positioning below median. 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, and 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, no pay-out will occur.

The Relative TSR metric 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, as shown in the following table:

RANK	PERCENTILE	PAYOUT
1	100.0%	200%
2	87.5%	175%
3	75.0%	150%
4	62.5%	125%
5	50.0%	100%
6	37.5%	—%
7	25.0%	—%
8	12.5%	—%
9	—%	—%

Vesting period

The PSUs vest on 28 February 2026 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 2023-2025 LTIP awards offers an RSU component for other key leaders participating which vest in full on 28 February 2026, subject to acceptable individual performance and remaining in an eligible position throughout the vesting period.

2022-2024 LTIP Awards

The 2022-2024 LTIP awards and performance conditions were fully disclosed in the 2022 Remuneration Report and no changes were made. The vesting of the awards is at the end of the three-year performance period on 28 February 2025, subject to the achievement of the Company and individual performance goals, as applicable for the PSUs and RSUs. The Executive Directors have only company performance-based PSUs while other key leaders in the plan have a combination of both PSUs and RSUs.

CNH Industrial Legacy Awards -- 2021-2023 LTIP Awards from the Demerger

The CEO, some of the current Senior Leadership Team members, and about 140 key executives participated in the CNH Industrial Long-Term Incentive Plan granted in December 2020 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 published in 2021, 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. The PSU and RSU size of the awards originally granted in December 2020 to the current Iveco Group CEO in his former capacity of President Commercial & Specialty Vehicles by CNH Industrial remained unchanged.

For Iveco Group participants, the Committee approved the conversion of the unvested awards granted under the CNHI EIP at the time of the Demerger into 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 year average)	50%

Note: Refer to the "Annex" at the end of the Remuneration Report for the definition of the non-EU-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.
Cummins Inc.
Deere & Co.
Komatsu Ltd.
Kubota Corporation
Paccar Inc.
Traton SE

Rank	Percentile	Modifier
1	100.0%	1.25
2	89.0%	1.25
3	78.0%	1.25
4	67.0%	1.17
5	56.0%	1.08
6	45.0%	0.95
7	33.0%	0.83
8	22.0%	0.75
9	11.0%	0.75
10	0.0%	0.75

Year 2 & 3: 2022 & 2023 Iveco Group TSR Peer Group

AB Volvo
Cummins Inc.
Daimler Truck Holding AG
Deutz AG
Nikola
PACCAR, Inc.
Rheinmetall AG
Traton SE

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 vested 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 vest in two equal installments with the first vesting on 30 April 2023 and the second on 30 April 2024. Both awards are subject to favourable individual performance and remaining with the Company through the respective vesting dates.

Legacy Awards Performance and Payout

The following table shows the goals and results that were achieved for 2021-2023 performance period for the two internal financial metrics earning an overall payout of 200%, prior to applying a multiplier for relative TSR performance:

Metric	Weighting	Threshold	Target	Maximum	Actual	Payout % unweighted	Payout % Weighted
Adjusted diluted Cumulative EPS EURO	50%	1.96	2.45	2.94	3.26	200%	100%
Industrial ROIC %	50%	7.2%	9.0%	10.8%	13.7%	200%	100%
Overall Payout %							200%

Note: Refer to the "Annex" at the end of the Remuneration Report for the definition of the non-EU-IFRS financial measures mentioned in this report.

At the end of 2020, the 3-year targets were set under the former CNH Industrial LTI plan based on the strategic business plan of the combined company, and the split of those goals between the Iveco Group and CNH Industrial entities were made at the time of Demerger. The targets for Iveco Group were aligned to the strategic goals shared at the Investor Day event in November 2021, kicking off Iveco Group's journey on the road to independence with a strong team and clear strategy.

Iveco Group's performance on both key financial metrics exceeded the shareholder commitments set back in 2020 which were reconfirmed in 2021, with a strong contribution in 2021 while part of CNH Industrial and continuing with impressive results in each of its first two years on its own. The results reveal the team remained focused on bottom line consolidated earnings and efficiently using invested capital. The continued momentum held throughout the entire cycle while becoming a respectable industrial player in its own right demonstrates that Iveco Group is living up to its value creation potential for shareholders.

To align further to shareholders' interest, the payout is modified for Iveco Group's TSR performance versus peers. Iveco Group's Relative TSR results of the two periods were the following:

Period	**Year 1:** **2021 CNH Industrial TSR Peer Group**	**Year 2 & 3:** **2022-2023 Iveco Group TSR Peer Group**	**Overall**
Weighting	1/3	2/3	
Final Ranking	1st out of 10	7th out of 9	
Multiplier	125%	75%	**91.7%**
Peer Group	AB Volvo, AGCO Corporation, Caterpillar Inc., Deere & Co., Komatsu Ltd., Kubota Corporation, Cummins Inc., Paccar Inc., Traton SE	AB Volvo, Cummins Inc., Daimler Truck Holding AG, Deutz AG, Nikola, Paccar, Inc., Rheinmetall AG, Traton SE	

The overall modifier was 91.67% (125% x 1/3 + 75% x 2/3).

The PSUs awarded under the 2021-2023 LTIP performance cycle vested on 28 February 2024. The overall achievement factor under the plan terms including the TSR modifier was 183.33% (200% x the 91.67% modifier). The achievement represents 91.67% of the maximum opportunity under the Legacy LTIP.

For the Legacy pre-Demerger RSU installment, granted in December 2020, that vested on 30 April 2023 the CEO earned 83,857 shares at a FMV at vesting of €658,646 in 2023. The CEO has one remaining legacy installment of 83,856 RSUs which will vest on 30 April 2024. The Legacy RSUs were granted for a non-CEO leadership role in CNH Industrial. The CEO has no time vested only RSUs under the Iveco Group EIP, designed per best practices to align to Iveco Group's long-term strategy and shareholders' interests.

Dilution Impact of the LTIP

As proxy advisors have expressed dilution concerns related to the potential issuance of shares under all the outstanding LTIP awards, several mitigating factors should be kept in mind.

Shareholders approved a potential maximum 16 million common shares usage for the inception of the Iveco Group LTIP covering a total 5-year performance period 2022-2026 over three consecutive annual cycles. Rigorous performance-based requirements are tied to Iveco Group's LTIP PSUs which are the only type of awards the Executive Directors receive.

Ensuring further shareholder alignment, the PSU payout opportunity is heavily weighted on Relative TSR performance, 40% overall. The maximum payout is only by reaching 1st in TSR relative among industry and direct competitor peers. Best-in-class TSR would strongly mitigate the dilution impact of a maximum payout. Further consideration should be given to the feature that no payout for the Relative TSR metric is earned unless median TSR performance is achieved among peers.

The table below shows, at target and maximum usage, the current outstanding number of shares underlying the LTIP awards as of 31 December 2023 for the first two annual cycles and a projection for the final cycle in 2024 under the Iveco Group LTIP authorization. The corresponding dilution impact range shown is based on the total weighted average common shares outstanding of the Company at year end 2023:

Plan Name	**At Target**	**At Maximum**	**Vesting Date**	**Dilution Impact Range Target to Maximum**
2022-2024 LTIP	2.6 M	4.3 M	28 Feb 2025	0.9% - 1.6%
2023-2025 LTIP	2.1 M	3.4 M	28 Feb 2026	0.8% - 1.3%
Average annual usage	2.5 M	4.0 M		0.9% - 1.5%
Projected total LTIP usage (3 annual cycles)	7.2 M	11.7 M		**2.6% - 4.3%**

The projected cumulative 3-year usage ranging from 7-12 million shares is considerably less than the 16 million shareholder authorization. The resulting lower projected potential dilution impact of 4.3% falls well within the acceptable level per European standards of 5.0% for established companies. The grants for the final annual cycle under the current authorization is expected in May 2024 with cliff vesting on 28 February 2027.

In regard to the one-time dilution impact from the Legacy awards, which Iveco Group had the obligation to assume as part of the Demerger agreement approved by shareholders, the following table shows the outstanding awards as of 31 December 2023 at target and at estimated awards:

Plan Name and Award Type	At Target	Actual	Vesting Date	Dilution Impact at Actual
2021-2023 LTI PSUs	2.6 M	4.8 M	28 Feb 2024	1.8%
2021-2023 LTI RSUs – 2nd tranche	0.8 M	0.8 M	30 Apr 2024	0.3%
Memo: RSUs vested during 2023	0.8 M	0.8 M	30 Apr 2023	0.3%

As of the date of this report, the Legacy PSU awards have vested with a remaining 0.3% dilution impact to be realised in April 2024 for the last Legacy RSUs.

Under both the Legacy LTI awards and the Iveco Group LTIP, the potential issuance of shares was supported by shareholders through their voting of the Demerger in December 2021 and through the approval the Iveco Group LTIP at the April 2022 AGM, respectively.

Commentary Regarding Compensation Payable in 2024 to Mr. Marx under CNH Industrial 2021-2023 Legacy LTIP

Under the Legacy (pre-Demerger) PSU award terms, 1,277,368 gross shares vested for Gerrit Marx on 28 February 2024. These shares originated from an award granted in December 2020 in his previous capacity as President of Commercial and Specialty Vehicles - a non-CEO role - and were never subject to any holding requirement.

Mr. Marx has notified the Board that it may be necessary for him to sell a portion of these shares in the near future because of personal circumstances. The Board understands and has acknowledged this request and the associated context.

The Board further acknowledged that it expects Mr. Marx will reach the Group's share ownership guideline in advance of the 31 December 2026 requirement by means of his current shares held and outstanding Iveco Group equity awards. A five-year holding requirement strictly applies to all shares granted to the CEO under Iveco Group LTI plans.

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 2023. 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 2023.

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 2023, the CEO owned 137,647 shares and the Chair owned 64,338 shares, from the Demerger conversion, individual share purchases and Iveco Group awards that vested during 2023. With a closing share price of €8.146 on 31 December 2023, the fair market value at year-end 2023 was €1.1 million and €0.5 million, respectively. The CEO's shareholdings represent 1.5 times his annual base salary, and the Chair's represents 2.1 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 2023.

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 expected 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 2023

The following table summarises remuneration paid or awarded (in Euro) to Iveco Group N.V. Directors for the years ended 31 December 2023 and 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	01/01/2023 31/12/2023	250,000	—	—	476,911	—	32,398	759,309	59 %
		01/01/2022 31/12/2022	250,000	—	—	118,431	—	44,033	412,464	248 %
MARX, Gerrit	CEO	01/01/2023 31/12/2023	750,000	84,265	1,276,000	4,237,217	—	58,760	6,406,242	16 %
		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	01/01/2023 31/12/2023	146,000	—	—	—	—	19,781	165,781	n/a
		01/01/2022 31/12/2022	146,000	—	—	—	—	25,136	171,136	n/a
KAIRISTO, Essimari	Director	01/01/2023 31/12/2023	140,000	—	—	—	—	—	140,000	n/a
		01/01/2022 31/12/2022	140,000	—	—	—	—	—	140,000	n/a
KNOLL, Linda	Director	01/01/2023 31/12/2023	150,000	—	—	—	—	—	150,000	n/a
		01/01/2022 31/12/2022	150,000	—	—	—	—	—	150,000	n/a
NASI, Alessandro	Director	01/01/2023 31/12/2023	150,000	—	—	—	—	238	150,238	n/a
		01/01/2022 31/12/2022	150,000	—	—	—	—	—	150,000	n/a
PERSSON, Olof	Director	01/01/2023 31/12/2023	132,000	—	—	—	—	17,880	149,880	n/a
		01/01/2022 31/12/2022	132,000	—	—	—	—	22,776	154,776	n/a
RIBADEAU-DUMAS, Benoit (6)	Director	01/01/2023 31/12/2023	110,000	—	—	—	—	—	110,000	n/a
		01/01/2022 31/12/2022	79,260	—	—	—	—	—	79,260	n/a
SIMONELLI, Lorenzo	Director and Senior Non-Executive Director	01/01/2023 31/12/2023	132,000	—	—	—	—	—	132,000	n/a
		01/01/2022 31/12/2022	132,000	—	—	—	—	—	132,000	n/a

Notes

(1) The amount includes the use of transportation (company car) and company cost of life and health insurance benefits.

(2) The amounts represent the bonus approved for the respective performance years 2023 and 2022, paid in 2024 and 2023 respectively.

(3) The amounts represent the Company's share-based compensation (SBC) expense under applicable accounting standards relating to grants issued to the Executive Directors. The SBC expense for the CEO's Legacy awards in 2023 was €2,330k of the total €4,237k as reported above.

(4) For the CEO, the amount includes Company contributions to company and national social security (retirement) programmes.

(5) Ratio of the percentage of fixed pay elements over the percentage of variable pay elements. Variable elements include variable incentives, extraordinary items. The Non-Executive Directors have no variable compensation elements, so this ratio is not applicable.

(6) Beginning in 2023, Mr. Ribadeau-Dumas' fees were paid to Exor N.V.

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 years ended 31 December 2023 and 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.	2023	150,000	—	—	—	—	8,760	158,760	n/a
		2022	150,000	—	—	—	—	3,321	153,321	n/a

Year-Over-Year Remuneration

2023 is the second year of operations for Iveco Group, and the following table shows the year-over-year change in remuneration (in Euro) of all Board of Directors:

Board of Directors	Position	2023	2022	2023 % change from 2022
HEYWOOD, Suzanne(1)	Chair	759,309	412,464	84%
MARX, Gerrit(1)	CEO	6,406,242	5,784,778	11%
ERGINBILGIC, Tufan	Director	165,781	171,136	-3%
KAIRISTO, Essimari	Director	140,000	140,000	—%
KNOLL, Linda	Director	150,000	150,000	—%
NASI, Alessandro	Director	150,238	150,000	—%
PERSSON, Olof	Director	149,880	154,776	-3%
RIBADEAU- DUMAS, Benoit(2)	Director	110,000	79,260	39%
SIMONELLI, Lorenzo	Director and Senior Non-Executive Director	132,000	132,000	—%

(1) The year-over-year change is due to additional SBC expense with the addition of the 2023-2025 LTI cycle awards.

(2) Beginning in 2023, Mr.Ribadeau-Dumas' fees were paid to Exor N.V. Year-over-year increase reflects full year board membership in 2023.

For perspective, the year-over-year performance of the Company`s key metrics for 2023 and 2022 are shown below:

Selected Performance Data (1)	2023	2022	Year-over-Year % Change
Adjusted EBIT (€ million)	940	527	78.4 %
Free Cash Flow of Industrial Activities (€ million)	412(2)	690	-40.3 %
Adjusted Net Income (€ million)	352	225	56.4 %
Adjusted Diluted Earnings/(Loss) per share (€)	1.23	0.78	57.7 %

Notes:

(1) Includes non-EU-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-EU-IFRS financial measures mentioned in this report.

(2) With reference to the 2023 Company Bonus Plan, the performance result used for the bonus payout factor calculation was €340 million. Management proposed and the Board accepted a reduction of €72 million, stemming from unusual item.

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 2023.

Directors	Common Shares	Memo: Share ownership ratio[1]	Special Voting Shares
Gerrit Marx	137,647	1.5	—
Suzanne Heywood	64,338	2.1	—
Tufan Erginbilgic	13,600	1.0	—
Alessandro Nasi	69,798	5.2	—
Essimari Kairisto	12,523	0.9	—
Linda Knoll	29,522	2.2	—
Olof Persson	14,200	1.0	—
Lorenzo Simonelli	35,410	2.6	—

Note:
(1) The Executive Directors, Mr. Marx and Ms. Heywood, are required to own five times their fixed base salary 5 years from their initial appointment to the Board. The Non-Executive Directors are required to own one times their retainer fee within 2 years of their initial appointment to the Board. All are either at or are on track to reaching the share ownership guideline. The closing price as of 31 December 2023, €8.146 was used for the valuation.

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 2023 with reference to the 2023-2025 and 2022-2024 LTI plans:

Table - Shares awarded or due to the Directors for the reported financial year

						Information regarding the reported financial year							
The main conditions of share option plans						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	Shares Awarded at the Beginning of the Period	Shares Awarded / FMV at Grant (€000)	Shares Forfeited	Shares Vested / FMV at Grant (€000)	Shares Subject to a Performance Condition	Shares Unvested	Shares Subject to a Holding Period (1)	€000s
MARX Gerrit, CEO	2023-2025 PSU(2)	01/01/2023	15/05/2023	28/02/2026	15/05/2028	—	371,490	—	—	371,490	371,490	371,490	
		31/12/2025					2,826		—				802
	2022-2024 PSU(2)	01/01/2022	05/05/2022	28/02/2025	05/05/2027	518,850		—		518,850	518,850	518,850	
		31/12/2024											1,106
HEYWOOD Suzanne, Chair	2023-2025 PSU(2)	01/01/2023	15/05/2023	28/02/2026	15/05/2028	—	92,870	—	—	92,870	92,870	92,870	
		31/12/2025					706		—				200
	2022-2024 PSU(2)	01/01/2022	05/05/2022	28/02/2025	05/05/2027	129,710		—		129,710	129,710	129,710	
		31/12/2024											277
				Total Shares:			**464,360**	**—**	**—**	**1,112,920**	**1,112,920**	**1,112,920**	**—**
				Total FMV (€000s)			**3,532**	**—**	**—**	**—**	**—**	**—**	**2,385**

Notes:

(1) Share-based compensation (SBC) expense recorded in 2023 under applicable accounting standards relating to grants awarded to the Executive Directors under the 2022-2024 LTI and 2023-2025 LTI Plans.

(2) Two consecutive annual 3-year LTIP performance cycle awards as solely Iveco Group were granted. The first covers performance from 1 January 2022 and through 31 December 2024, and the second covers 1 January 2023 through 31 December 2025. The Executive Directors have only PSU awards, so all is subject to performance conditions.

(3) Under the CNH Industrial Legacy EIP and LTI 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. The awards consisted of a Company performance component and an individual performance component. The PSUs vest at the end of the performance cycle and the RSUs vest in two annual installments in 2023 and 2024. For the CEO, in 2023, 83,857 RSUs vested at a FMV of €658,646 on 30 April. At the end of 2023, 83,856 RSUs were outstanding and are scheduled to vest in April 2024. Effective 28 February 2024, the HC&CC approved the performance achievement of the PSUs and the CEO earned 1,277,368 PSUs. The SBC expense for the CEO's Legacy awards in 2023 was €2,330K.

Executive Officers' Compensation

The following table summarises remuneration paid or awarded (in Euro) to Executive Officers for the years ended 31 December 2023 and 2022:

Executive Officers	Year	Number of Executive Officers(1)	Fixed Remuneration		Variable Remuneration				
			Base Salary	Fringe Benefits(2)	One-year Variable(3)	Multi-year Variable(4)	Extra-ordinary Items(5)	Pension & Similar Benefits(6)	Total Remuneration
	2023	12	4,066,351	352,661	3,268,295	2,749,282	1,291,205	2,365,004	14,092,798
	2022	13	3,817,984	283,253	3,297,700	2,124,154	3,524,620	1,797,223	14,844,934

Notes:

(1) The number of Executive Officers at the end of the 2023 and 2022 respectively.

(2) The amounts include the use of transportation (company car) and Company cost of life and health insurance benefits.

(3) The amounts represent the bonus approved for the respective performance years 2023 and 2022, paid in 2024 and 2023 respectively.

(4) The amounts represent the Company's share-based compensation (SBC) expense under applicable accounting standards.

(5) The extraordinary amounts include hiring one-off payments, unused vacation paid, tax equalization settlements, termination payments.

(6) The amounts include Company contributions to company and national social security (retirement) programmes.

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 2023, the Committee was occasionally advised by representatives of Mercer, Freshfields Bruckhaus Deringer LLP, Legance, and Georgeson 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 2023, 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 2023 the Committee reviewed the factors influencing independence and determined that no conflict of interest exists with respect to Mercer, Freshfields Bruckhaus Deringer, Legance, and Georgeson.

Changes to 2024 Remuneration

The Human Capital & Compensation Committee approved a base salary increase for the Chair, effective 1 January 2024, keeping the 300% of base salary as the LTI target, effective with the 2024-2026 grant. No changes to the target compensation of the CEO are expected in 2024. The following table summarises the Executive Directors'2024 remuneration structure:

Remuneration Element	CEO	Chair
Annual Base Salary	€750,000 ▪ Effective 1 January 2022 ▪ Positioned below lower quartile of peer group for comparable CEO role	€375,000 ▪ Effective 1 January 2024 ▪ Positioned at lower quartile of blended peer group of Non-Executive and Executive Chair only roles
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	▪ €1,125,000 annual target (300% of base salary); maximum 2X target ▪ All PSUs ▪ Higher LTIP leverage than peer group results in total direct compensation between median and upper quartile
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

2024 Pay Element – Euro Annualised

	CEO		Chair	
	at Target	**at Maximum**	**at Target**	**at Maximum**
Base Salary	750,000	750,000	375,000	375,000
STI	825,000	1,650,000	N/A	N/A
LTI	3,000,000	6,000,000	1,125,000	2,250,000
Total Direct Compensation	**4,575,000**	**8,400,000**	**1,500,000**	**2,625,000**

Explanation of Chair Increase for 2024

With the increasing complexity and growth potential of the Iveco Group since its inception, the role of the Executive Chair to guide the strategic direction of Group has become more involved and demanding. Ms. Heywood's extensive experience and leadership is invaluable to the Group at this critical period to push ahead with the strategic priorities. A review of her compensation versus appropriate market benchmarks was conducted in 2023 with the aim to be competitive to retain and reward her expertise.

Prior to the base salary increase, effective 1 January 2024, the fixed compensation of the Chair was positioned well below the lower quartile of the blended Executive Chair and Non-Executive Chair peer group (see section Compensation Peer Group for details). After the increase, the pay action brings the competitive position the Chair's fixed pay to the just above the lower quartile of the peer reference, while keeping the total direct compensation positioned between median and upper quartile, and in line with Iveco Group compensation philosophy. This action provides a more competitive compensation position for the Chair after two consecutive solid company performance years of the newly formed Iveco Group under the Chair's strategic leadership.

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 EU-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 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.

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).

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.

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 the respective performance periods 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"): is the annualised rate of return, reflecting stock price performance (adjusted for dividends paid) over the cumulative performance period of the respective annual grants, 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

As of 31 December 2023, the Company's issued share capital amounted to €3,454,589.70 and was divided into 271,215,400 Common Shares (265,213,685 Common Shares outstanding, net of 6,001,715 Common Shares held in treasury by the Company) and 74,243,570 Special Voting Shares (74,172,961 Special Voting Shares outstanding, net of 70,609 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) as described in Note 21 "Equity" of the Consolidated Financial Statements.

The following table sets forth information with respect to ownership of the Company's share capital of 3% or more as of 31 December 2023 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 %	43.25 %
Norges Bank	21,980,948.00 (4)	—	6.36 %	6.48 %

(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. No change was filed thereafter.

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 FINANCIAL GUIDANCE

SUBSEQUENT EVENTS

Iveco Group has evaluated subsequent events through 5 March 2024, which is the date the financial statements were authorized for issuance. No significant events have occurred.

FINANCIAL GUIDANCE(*)

Based on the current industry outlook, solid order backlogs and no signs of unusual levels of order cancellations, Iveco Group is expecting the following preliminary financial guidance for 2024:

- Consolidated Adjusted EBIT between €900 million and €950 million
- Net revenues of Industrial Activities(**) ~ (5)% versus Full Year 2023
- Adjusted EBIT of Industrial Activities between €770 million and €820 million
- Free cash flow of Industrial Activities between €350 million and €400 million
- Investments of Industrial Activities(***) up ~ €1 billion.

(*) Financial Guidance based on current visibility. A significant escalation or expansion of current macroeconomic and geopolitical issues, supply chain issues and global logistic constraints, and energy and material availability and relevant price variability could have a material adverse effect on Iveco Group financial results.

(**) Including currency translation effects.

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

5 March 2024

The Board of Directors

Suzanne Heywood
Gerrit Marx
Lorenzo Simonelli
Tufan Erginbilgic
Essimari Kairisto
Linda Knoll
Alessandro Nasi
Olof Persson
Benoît Ribadeau-Dumas

IVECO GROUP CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

CONSOLIDATED INCOME STATEMENT

(€ million)	Note	**2023**	**2022**
Net revenues	(1)	16,213	14,357
Cost of sales	(2)	13,513	12,389
Selling, general and administrative costs	(3)	1,026	936
Research and development costs	(4)	626	473
Result from investments:	(5)	14	(5)
Share of the profit/(loss) of investees accounted for using the equity method		14	(5)
Gains/(losses) on the disposal of investments	(14)	—	33
Restructuring costs	(6)	35	15
Other income/(expenses)	(7)	(190)	(106)
EBIT		**837**	**466**
Financial income/(expenses)	(8)	(450)	(206)
PROFIT/(LOSS) BEFORE TAXES		**387**	**260**
Income tax (expense) benefit	(9)	(153)	(101)
PROFIT/(LOSS) FOR THE PERIOD		**234**	**159**

PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		218	147
Non-controlling interests		16	12

(in €)			
BASIC EARNINGS/(LOSS) PER COMMON SHARE	(11)	**0.81**	**0.54**
DILUTED EARNINGS/(LOSS) PER COMMON SHARE	(11)	**0.80**	**0.54**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Note	2023	2022
PROFIT/(LOSS) (A)		**234**	**159**
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on the remeasurement of defined benefit plans	(21)	(27)	77
Fair value gain/(loss) on equity investments measured at fair value through other comprehensive income	(21)	(33)	(172)
Tax effect of Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss	(21)	1	(15)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss, net of tax (B1)		**(59)**	**(110)**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedging instruments	(21)	1	(14)
Foreign exchange gains/(losses) on translation of foreign operations	(21)	(212)	(11)
Share of Other comprehensive income/(loss) of investees accounted for using the equity method	(21)	—	(36)
Tax effect of Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	(21)	—	7
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss, net of tax (B2)		**(211)**	**(54)**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX (B) = (B1) + (B2)		**(270)**	**(164)**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**(36)**	**(5)**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		(50)	(19)
Non-controlling interests		14	14

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ million)	Note	**At 31 December 2023**	**At 31 December 2022**
ASSETS			
Intangible assets	(12)	1,841	1,511
Property, plant and equipment	(13)	3,186	3,097
Investments and other non-current financial assets:	(14)	210	237
Investments accounted for using the equity method		166	150
Equity investments measured at fair value through other comprehensive income		15	62
Other investments and non-current financial assets		29	25
Leased assets	(15)	75	70
Defined benefit plan assets	(22)	—	—
Deferred tax assets	(9)	658	700
Total Non-current assets		**5,970**	**5,615**
Inventories	(16)	2,868	2,838
Trade receivables	(17)	326	341
Receivables from financing activities	(17)	5,802	4,378
Current tax receivables	(17)	142	95
Other current receivables and financial assets	(17)	363	339
Prepaid expenses and other assets		130	68
Derivative assets	(18)	27	50
Cash and cash equivalents	(19)	2,698	2,288
Total Current assets		**12,356**	**10,397**
Assets held for sale	(20)	59	1
TOTAL ASSETS		**18,385**	**16,013**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

(€ million)	Note	At 31 December 2023	At 31 December 2022
EQUITY AND LIABILITIES			
Issued capital and reserves attributable to owners of the parent		2,354	2,354
Non-controlling interests		36	37
Total Equity	(21)	2,390	2,391
Provisions:		2,380	2,108
Employee benefits	(22)	544	510
Other provisions	(23)	1,836	1,598
Debt:	(24)	6,100	4,433
Asset-backed financing	(24)	3,860	3,149
Other debt	(24)	2,240	1,284
Derivative liabilities	(18)	41	46
Trade payables	(25)	3,927	3,690
Tax liabilities	(9)	120	107
Deferred tax liabilities	(9)	28	25
Other current liabilities	(26)	3,340	3,213
Liabilities held for sale	(20)	59	—
Total Liabilities		**15,995**	**13,622**
TOTAL EQUITY AND LIABILITIES		**18,385**	**16,013**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	Note	2023	2022
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(19)	**2,288**	**897**
B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:			
Profit/(loss)		234	159
Amortization and depreciation (excluding vehicles sold under buy-back commitments and operating leases)		599	560
(Gains)/losses on disposal of non-current assets (excluding vehicles sold under buy-back commitments)		(10)	(96)
Other non-cash items	(33)	(26)	18
Dividends received		14	4
Change in provisions	(33)	270	277
Change in deferred income taxes		30	(11)
Change in items due to buy-back commitments[a]	(33)	(33)	18
Change in operating lease items[b]	(33)	(31)	(29)
Change in working capital	(33)	289	507
TOTAL		**1,336**	**1,407**
C) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:			
Investments in:			
Property, plant and equipment and intangible assets (excluding vehicles sold under buy-back commitments and operating leases)		(970)	(777)
Consolidated subsidiaries and other equity investments		(21)	(30)
Proceeds from the sale of non-current assets (excluding vehicles sold under buy-back commitments)		17	75
Change in receivables from financing activities	(33)	(1,404)	(1,320)
Change in other current financial assets		(19)	29
Other changes		173	683
TOTAL		**(2,224)**	**(1,340)**
D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Issuance of other medium-term borrowings		909	706
Repayment of other medium-term borrowings		(82)	(287)
Change in other financial payables	(33)	700	965
Change in derivative assets/liabilities		17	(38)
Dividends paid		—	(1)
Purchase of treasury shares		(55)	—
TOTAL		**1,489**	**1,345**
Translation exchange differences		(191)	(21)
E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**410**	**1,391**
F) CASH AND CASH EQUIVALENTS AT END OF YEAR	(19)	**2,698**	**2,288**

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

	Attributable to the owners of the parent											
(€ million)	Invested capital and retained earnings(*)	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
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**
Profit/(loss)	—	—	—	—	147	—	—	—	—	—	12	**159**
Other comprehensive income/(loss)	—	—	—	—	—	(8)	(8)	58	(172)	(36)	2	**(164)**
Total Comprehensive income/(loss)	—	—	—	—	147	(8)	(8)	58	(172)	(36)	14	**(5)**
Other changes(1)	—	—	—	—	63	—	—	4	—	—	2	**69**
AT 31 DECEMBER 2022	**—**	**3**	**—**	**2,311**	**566**	**(3)**	**(255)**	**(89)**	**(179)**	**—**	**37**	**2,391**
Dividends distributed	—	—	—	—	—	—	—	—	—	—	(32)	**(32)**
Purchase of treasury shares	—	—	(55)	—	—	—	—	—	—	—	—	**(55)**
Common shares issued from treasury shares for share-based compensation	—	—	6	(6)	—	—	—	—	—	—	—	**—**
Share-based compensation expense	—	—	—	19	—	—	—	—	—	—	—	**19**
Profit/(loss)	—	—	—	—	218	—	—	—	—	—	16	**234**
Other comprehensive income/(loss)	—	—	—	—	—	1	(211)	(25)	(33)	—	(2)	**(270)**
Total Comprehensive income/(loss)	—	—	—	—	218	1	(211)	(25)	(33)	—	14	**(36)**
Transfer of fair value of equity investments designated at FVTOCI	—	—	—	—	(170)	—	—	—	170	—	—	**—**
Other changes(1)	—	—	—	—	86	—	—	—	—	—	17	**103**
AT 31 DECEMBER 2023	**—**	**3**	**(49)**	**2,324**	**700**	**(2)**	**(466)**	**(114)**	**(42)**	**—**	**36**	**2,390**

(1) Other changes of "Earnings reserves" primarily include the impact of IAS 29 - Financial reporting in hyperinflationary economies applied for subsidiaries that prepare their financial statements in a functional currency of a hyperinflationary economy. In particular, from 1 July 2018, Argentina's economy was considered to be hyperinflationary. Furthermore, as of 30 June 2022, the Company applied the hyperinflationary accounting in Türkiye, with effect from 1 January 2022.

(*) During the year ended 31 December 2021, Iveco Group did not comprise a separate parent company or group of entities. The amounts at 31 December 2021 have been prepared in connection with the Demerger and have been derived from the Consolidated Financial Statements and accounting records of CNH Industrial, on a combined basis. Therefore, it was not meaningful to present separately share capital or an analysis of reserves. Following the Demerger, the combined Invested capital and retained earnings 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 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. As a result of the listing, the Company became a Dutch Public Interest Entity (OOB) on 3 January 2022.

Iveco Group N.V. is a global automotive leader that, through its various businesses, designs, produces and sells trucks, commercial vehicles, buses and specialty vehicles, in addition to a broad portfolio of powertrain applications. In addition, Iveco Group's Financial Services segment offers a range of financial products and services to dealers and customers. See Note 28 "Segment reporting" for additional information on Iveco Group's segments.

BASIS OF PREPARATION

These consolidated financial statements together with the notes thereto of Iveco Group at 31 December 2023 (the "Consolidated Financial Statements") were authorized for issuance by the Board of Directors of Iveco Group N.V. on 5 March 2024 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 current macroeconomic and geopolitical issues, supply chain issues and global logistic constraints, energy and material availability and relevant price variability, 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 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.

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 realised 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 recognised directly in the equity attributable to the owners of the parent.

If the Group loses control of a subsidiary, a gain or loss is recognised 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 recognised 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 unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised 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 recognised 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 recognised 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 2023	**At 31 December 2023**	**Average 2022**	**At 31 December 2022**
U.S. dollar	1.081	1.105	1.105	1.067
Pound sterling	0.870	0.869	0.853	0.887
Swiss franc	0.972	0.926	1.005	0.985
Brazilian real	5.401	5.350	5.439	5.568
Polish Zloty	4.543	4.348	4.687	4.690
Czeck Koruna	24.004	24.724	24.566	24.116
Argentine peso(1)	892.924	892.924	188.906	188.906
Turkish lira(2)	32.603	32.603	19.953	19.953

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

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

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 recognised in profit or loss as incurred;
- at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised 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 recognised 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 recognised 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 recognised 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 recognised in profit or loss. Changes in the equity interest in the acquiree that have been recognised 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 recognised 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 recognised 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 recognised 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 recognised in profit or loss.

Property, plant and equipment also include vehicles sold with a buy-back commitment, which are recognised 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 recognises 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 recognises 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 recognised, 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, recognised 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 recognised 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 recognised 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 recognised 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 recognised. A reversal of an impairment loss is recognised 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 recognised 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 recognised 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 recognised in other comprehensive income, are reclassified to profit or loss; when the asset is impaired, impairment losses are recognised 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. 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised directly in other comprehensive income in the cash flow hedge reserve. The cumulative gain or loss is removed from other comprehensive income and recognised 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 recognised 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 realised to the point of termination remains in other comprehensive income and is recognised in profit or loss at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss held in other comprehensive income is recognised 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 recognised immediately in profit or loss.

Transfers of financial assets

The Group derecognises 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 derecognises the financial asset and recognises 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 recognise 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 derecognises the financial asset and recognises 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 recognise 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 recognised 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, labour 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 recognises 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 recognised 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 recognised 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 recognised in profit or loss in the period in which they occur (or, in case of past service costs, when the entity recognises 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised.

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 recognises 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised at the end of the return period. The amount received or receivable that is expected to be returned is recognised as a refund liability, representing the obligation to return the customer's consideration. Furthermore, at the time of the initial sale, Iveco Group recognises 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 recognised 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 recognised 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 recognised.

Shipping and other transportation activities performed as an agent are recognised 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 recognised in "Other current liabilities" and is comprised of the repurchase value of the vehicle, and the rents to be recognised 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 recognised 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 recognised 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 recognised as a reduction of revenues at the time of the sale. Any subsequent change following such periodic reassessment is recognised 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 recognised 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 recognised 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 recognised as assets in accordance with IAS 38.

Government grants

Government grants are recognised 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 recognised 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 recognised in profit or loss except to the extent they relate to items recognised directly in equity or in other comprehensive income, in which case the related tax effects are recognised 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 recognised 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 recognises 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 recognised 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 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 require 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.

Estimates and assumptions are reviewed periodically, and the effects of any changes are recognised 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.

There are no key sources of estimation uncertainty and no critical judgements.

The following are the main judgments and assumptions concerning the future that Iveco Group has made in the process of applying its accounting policies to prepare its Consolidated Financial Statements.

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 recognised in the financial statements.

Recoverability of non-current assets

Non-current assets include property, plant and equipment, intangible assets, 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.

The analysis of the recoverable amount of non-current assets 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 recognises 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 recognised 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 recognised on a straight-line basis over the term of the lease. Depreciation expense for assets subject to operating lease is recognised 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 recognised directly in other comprehensive income without reclassification to profit or loss in subsequent years: refer to "Employee benefits" section above for further details.

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

Recognition of deferred tax assets

At 31 December 2023, Iveco Group had net deferred tax assets, including tax loss carry forwards, of €927 million, of which €297 million are not recognised in the financial statements. The corresponding totals at 31 December 2022 were €927 million and €252 million. Management has recognised 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 recognised 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 recognised 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. Basically, considering all the jurisdictions in which Iveco Group operates, the only change in assessment occurred with respect to the recognition of deferred tax assets in Argentina and it is primarily attributable to the hyperinflation scenario the country is exposed to. In respect to all other losses accumulated by Group in prior periods, they were largely driven by non-recurring events that impacted taxable income in the near-term, 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, however, it is possible assessment changes could occur within the next twelve months, with those changes potentially having an 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. Refer to Note 27 "Commitments and contingencies" for additional details.

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.

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 recognises 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.

The Group considers climate-related matters in estimates and assumptions, assessing the possible impacts due to both physical and transitional risks. The Group is closely monitoring relevant changes and developments, such as new climate-related legislation, even though climate-related risks might not currently have a significant impact on measurement. In particular, considering the financial statements information are presented through historical values which, by their nature, do not fully capture future events, all assumptions and estimates underlying the preparation of the following items, identified as most directly impacted by climate-related matters, 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 assessment

  The Group's assessment is that no material uncertainties exist about its ability to continue as a going concern, considering the uncertainties that may arise from climate-related factors related to introduction of legislation that could directly affect the Group's business model, or giving rise to increased compliance costs.

- Useful lives of tangible and intangible assets

  The Group regularly reviews the expected useful lives of tangible and intangible assets, including capitalised development costs, considering in this assessment also the climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets. The analysis performed did not result in any adjustments of the useful lives in the current year. Refer to sections "Accounting policies – Intangible assets; Property, plant and equipment"; and "Use of estimates - Recoverability of non-current assets" of these Notes for further details.

- Impairment of non-current assets

  The Group reviews the carrying value of non-current assets when required by events and circumstances. For goodwill and intangible assets with indefinite useful lives such analysis is carried out at least annually. In assessing the recoverable amount of non-current assets, the Group also considered the impact of climate change risk on future cash flows. No financial impacts to the current year impairment assessment were identified. Refer to the section "Use of estimates - Recoverability of non-current assets" and Note 12 "Intangible assets" of these Notes for further details.

- Provisions

  The Group assessed the impact of climate-related matters on provisions, for instance, additional levies or penalties related to environmental requirements, contracts that may become onerous, or restructurings to achieve climate-related targets. This assessment did not result in any further provisions to reflect in the Consolidated Financial Statements. Refer to Note 23 "Other provisions" and Note 27 "Commitments and contingencies" for further details.

Furthermore, the Group provides additional benefits to key executive officers and select employees through equity incentive plans by means of performance awards ("PSUs") and non-performance awards ("RSUs"). The PSUs vest subject to achievement of Company performance goals for the performance period. One of the performance metrics foreseen in the equity incentive plan (2022-2024 LTIP Awards and 2023-2025 LTIP Awards) is the CO_2 emissions reduction. This could impact the future amount of the recognition of share-based payment expense in the income statement. Refer to Note 21 "Equity" for further details on the Group share-based compensation.

Referring to sustainable finance, in November 2023, Iveco Group signed a €450 million term loan facility with the European Investment Bank (the "EIB") with an 8-year amortization profile, which represents the first tranche of the €500 million total approved by the EIB. The resources made available by the EIB will enable Iveco Group to develop innovative technologies and architectures in the field of electric propulsion. The Group will also increase efficiency, safety, driving comfort and productivity by further developing solutions for autonomous driving, digitalisation and vehicle connectivity. Refer to Note 24 "Debt" for further details.

New standards and amendments effective from 1 January 2023

- On 12 February 2021 the IASB issued the *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*, requiring to disclose the material accounting policy information rather than the significant accounting policies. Furthermore, the amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective from 1 January 2023. These amendments had no impact on these Consolidated Financial Statements.
- On 12 February 2021 the IASB issued the *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*. The amendments clarify how to distinguish changes in accounting policies (generally also applied retrospectively to past transactions and other past events) from changes in accounting estimates (applied prospectively only to future transactions and other future events). These amendments are effective from 1 January 2023. These amendments had no impact on the measurement, recognition or presentation of any items presented in these Consolidated Financial Statements.
- On 7 May 2021 the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*, which specifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments clarify that no exemption applies on such transactions and that companies are required to recognise deferred tax when they recognise the related assets or liabilities for the first time. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. These amendments had no impact on these Consolidated Financial Statements.
- On 23 May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12*, introducing a mandatory temporary exception to the accounting for deferred taxes and disclosure requirements arising from the jurisdictional implementation of the Pillar Two model rules. The mandatory temporary exception, the use of which is required to be disclosed, applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. These amendments had no impact on these Consolidated Financial Statements. The Group reasonably foresees no material exposure to Pillar Two income taxes arising from that legislation.

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 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. 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 25 May 2023, the IASB issued the *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures Supplier Finance Arrangements*, requiring an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024.
- On 15 August 2023, the IASB issued the *Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*, clarifying how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as requiring an entity to provide the disclosure that enables to understand the impact of a currency not being exchangeable. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025.

SCOPE OF CONSOLIDATION

The Consolidated Financial Statements of the Group as of 31 December 2023 include the Company and 92 consolidated subsidiaries.

At 31 December 2023, excluded from consolidation are 4 subsidiaries that are either dormant or generate a negligible volume of business: their proportion of the Group's assets, liabilities, financial position, and earnings is immaterial. All such subsidiaries are accounted for using the cost method and represent in aggregate less than 0.01 percent of Group revenues, 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

In the first quarter of 2023, IDV, the brand of Iveco Group specialised in defence and civil protection equipment, acquired a controlling stake in MIRA UGV, now renamed IDV ROBOTICS LIMITED, the Uncrewed Ground Vehicle division of HORIBA MIRA, a global provider of automotive engineering, research and test services, headquartered in the U.K., for a total consideration of £36.3 million (€41 million), initially estimated to be of £41.5 million (€47 million), of which £26.6 million already paid. The accounting for this business combination was finalized in December 2023, during the measurement period as defined by IFRS 3 - *Business combinations*, therefore the Group retrospectively adjusted the provisional amounts initially recognized and recorded a final goodwill of €23 million for this acquisition.

No significant business combinations occurred in 2022.

COMPOSITION AND PRINCIPAL CHANGES

1. Net revenues

The following table summarises Net revenues for the years ended 31 December 2023 and 2022:

(€ million)	**2023**	**2022**
Commercial and Specialty Vehicles	13,778	12,100
Powertrain	4,258	3,960
Eliminations and Other	(2,159)	(1,895)
Total Industrial Activities	**15,877**	**14,165**
Financial Services	494	281
Eliminations and Other	(158)	(89)
Total Net revenues	**16,213**	**14,357**

The following table disaggregates Net revenues by major source for the years ended 31 December 2023 and 2022:

(€ million)	**2023**	**2022**
Revenues from:		
Sales of goods	14,938	13,253
Rendering of services and other revenues	656	632
Rents and other income on assets sold with a buy-back commitment	283	280
Revenues from sales of goods and services	**15,877**	**14,165**
Finance and interest income	303	162
Rents and other income on operating lease	33	30
Total Net revenues	**16,213**	**14,357**

During the years ended 31 December 2023 and 2022, revenues included €468 million and €456 million, respectively, related 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 2023, the aggregate amount of the transaction price allocated to remaining performance obligations related to extended warranties/maintenance and repair contracts, and transactions for the sale of vehicles with a buy-back commitment was approximately €2.5 billion (approximately €2.2 billion at 31 December 2022). As of 31 December 2023, Iveco Group expects to recognise revenue on approximately 29% and 68% of the remaining performance obligations over the next 12 and 36 months, respectively, (approximately 32% and 76% as of 31 December 2022, respectively), with the remaining recognised thereafter.

2. Cost of sales

Cost of sales amounted to €13,513 million in 2023 and €12,389 million in 2022. In 2022, cost of sales included €31 million related to the impairment of certain assets in connection with Group operations in Russia and Ukraine.

3. Selling, general and administrative costs

Selling, general and administrative costs amounted to €1,026 million in 2023, up €90 million compared to 2022, primarily due to emerging corporate costs.

4. Research and development costs

In 2023, Research and development costs of €626 million (€473 million in 2022) comprise all the research and development costs not recognised as assets in the year, amounting to €399 million (€244 million in 2022) and the amortization of capitalized development costs of €227 million (€214 million in 2022). No impairment losses were recorded in 2023 (€15 million in 2022). During 2023, the Group capitalized new development costs of €489 million (€390 million in 2022). The costs in both periods were primarily attributable to spending on engine development associated with emission requirements and continued investment in new products.

5. Result from investments

This item mainly includes Iveco Group's share in the net profit or loss of the investees accounted for using the equity method, as well as any impairment losses, reversal of impairment losses, accruals to the investment provision, and dividend income. In 2023 and 2022, Iveco Group's share in the net profit or loss of the investees accounted for using the equity method was a gain of €14 million and a loss of €5 million, respectively.

6. Restructuring costs

Iveco Group incurred restructuring costs of €35 million and €15 million in 2023 and 2022, 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 €190 million and €106 million in 2023 and 2022, 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 2023, this item also includes the negative impact of €43 million from the acquisition of full ownership of Nikola Iveco Europe GmbH, now renamed EVCO GmbH. 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.

8. Financial income/(expenses)

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

(€ million)	**2023**	**2022**
Financial income	90	56
Interest and other financial (expenses)	(277)	(175)
Net income/(expenses) from derivative financial instruments, exchange rate differences and other	(263)	(87)
Net financial income/(expenses)	**(450)**	**(206)**

Interest earned and other financial income may be analysed as follows:

(€ million)	**2023**	**2022**
Interest income from banks	80	47
Other interest income and financial income	10	9
Total Interest earned and other financial income	**90**	**56**

Interest cost and other financial expenses may be analysed as follows:

(€ million)	**2023**	**2022**
Bank interest expenses	25	8
Interest expenses related to lease liabilities	8	5
Commission expenses	3	3
Other interest cost and other financial expenses	241	159
Total Interest cost and other financial expenses	**277**	**175**

Capitalized borrowing costs amounted to €25 million and €15 million in 2023 and 2022, 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 2023 and 2022 consist primarily of income tax expenses or benefits related to subsidiaries of the Company.

Income tax (expense) benefit for the years ended 31 December 2023 and 2022 consisted of the following:

(€ million)	**2023**	**2022**
Current taxes	(141)	(108)
Deferred taxes	(8)	(11)
Taxes relating to prior periods	(4)	18
Total Income tax (expense) benefit	**(153)**	**(101)**

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 2023 and 2022 is as follows:

(€ million)	**2023**	**2022**
Theoretical Income tax (expense) at the parent statutory rate	**(93)**	**(62)**
Foreign income taxed at different rates	22	8
Deferred tax assets not recognised and write-down	(60)	(47)
Italian IRAP taxes	(20)	(14)
Taxes relating to prior years	(4)	18
Use of tax losses for which no deferred tax assets were recognised	2	7
Change in tax rate or law	1	(5)
Other	(1)	(6)
Total Income tax (expense) benefit	**(153)**	**(101)**

The effective tax rates for 2023 and 2022 were 39.5% and 38.8%, respectively. The effective tax rate is substantially in line with 2022. The negative effect arising from Argentine deferred tax assets not recognized in 2023 was mostly offset by certain other discrete items occurred and the favourable rate mix recorded.

At 31 December 2023, undistributed earnings in certain subsidiaries totalled approximately €4.3 billion (€3.7 billion at 31 December 2022) 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 unrecognised deferred tax liability relating to the €4.3 billion undistributed earnings is approximately €76 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 recognises 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 2023 and 2022 are as follows:

(€ million)	At 31 December 2022	Recognised in income statement	Charged to equity	Translation differences and other changes	At 31 December 2023
Deferred tax assets arising from:					
Taxed provisions	542	57	—	(24)	575
Inventories	89	8	—	—	97
Taxed allowances for doubtful accounts	48	(11)	—	—	37
Provision for employee benefits	41	—	1	(12)	30
Intangible assets	8	1	—	(1)	8
Lease liabilities	19	2	—	(1)	20
Fixed assets	25	(3)	—	2	24
Measurement of derivative financial instruments	(4)	8	—	3	7
Other	68	2	—	—	70
Total	**836**	**64**	**1**	**(33)**	**868**
Deferred tax liabilities arising from:					
Right-of-use assets	(19)	(1)	—	—	(20)
Inventories	(4)	—	—	—	(4)
Provision from employee benefits	(1)	(1)	—	—	(2)
Capitalization of development costs	(51)	(7)	—	—	(58)
Other	(65)	(5)	—	8	(62)
Total	**(140)**	**(14)**	**—**	**8**	**(146)**
Theoretical tax benefit arising from tax loss carryforwards and tax credits	**231**	**(25)**	**—**	**(1)**	**205**
Adjustments for assets whose recoverability is not probable	**(252)**	**(54)**	**—**	**9**	**(297)**
Total net deferred tax assets	**675**	**(29)**	**1**	**(17)**	**630**

(€ million)	At 31 December 2023	At 31 December 2022
Deferred tax assets	658	700
Deferred tax liabilities	(28)	(25)
Net deferred tax assets	**630**	**675**

The decrease of €45 million in net deferred tax assets during 2023 was mainly due to the loss and credit utilization in certain jurisdictions, and by the change in assessment occurred with respect to the recognition of deferred tax assets in Argentina, partially offset by the increase in deferred tax assets for taxed provisions.

The decision to recognise 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 €868 million at 31 December 2023 and €836 million at 31 December 2022, and tax loss and credit carryforwards of €205 million at 31 December 2023 and €231 million at 31 December 2022, were reduced by €297 million at 31 December 2023 and €252 million at 31 December 2022.

Net recognised deferred tax assets include €74 million at 31 December 2023 (€121 million at 31 December 2022) of tax benefits arising from tax loss carryforwards and tax credits. At 31 December 2023, a further tax benefit of €131 million (€110 million at 31 December 2022) arising from tax loss carryforwards and tax credits has not been recognised.

At 31 December 2023, tax liabilities primarily include uncertain income tax amounts of €30 million (€21 million at 31 December 2022) and other tax payables.

The totals of deductible and taxable temporary differences and accumulated tax losses at 31 December 2023, together with the amounts for which deferred tax assets have not been recognised, analysed by estimated year of reversal or expiry, are as follows:

		Year of expiry					
(€ million)	**Total at 31 December 2023**	**2024**	**2025**	**2026**	**2027**	**Beyond 2027**	**Unlimited/ indeterminable**
Temporary differences and tax losses:							
Deductible temporary differences	3,186	883	764	511	320	475	233
Taxable temporary differences	(530)	(95)	(91)	(112)	(85)	(115)	(32)
Tax losses and tax credits	753	15	(5)	(5)	(6)	122	632
Temporary differences and tax losses for which deferred tax assets have not been recognised	(1,008)	(87)	(141)	(120)	(62)	(241)	(357)
Temporary differences and tax losses	**2,401**	**716**	**527**	**274**	**167**	**241**	**476**

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 2022. 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 unrecognised 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.

On 14 December 2022, the Council of the EU approved Directive 2022/2523 on ensuring a global minimum level of taxation ("Global Minimum Tax") for multinational enterprise groups and large-scale domestic groups in the EU, thereby ensuring that European law complies with aims of the Organization for Economic Co-operation and Development ("OECD") Pillar Two agreement.

This directive introduces minimum effective taxation of 15% for multinational enterprise groups and large-scale domestic groups with annual revenues of at least €750 million in the consolidated financial statements in at least two of the four prior fiscal years. These rules apply starting from 2024.

Iveco Group operates in countries where the Global Minimum Tax rules apply. Based on the information available to date, there should be no potential issues that could have material impact for Iveco Group.

Iveco Group is continuing to assess the impact of the Global Minimum Tax legislation on its future financial performance.

10. Other information by nature of expense

The income statement includes personnel costs for €2,153 million in 2023 (€1,943 million in 2022).

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

	2023	**2022**
Manager	2,125	2,014
Professional	5,340	5,029
Salaried	5,093	5,091
Hourly	23,337	22,706
Average number of employees	**35,895**	**34,840**

11. Earnings per share

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

		2023	2022
Basic:			
Profit/(loss) attributable to the owners of the parent	€ million	218	147
Weighted average Common Shares outstanding – basic	million	269	271
Basic earnings/(loss) per Common Share	€	**0.81**	**0.54**
Diluted:			
Profit/(loss) attributable to the owners of the parent	€ million	218	147
Weighted average Common Shares outstanding – basic	million	269	271
Effect of dilutive potential Common Shares (when dilutive):			
Share compensation plans	million	4	1
Weighted average Common Shares outstanding – diluted	million	273	272
Diluted earnings/(loss) per Common Share	€	**0.80**	**0.54**

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 (after deduction of treasury shares) during the period.

Shares acquired under the buy-back program are included in treasury stock of the Company and, therefore, are deducted from the weighted average number of Common Shares outstanding when calculating earnings per share. For additional information on the buy-back program, see Note 21 "Equity".

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 2023, 1.3 million shares (2.7 million shares at 31 December 2022) 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 additional information on the share-based payment awards, see Note 21 "Equity".

12. Intangible assets

In 2023 and 2022, 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 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**
Additions	—	301	188	37	10	29	**565**
Acquisitions	23	—	—	—	—	—	**23**
Divestitures, translation differences and other changes	(5)	(33)	(7)	60	4	(39)	**(20)**
Balance at 31 December 2023	**88**	**2,241**	**2,403**	**741**	**104**	**38**	**5,615**
Accumulated amortization and impairment losses **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**
Amortization	—	175	52	40	8	—	**275**
Divestitures, translation differences and other changes	1	(30)	(5)	(3)	—	—	**(37)**
Balance at 31 December 2023	**2**	**1,896**	**1,207**	**590**	**79**	**—**	**3,774**
Carrying amount at 31 December 2022	**69**	**222**	**1,062**	**91**	**19**	**48**	**1,511**
Carrying amount at 31 December 2023	**86**	**345**	**1,196**	**151**	**25**	**38**	**1,841**

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 2023	At 31 December 2022
Commercial and Specialty Vehicles	74	53
Powertrain	—	4
Financial Services	12	12
Goodwill net carrying amount	**86**	**69**

Increases in Goodwill refer to the acquisition discussed in section "Business combinations" above. 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 2023 and 2022 confirmed the absence of an impairment loss.

The vast majority of goodwill, representing approximately the 86% 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 based on the value in use, that is the present value of estimated future cash flows. The calculation of value in use is dependent on several assumptions, primarily estimates of future sales in the discrete future period, and the weighted average cost of capital (discount rate), as well as other 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 18.09% at 31 December 2023 and 15.6% at 31 December 2022.

Expected cash flows are developed in conjunction with budgeting and forecasting processes. Iveco Group used 5 years in both 2023 and 2022 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.

The results of the impairment test indicate that a reasonably possible change in key assumptions would not cause the carrying amount of any cash-generating unit to exceed its recoverable amount, however, 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 2023 and 2022, 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 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**
Additions	1	49	261	84	409	94	**898**
Divestitures, translation differences and other changes	4	(5)	(11)	(49)	(426)	(61)	**(548)**
Transfer to Assets held for sale	—	(3)	—	(8)	(26)	—	**(37)**
Balance at 31 December 2023	**121**	**1,218**	**5,533**	**386**	**1,983**	**546**	**9,787**
Accumulated depreciation and impairment losses 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**
Depreciation	—	30	211	69	228	14	**552**
Impairment losses	—	—	—	—	4	—	**4**
Divestitures, translation differences and other changes	4	(13)	(39)	(46)	(208)	(15)	**(317)**
Transfer to Assets held for sale	—	(1)	—	(4)	(10)	—	**(15)**
Balance at 31 December 2023	**3**	**815**	**4,577**	**195**	**685**	**326**	**6,601**
Carrying amount at 31 December 2022	**117**	**378**	**878**	**183**	**1,355**	**186**	**3,097**
Carrying amount at 31 December 2023	**118**	**403**	**956**	**191**	**1,298**	**220**	**3,186**

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

In 2023, Commercial and Specialty Vehicles recognised an impairment loss of €4 million on Assets sold with a buy-back commitment. In 2022, Commercial and Specialty Vehicles recognised an impairment loss of €2 million on Plant, machinery and equipment. The losses were recognised 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 (€118 million in 2023 and €98 million in 2022) that are held for sale at the agreement expiry date.

At 31 December 2023, right-of-use assets refer primarily to the following lease contracts: industrial buildings for €125 million (€127 million at 31 December 2022), plant, machinery and equipment for €18 million (€16 million at 31 December 2022), and other assets for €48 million (€40 million at 31 December 2022). 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 recognises lease expense (€12 million and €11 million in 2023 and 2022, 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 2023 and 2022.

Iveco Group had contractual commitments of €163 million and €149 million for the acquisition of property, plant and equipment at 31 December 2023 and 2022, respectively.

14. Investments and other non-current financial assets

(€ million)	At 31 December 2023	At 31 December 2022
Investments accounted for using the equity method	166	150
Equity investments measured at fair value through other comprehensive income	15	62
Other investments	14	11
Total Investments	195	223
Non-current financial receivables and other non-current securities	15	14
Total Investments and other non-current financial assets	**210**	**237**

At 31 December 2023 and 2022, no Non-current financial receivables had been pledged as security.

Investments

Changes in Investments in 2023 and 2022 are set out below:

(€ million)	At 31 December 2022	Revaluations / (Write-downs)	Acquisitions and capitalizations	Fair value remeasurements	Translation differences, disposals and other changes	At 31 December 2023
Investments in:						
Joint ventures	114	14	—	—	(2)	**126**
Associates	36	—	—	—	4	**40**
Equity investments measured at fair value through other comprehensive income	62	—	1	(33)	(15)	**15**
Unconsolidated subsidiaries and other	11	—	3	—	—	**14**
Total Investments	**223**	**14**	**4**	**(33)**	**(13)**	**195**

(€ 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**

Revaluations and Write-downs include the Group's share of the profit or loss for the year of investments accounted for using the equity method for a gain of €14 million in 2023 (a loss of €5 million in 2022).

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

In 2022, Other changes primarily reflected the liquidation of the investment in the joint venture SAIC IVECO Commercial Vehicle Investment Company Limited 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.

At 31 December 2023, equity investments measured at fair value through other comprehensive income mainly include 5 million shares (corresponding to €4 million) held by Iveco Group in Nikola Corporation ("Nikola"). At 31 December 2022, this item also included 20.6 million Nikola shares which, as per the binding terms sheet entered between Iveco Group and Nikola in May 2023 (see below for details on such transaction), have been paid to Nikola in the third quarter of 2023, at the completion of certain specific conditions. During 2023, Iveco Group recorded in Other comprehensive income a pre- and after-tax loss of €33 million (a pre- and after-tax loss of €172 million during 2022) from the remeasurement at fair value of the investment in Nikola.

At 31 December 2022, Other investments also included the investment in Nikola Iveco Europe GmbH, 50/50 owned by Iveco Group and Nikola at that time and accounted for under the equity method. In the first quarter of 2023, Iveco Group agreed the acquisition from Nikola of the full ownership of Iveco Nikola Europe GmbH, now renamed as EVCO GmbH, as per the binding term sheet entered in May 2023 and definitively finalised in June 2023. As a consequence, in the first quarter of 2023 Iveco Group recorded, in the income statement, a one-off, after-tax €44 million negative impact deriving from the agreement. At the end of June 2023 Iveco Group paid the envisaged cash portion of the capital outlay (USD 35 million) for the shares acquisition, and in August 2023 it paid the portion represented by 20.6 million of Nikola shares, at the completion of certain specific conditions. As a consequence of the above, EVCO GmbH is now consolidated on a line-by-line basis.

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

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 2023 and 2022 is as follows:

	At 31 December 2023		At 31 December 2022	
	% of interest	**(€ million)**	**% of interest**	**(€ million)**
CIFINS S.p.A.	50.00 %	108	50.00 %	104
Other joint ventures		18		10
Total Investments in joint ventures		**126**		**114**

Interests in joint ventures consist of 3 companies at 31 December 2023 (4 companies at 31 December 2022) 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.

At 31 December 2023 and 2022, summarised financial information relating to CIFINS S.p.A., material joint venture of the Group, prepared in accordance with EU-IFRS, is as follows:

(€ million)	**At 31 December 2023**	**At 31 December 2022**
Cash and cash equivalents	1	1
Non-current assets	215	207
Current assets	1	—
Total Assets	**217**	**208**
Debt	—	—
Other liabilities	—	—
Total Liabilities	**—**	**—**
Total Equity	**217**	**208**

(€ million)	2023	2022
Result from investments	33	27
Profit/(loss) before taxes	33	27
Income tax (expenses)	(1)	—
Profit/(loss) from continuing operations	**32**	**27**
Profit/(loss) from discontinued operations	—	—
Profit/(loss)	**32**	**27**
Total Other comprehensive income, net of tax	**—**	**—**
Total Comprehensive income	**32**	**27**

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

(€ million)	At 31 December 2023	At 31 December 2022
Total Equity	**217**	**208**
Group's interest (%)	50	50
Pro-quota equity	**108**	**104**
Adjustments made by using the equity method	—	—
Carrying amount	**108**	**104**

Summarised 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 2023	At 31 December 2022
Non-current assets	—	—
Current assets	5,472	5,681
Total Assets	**5,472**	**5,681**
Debt	4,755	4,984
Other liabilities	286	282
Total Liabilities	**5,041**	**5,266**
Total Equity	**431**	**415**

(€ million)	2023	2022
Net revenues	154	150
Profit/(loss) before taxes	96	81
Profit/(loss) from continuing operations	**66**	**56**
Profit/(loss) from discontinued operations	—	—
Profit/(loss)	**66**	**56**
Total Other comprehensive income, net of tax	**—**	**—**
Total Comprehensive income	**66**	**56**

Investments in associates

A summary of investments in associates at 31 December 2023 and 2022 is as follows:

	At 31 December 2023		At 31 December 2022	
	% of interest	**(€ million)**	**% of interest**	**(€ million)**
Transolver Finance Establecimiento Financiero de Credito S.A.	49.00 %	40	49.00 %	36
Other associates		—		—
Total Investments in associates		**40**		**36**

Summarised financial information relating to Transolver Finance Establecimiento Financiero de Credito S.A., material associate of the Group, is as follows:

(€ million)	**At 31 December 2023**	**At 31 December 2022**
Non-current assets	597	451
Current assets	28	16
Total Assets	**625**	**467**
Debt	544	392
Other liabilities	—	2
Total Liabilities	**544**	**394**
Total Equity	**81**	**73**

(€ million)	**2023**	**2022**
Net revenues	21	13
Profit/(loss) before taxes	9	4
Profit/(loss) from continuing operations	**6**	**3**
Profit/(loss) from discontinued operations	—	—
Profit/(loss)	**6**	**3**
Total Other comprehensive income, net of tax	**—**	**—**
Total Comprehensive income	**6**	**3**

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

(€ million)	**At 31 December 2023**	**At 31 December 2022**
Total Equity	**81**	**73**
Group's interest (%)	49.00	49.00
Pro-quota equity	**40**	**36**
Adjustments made by using the equity method	—	—
Carrying amount	**40**	**36**

15. Leased assets

This item changed as follows in 2023 and 2022:

(€ million)	**At 31 December 2022**	**Additions**	**Depreciation**	**Translation differences, disposals and other changes**	**At 31 December 2023**
Gross carrying amount	126	62	—	(50)	**138**
Less: Depreciation and impairment	(56)	—	(31)	24	**(63)**
Net carrying amount of Leased assets	**70**	**62**	**(31)**	**(26)**	**75**

(€ 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**

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

At 31 December 2023, minimum lease payments receivable for assets under non-cancelable operating leases amount to €100 million (€85 million at 31 December 2022) and fall due as follows:

(€ million)	At 31 December 2023	At 31 December 2022
Less than one year	36	31
One to two years	26	25
Two to three years	17	16
Three to four years	11	7
Four to five years	8	4
More than five years	2	2
Total Undiscounted lease payments	**100**	**85**

No leased assets have been pledged as security at 31 December 2023 and 2022.

16. Inventories

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

(€ million)	At 31 December 2023	At 31 December 2022
Raw materials	579	649
Work-in-progress	340	332
Finished goods	1,949	1,857
Total Inventories	**2,868**	**2,838**

At 31 December 2023, Inventories included assets which are no longer subject to operating lease arrangements or buy-back commitments and were held for sale for a total amount of €19 million (€11 million at 31 December 2022). Total Inventories increased €30 million compared to 31 December 2022.

At 31 December 2023, 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 €1,176 million (€750 million at 31 December 2022).

There were no inventories pledged as security at 31 December 2023 and 2022.

17. Current receivables and Other current financial assets

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

(€ million)	At 31 December 2023	At 31 December 2022
Trade receivables	326	341
Receivables from financing activities	5,802	4,378
Current tax receivables	142	95
Other current receivables and financial assets:		
Other current receivables	320	313
Other current financial assets	43	26
Total Other current receivables and financial assets	363	339
Total Current receivables and Other current financial assets	**6,633**	**5,153**

An analysis of Current receivables and Other current financial assets by due date is as follows:

(€ million)	At 31 December 2023 due within one year	due between one and five years	due beyond five years	Total	At 31 December 2022 due within one year	due between one and five years	due beyond five years	Total
Trade receivables	322	1	3	**326**	325	4	12	**341**
Receivables from financing activities	5,424	74	304	**5,802**	4,230	52	96	**4,378**
Current tax receivables	115	27	—	**142**	88	7	—	**95**
Other current receivables	303	14	3	**320**	292	14	7	**313**
Other current financial assets	43	—	—	**43**	26	—	—	**26**
Total Current receivables and Other current financial assets	**6,207**	**116**	**310**	**6,633**	**4,961**	**77**	**115**	**5,153**

Trade receivables

As of 31 December 2023 and 2022, Iveco Group had trade receivables of €326 million and €341 million, respectively. Trade receivables are shown net of allowances for doubtful accounts of €20 million and €21 million at 31 December 2023 and 2022, 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 2023 and 2022, were as follows:

(€ million)	At 31 December 2023	At 31 December 2022
Opening balance	**21**	**40**
Provision	5	2
Use and other changes	(6)	(21)
Ending balance	**20**	**21**

The allowances at 31 December 2023 and 2022 have been determined using the following expected loss rates:

		At 31 December 2023 Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total	At 31 December 2022 Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total
Expected loss rate (in %)	%	1%	—%	—%	66%	6%	1%	11%	—%	50%	6%
Gross carrying amount	€ million	313	3	1	29	346	286	53	1	22	362
Allowances for doubtful accounts	€ million	(1)	—	—	(19)	(20)	(4)	(6)	—	(11)	(21)

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 2023 and 2022, trade receivables for an amount of €5 million and €5 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 recognised as income.

Receivables from financing activities

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

(€ million)	At 31 December 2023	At 31 December 2022
Retail:		
Retail financing	12	10
Finance leases	57	57
Total Retail	**69**	**67**
Wholesale:		
Dealer financing	5,541	4,156
Total Wholesale	**5,541**	**4,156**
Other	192	155
Total Receivables from financing activities	**5,802**	**4,378**

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

Wholesale receivables arise primarily from the sale of goods to dealers, distributors and end customers and, to a lesser extent, the financing of dealer operations. Under the standard terms of the wholesale receivable agreements, during the "interest free" period, Financial Services is compensated by Industrial Activities based on market interest rates. After the expiration of any "interest-free" period, interest is charged to dealers on outstanding balances until Iveco Group receives payment in full. The "interest-free" periods are determined based on the type of vehicle sold and the time of year of the sale. Iveco Group evaluates and assesses dealers on an ongoing basis as to their credit worthiness. Iveco Group may be obliged to repurchase the dealer's vehicle upon cancellation or termination of the dealer's contract for such causes as change in ownership, closeout of the business, or default. There were no significant losses in 2023 and 2022 relating to the termination of dealer contracts.

Iveco Group assesses and monitors the credit quality of its financing receivables based on whether a receivable is classified as Performing or Non-Performing. Financing receivables are considered past due if the required principal and interest payments have not yet been received as of the date such payments were due. Delinquency is reported on financing receivables greater than 30 days past due. Non-performing financing receivables represent loans for which Iveco Group has ceased accruing finance income. These receivables are generally 90 days delinquent. Finance income for non-performing receivables is recognised on a cash basis. Interest accrual is resumed if the receivable becomes contractually current and collections becomes probable.

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

								At 31 December 2023
(€ million)	Total Current	31-60 Days Past Due	61-90 Days Past Due	Total Performing	Non-Performing	Total	Allowance	Total net of allowance
Total Retail	82	—	—	**82**	23	**105**	(36)	**69**
Total Wholesale	5,489	13	1	**5,503**	157	**5,660**	(119)	**5,541**

								At 31 December 2022
(€ million)	Total Current	31-60 Days Past Due	61-90 Days Past Due	Total Performing	Non-Performing	Total	Allowance	Total net of allowance
Total Retail	102	—	1	**103**	26	**129**	(62)	**67**
Total Wholesale	4,204	7	5	**4,216**	60	**4,276**	(120)	**4,156**

Receivables from financing activities have significant concentrations of credit risk in the Commercial and Specialty Vehicles segment. On a geographic basis, the credit risk concentration is mainly located into Europe 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 recognised 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 the contractual principal and interest. Receivables are individually reviewed for impairment based on, among other items, amounts outstanding, days past due and prior collection history. Expected credit losses are measured by considering: the unbiased and probability-weighted amount; the time value of money; and reasonable and supportable information (available without undue costs or effort) at the reporting date about past events, current conditions, and forecasts of future economic conditions. Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset.

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

Allowance for credit losses activity for the years ended 31 December 2023 and 2022 is as follows:

								Year Ended 31 December 2023
				Retail				Wholesale
(€ million)	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Opening balance	**2**	**—**	**60**	**62**	**25**	**—**	**95**	**120**
Provision (benefit)	—	14	(35)	(21)	13	1	(9)	5
Charge-offs, net of recoveries	—	—	(5)	(5)	—	—	(6)	(6)
Ending balance	**2**	**14**	**20**	**36**	**38**	**1**	**80**	**119**
Receivables, net of allowance:								
Ending balance	**51**	**15**	**3**	**69**	**5,279**	**145**	**117**	**5,541**

At 31 December 2023, the change in allowance for credit losses mainly related to the release of specific provisions (stage 3) and concomitant accrual of collective provisions (stage 2) for 3 large Italian customers upon their upgrade from stage 3 to stage 2. For the Wholesale portfolio the increase of the collective provisions due to the increase of the receivables balance was partially compensated by releases of specific reserves and write-offs.

	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)
Foreign currency translation and other	—	—	—	—	—	—	2	2
Ending balance	**2**	**—**	**60**	**62**	**25**	**—**	**95**	**120**
Receivables, net of allowance:								
Ending balance	**13**	**—**	**54**	**67**	**4,111**	**4**	**41**	**4,156**

At 31 December 2022, the change in allowance for credit losses mainly related to the write-offs registered over the period.

The accrual of provisions and the release of provisions for credit losses have been included in cost of sales.

Finance lease receivables mainly relate to vehicles leased out under finance lease arrangements. The interest rate implicit in the lease is determined at the commencement of the lease for the whole lease term. The average interest rate implicit in total finance lease receivables varies depending on prevailing market interest rates.

The item may be analysed as follows, stated gross of an allowance of €32 million at 31 December 2023 (€59 million at 31 December 2022):

(€ million)	At 31 December 2023	At 31 December 2022
Less than one year	32	45
One to two years	21	20
Two to three years	19	18
Three to four years	14	22
Four to five years	3	11
More than five years	—	—
Total Undiscounted receivables for future minimum lease payments	**89**	**116**
Unearned finance income	—	—
Present value of future minimum lease payments	**89**	**116**

Other current receivables

At 31 December 2023, Other current receivables mainly consisted of other tax receivables for VAT and other indirect taxes of €224 million (€214 million at 31 December 2022), and receivables from employees of €14 million (€9 million at 31 December 2022).

Other current financial assets

At 31 December 2023 and 2022, 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 securitization by the seller implies its control in substance over the structured entity.

Furthermore, factoring transactions may be either with recourse or without recourse; without recourse transfers include deferred payment clauses (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables), requiring first loss cover, meaning that the transferor takes priority participation in the losses, or requires a significant exposure to the cash flows arising from the transferred receivables to be retained. These types of transactions do not comply with the requirements of IFRS 9 – *Financial Instruments* for the derecognition of the assets, since the risks and rewards connected with collection are not substantially transferred and, accordingly, the Group continues to recognise the receivables transferred by this means in its consolidated statement of financial position and recognises 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 recognised when the assets are derecognised.

At 31 December 2023, the carrying amounts of such transferred financial assets not derecognised (constituted entirely of Receivables from financing activities) amounted to €3,649 million (€3,353 million at 31 December 2022) and the related liability amounted to €3,649 million (€3,145 million at 31 December 2022). At 31 December 2023 and 2022, the carrying amount of assets and of the related liabilities were equal to their respective fair values.

Iveco Group has discounted receivables and bills without recourse having due dates beyond 31 December 2023 amounting to €274 million (€183 million at 31 December 2022, 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.

The fair value of derivative financial instruments is based on valid market price, if available. The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques, based on observable market data. If all significant inputs required to fair value an instrument are based on observable market data, the instrument is included in level 2. The basis for the interest is the zero-coupon-curve in each currency which is used to calculate the present value of all the estimated future cash flows. For forward exchange contracts the basis is the forward premium based on current spot rate for each currency and future date. The fair value is then discounted based on the observable interest yield curves as per the balance sheet date.

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 current macroeconomic and geopolitical issues, supply chain issues and global logistic constraints, energy and material availability and relevant price variability, 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in "Financial income/(expenses)" over the period in which Iveco Group recognises interest expense on the related debt. The after-tax gains (losses) deferred in other comprehensive income/(loss) that will be recognised 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 2023 and 2022 are considered Level 2. The fair market value of these derivatives is calculated using market data input and can be compared to actively traded derivatives.

Financial statement impact of Iveco Group derivatives

The following table summarises 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 2023 and 2022:

(€ million)	**2023**	**2022**
Cash flow hedges		
Recognised in Other comprehensive income (effective portion):		
Foreign exchange derivatives	(31)	(47)
Interest rate derivatives	—	23
Reclassified from other comprehensive income (effective portion):		
Foreign exchange derivatives – Net revenues	7	7
Foreign exchange derivatives – Cost of sales	(53)	(34)
Foreign exchange derivatives – Financial income/(expenses)	14	(6)
Interest rate derivatives – Financial income/(expenses)	—	23
Not designated as hedges		
Foreign exchange derivatives – Financial income/(expenses)	116	(54)

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

	At 31 December 2023		**At 31 December 2022**	
(€ million)	**Positive fair value**	**Negative fair value**	**Positive fair value**	**Negative fair value**
Derivatives designated as hedging instruments				
Cash flow hedges:				
Foreign exchange derivatives	21	(34)	34	(32)
Total Cash flow hedges	21	(34)	34	(32)
Total Derivatives designated as hedging instruments	**21**	**(34)**	**34**	**(32)**
Derivatives not designated as hedging instruments				
Foreign exchange derivatives	6	(7)	16	(14)
Total Derivatives not designated as hedging instruments	**6**	**(7)**	**16**	**(14)**
Derivative assets/(liabilities)	**27**	**(41)**	**50**	**(46)**

Derivatives not designated as hedging instruments consist mainly of derivatives (mostly currency-based derivatives) acquired to hedge receivables and payables subject to currency risk and/or interest rate risk which are not formally designated as hedges at Group level. 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 2023		**At 31 December 2022**	
(€ 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	2,101	(60)	1,840	(48)
Total Cash flow hedges	2,101	(60)	1,840	(48)
Total Derivatives designated as hedging instruments	**2,101**	**(60)**	**1,840**	**(48)**
Total Derivatives not designated as hedging instruments	1,361	n/a	1,430	n/a
Total Derivatives	**3,462**	**n/a**	**3,270**	**n/a**

The following table provides the effects of hedged items designated in cash flow hedging relationships:

(€ million)	At 31 December 2023		At 31 December 2022	
	Cash flow hedge reserve (continuing hedges)	**Fair value changes used as a basis to calculate hedge ineffectiveness**	**Cash flow hedge reserve (continuing hedges)**	**Fair value changes used as a basis to calculate hedge ineffectiveness**
Cash flow hedges:				
Foreign exchange risk	(14)	(60)	(22)	(48)

The following table provides an analysis by due date of the notional amount of outstanding derivative financial instruments at 31 December 2023 and 2022:

(€ million)	At 31 December 2023			
	due within one year	**due between one and five years**	**due beyond five years**	**Total**
Currency risk	3,357	105	—	3,462
Total notional amount	**3,357**	**105**	**—**	**3,462**

(€ million)	At 31 December 2022			
	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**

19. Cash and cash equivalents

Cash and cash equivalents consist of:

(€ million)	At 31 December 2023	At 31 December 2022
Cash at banks	2,408	2,032
Restricted cash	104	83
Money market securities and other cash equivalents	186	173
Total Cash and cash equivalents	**2,698**	**2,288**

Amounts shown are readily convertible into cash and are subject to an insignificant risk of changes in value. Restricted cash mainly consists of Central Bank deposits established for regulatory purposes by an affiliate benefiting from a banking license.

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 and liabilities held for sale

On 30 March 2023, Iveco Group announced the signing of a letter of intent for the transfer to Hedin Mobility Group AB of its distribution and retail commercial operations in Sweden, Norway, Finland, and Denmark. In particular, the transfer refers to the Group commercial activities for light, medium and heavy trucks, including retail minibuses but excluding all other assets relating to bus activities, financial services, and other Group businesses. Following up on the letter of intent, in December 2023 a Share Purchase Agreement has been signed between Iveco Group and Hedin Mobility Group AB. Subject to regulatory approval, the transaction is expected to be completed during the first half of 2024, without any significant impact to profit or loss from the sale. The relevant operations have been classified as a disposal group held for sale and presented separately in the consolidated statement of financial position, as required by IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.* The major classes of assets and liabilities comprising the operations classified as held for sale at 31 December 2023 are Property, plant and equipment (€22 million), Inventories (€27 million), Provisions (€7 million), Other current liabilities (€41 million) and Trade payables (€6 million). There are no cumulative income or expenses included in other comprehensive income relating to the disposal group.

In addition to the above, Assets held for sale at 31 December 2023 and 2022 also included certain 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 2023, the Company's share capital was €3,454,589.70, fully paid-in, and consisted of 271,215,400 Common Shares (265,213,685 Common Shares outstanding, net of 6,001,715 Common Shares held in treasury by the Company as described in the following section) and 74,243,570 Special Voting Shares (74,172,961 Special Voting Shares outstanding, net of 70,609 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 2023 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**
(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**
(Purchases)/Sales of treasury shares	—	(6,001,715)	(6,001,715)	—	(44,445)	(44,445)	—	(6,046,160)	(6,046,160)
Total Iveco Group N.V. shares at 31 December 2023	**271,215,400**	**(6,001,715)**	**265,213,685**	**74,243,570**	**(70,609)**	**74,172,961**	**345,458,970**	**(6,072,324)**	**339,386,646**

During the year ended 31 December 2023:

- 44,445 Special Voting Shares were surrendered to the Company following the de-registration of the corresponding Qualifying Common Shares from the Loyalty Register and net of transfer and allocation of Special Voting Shares in accordance with the Special Voting Shares - Terms and Conditions;
- the Company delivered 788,276 Common Shares following the vesting of share-based compensation plans. 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 favour of the share premium reserve.

The Company is required to maintain a separate dividend reserve for the 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. 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. 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 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.

Subject to the approval of the General Meeting 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.

On 5 March 2024 the Board of Directors recommended and proposed to the Company's shareholders the distribution of a dividend in cash of €0.22 per Common Share, totalling approximately €59 million.

The proposal is subject to the approval of the Company's shareholders at the AGM to be held on 17 April 2024. It was proposed that the dividend be paid on 24 April 2024 on the outstanding common shares. The record date for the dividend will be 23 April 2024 and the common shares will be quoted ex dividend from 22 April 2024.

Distributions to shareholders and other persons entitled to distributable profits are allowed 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. For further details, see paragraph "Loyalty Voting Program" of the Corporate Governance section.

Treasury shares

At 31 December 2023, the Company held 6,001,715 Common Shares in treasury, net of transfers of Common Shares to fulfil its obligations under its share-based compensation plans, at an aggregate cost of €48.5 million. During the year ended 31 December 2023, the Company acquired approximately 44,445 Special Voting Shares surrendered to the Company following the de-registration of the corresponding Qualifying Common Shares from the Loyalty Register and net of transfer and allocation of Special Voting Shares in accordance with the Special Voting Shares - Terms and Conditions. As of 31 December 2023, the Company held 70,609 Special Voting Shares in treasury.

On 14 April 2023, the AGM authorised the Board of Directors to decide upon the acquisition of the Company's own Common Shares through purchases on the stock exchange and/or multilateral trading facilities, directly and/or otherwise, for a period of 18 months from the date of the AGM, i.e. up to and including 13 October 2024, in one or more transactions, subject to market and business conditions and in compliance with applicable rules and regulations. The Board's authority was limited to a maximum of up to 10,000,000 Common Shares, with a maximum total allocation to this end of €130 million. With due respect of applicable rules and regulations, purchases were required to take place for a price per Common Share (excluding expenses) no less than its nominal value (minimum price) and no more than 10% above the opening price as shown in the Official Price List of Euronext Milan on the day of acquisition (maximum price). The authority granted to the Board to repurchase Common Shares in the share capital of the Company intended, inter alia, to allow the Board to cover the Company's obligations related to share-based remuneration, under existing and/or future equity incentive plans.

On 14 April 2023, implementing the authorisation granted by the AGM, the Company announced the launch of an initial tranche (up to €55 million) of its share buyback program. Such initial tranche was completed on 20 December 2023. During the year ended 31 December 2023, the Company repurchased 6.8 million shares on Euronext Milan and other multilateral trading facilities under the buyback program at an aggregate cost of €55 million. A comprehensive and detailed overview of the purchases accomplished, is available on the Company's website, www.ivecogroup.com. At the AGM to be held in 2024, the Board of Directors intends to recommend to the Company's shareholders the renewal of the authorization to repurchase Common Shares in the share capital of the Company.

Capital reserves

At 31 December 2023 capital reserves amounted to €2,324 million.

Earnings reserves

Earnings reserves, amounting to €700 million at 31 December 2023, 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)	**2023**	**2022**
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:		
Gains/(losses) on the remeasurement of defined benefit plans	(27)	77
Fair value gain/(loss) on equity investments measured at fair value through other comprehensive income[(1)]	(33)	(172)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss (A)	**(60)**	**(95)**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedging instruments arising during the period	(31)	(24)
(Gains)/losses on cash flow hedging instruments reclassified to profit or loss	32	10
Gains/(losses) on cash flow hedging instruments	1	(14)
Foreign exchange gains/(losses) on translation of foreign operations arising during the period	(212)	(11)
Foreign exchange (gains)/losses on translation of foreign operations reclassified to profit or loss	—	—
Foreign exchange gains/(losses) on translation of foreign operations	(212)	(11)
Share of Other comprehensive income/(loss) of investees accounted for using the equity method arising during the period	—	(36)
Reclassification adjustment for the share of Other comprehensive income/(loss) of investees accounted for using the equity method	—	—
Share of Other comprehensive income/(loss) of investees accounted for using the equity method	—	(36)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss (B)	**(211)**	**(61)**
Tax effect (C)	**1**	**(8)**
Total Other comprehensive income/(loss), net of tax (A) + (B) + (C)	**(270)**	**(164)**

(1) In the years ended 31 December 2023 and 2022, Fair value gain/(loss) on equity investments measured at fair value through other comprehensive income includes the remeasurement at fair value of the investment in Nikola Corporation. Refer to Note 14 for additional information on this investment.

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

(€ million)	2023 Before tax amount	2023 Tax (expense)/ benefit	2023 Net-of-tax amount	2022 Before tax amount	2022 Tax (expense)/ benefit	2022 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	(27)	1	(26)	77	(15)	62
Fair value gain/(loss) on equity investments measured at fair value through other comprehensive income[(1)]	(33)	—	(33)	(172)	—	(172)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	**(60)**	**1**	**(59)**	**(95)**	**(15)**	**(110)**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:						
Gains/(losses) on cash flow hedging instruments	1	—	1	(14)	7	(7)
Foreign exchange gains/(losses) on translation of foreign operations	(212)	—	(212)	(11)	—	(11)
Share of Other comprehensive income/(loss) of investees accounted for using the equity method	—	—	—	(36)	—	(36)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	**(211)**	**—**	**(211)**	**(61)**	**7**	**(54)**
Total Other comprehensive income/(loss)	**(271)**	**1**	**(270)**	**(156)**	**(8)**	**(164)**

(1) In the years ended 31 December 2023 and 2022, Fair value gain/(loss) on equity investments measured 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

In 2023, Iveco Group recognised total share-based compensation expense of €19 million (€17 million in 2022) and total tax benefit relating to share-based compensation expense of €2 million (€4 million in 2022).

As of 31 December 2023, Iveco Group had unrecognised share-based compensation expense related to non-vested awards of approximately €22 million (€25 million at 31 December 2022) based on current assumptions related to the achievement of specified performance objectives, when applicable. Unrecognised share-based compensation costs will be recognised over a weighted-average period of 1.7 years (1.5 years in 2022).

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 recognised 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 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.

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 vested 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 ranged from 50% at threshold results to a cap of 200% at or above outstanding results. These metrics were considered performance vesting conditions. As such, compensation cost was accrued considering probable that the performance conditions would have been 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.

2023-2025 LTIP Awards

In May 2023, following the same framework of the 2022-2024 LTIP Awards, the Company issued approximately 1.3 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 2026 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 2023 were issued on 15 May 2023, 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 15 May 2023
Grant date stock price (in €)	7.33
Expected Volatility	38 %
Dividend yield	3 %
Risk-free rate	2.39 %

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 September and December 2023, Iveco Group issued total 38 thousand PSUs to select employees, set to vest on 28 February 2026.

The following table reflects the activity of PSUs under the 2021-2023 LTIP Awards from the Demerger, the 2022-2024 LTIP Awards and the 2023-2025 LTIP Awards during the years ended 31 December 2023 and 2022:

	2023		2022	
	Performance shares	Weighted average grant date fair value (in €)	Performance shares	Weighted average grant date fair value (in €)
Nonvested at beginning of year	**4,493,472**	**4.17**	**3,037,764**	**4.29**
Granted	1,376,028	7.61	1,907,289	3.99
Forfeited/Cancelled	(287,978)	4.79	(451,581)	4.12
Vested	—	—	—	—
Nonvested at end of year	**5,581,522**	**4.98**	**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 first tranche of RSUs (0.8 million) vested on 30 April 2023 and the second tranche will vest 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 thousand RSUs to select employees, set to vest on 28 February 2025.

2023-2025 LTIP Awards

In May 2023, following the same framework of the 2022-2024 LTIP Awards, the Company issued 0.7 million of RSUs to its key executive officers and select employees.

The RSUs will vest on 28 February 2026, 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 September and December 2023, Iveco Group issued total 87 thousand RSUs to select employees, set to vest on 28 February 2026.

The following table reflects the activity of RSUs under the 2021-2023 LTIP Awards from the Demerger, the 2022-2024 LTIP Awards and the 2023-2025 LTIP Awards during the years ended 31 December 2023 and 2022:

	2023		2022	
	Restricted shares	Weighted average grant date fair value (in €)	Restricted shares	Weighted average grant date fair value (in €)
Nonvested at beginning of year	**2,589,523**	**4.45**	**1,618,878**	**4.06**
Granted	862,126	6.79	1,142,039	4.99
Forfeited/Cancelled	(162,232)	4.96	(171,394)	4.27
Vested	(788,276)	4.18	—	—
Nonvested at end of year	**2,501,141**	**5.30**	**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 recognises 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 2023 and 2022, Iveco Group recorded expenses of approximately €329 million and €296 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 2023 and 2022 are as follows:

(€ million)	At 31 December 2023	At 31 December 2022
Post-employment benefits:		
Pension plans	156	147
Other	178	168
Total Post-employment benefits	334	315
Other provisions for employees	150	137
Other long-term employee benefits	60	58
Total Provision for employee benefits	**544**	**510**
Defined benefit plan assets	—	—
Total Defined benefit plan assets	**—**	**—**

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 2023 and 2022 changes in Other provisions for employees and in Other long-term employee benefits are as follows:

(€ million)	At 31 December 2022	Provision	Utilization	Change in the scope of consolidation and other changes	At 31 December 2023
Other provisions for employees	137	142	(129)	—	150
Other long-term employee benefits	58	9	(6)	(1)	60
Total	**195**	**151**	**(135)**	**(1)**	**210**

(€ 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**

The amounts recognised in the statement of financial position for pension plans at 31 December 2023 and 2022 are as follows:

(€ million)	Defined benefit obligation 2023	Defined benefit obligation 2022	Fair value of plan assets 2023	Fair value of plan assets 2022	Effect of asset ceiling 2023	Effect of asset ceiling 2022	Net defined benefit balance 2023	Net defined benefit balance 2022
Balance at the beginning of year	**386**	**529**	**272**	**323**	**33**	**—**	**147**	**206**
Current service cost	4	7	—	—	—	—	4	7
Interest expenses	14	5	—	—	1	—	15	5
Interest income	—	—	9	3	—	—	(9)	(3)
Other	—	1	—	—	—	—	—	1
Component of defined benefit cost recognised in the Consolidated Income Statement	**18**	**13**	**9**	**3**	1	—	**10**	**10**
Return on plan assets	—	—	8	(58)	—	—	(8)	58
Remeasurements:								
Actuarial losses/(gains) from changes in demographic assumptions	(3)	—	—	—	—	—	(3)	—
Actuarial losses/(gains) from changes in financial assumptions	22	(143)	—	—	—	—	22	(143)
Other remeasurements	9	7	—	—	—	—	9	7
Total remeasurements	28	(136)	—	—	—	—	28	(136)
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	—	—	—	—	(5)	33	(5)	33
Components recognised in the Consolidated Statement of Comprehensive Income	**28**	**(136)**	**8**	**(58)**	**(5)**	**33**	**15**	**(45)**
Contribution by employer	—	—	8	14	—	—	(8)	(14)
Contribution by plan participants	2	2	2	2	—	—	—	—
Benefits paid	(24)	(22)	(15)	(13)	—	—	(9)	(9)
Exchange rate differences	10	(3)	12	(1)	—	—	(2)	(2)
Other	1	3	—	2	2	—	3	1
Balance at end of year	**421**	**386**	**296**	**272**	**31**	**33**	**156**	**147**
Thereof:								
U.K.	133	132	125	120	—	—	8	12
Germany	146	134	—	—	—	—	146	134
Switzerland	130	111	161	144	31	33	—	—
Other countries	12	9	10	8	—	—	2	1
Total	**421**	**386**	**296**	**272**	**31**	**33**	**156**	**147**
Thereof:								
Net defined benefit liability							**156**	**147**
Net defined benefit asset							**—**	**—**

Other post-employment benefits at 31 December 2023 and 2022 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 recognised in the statement of financial position for Other post-employment benefits at 31 December 2023 and 2022 are as follows:

(€ million)	Defined benefit obligation 2023	2022
Balance at the beginning of year	**168**	**205**
Current service cost	4	5
Interest expenses	6	—
Past service cost	(2)	—
Component of defined benefit cost recognised in the Consolidated Income Statement	**8**	**5**
Remeasurements:		
Actuarial losses/(gains) from changes in financial assumptions	6	(38)
Other remeasurements	6	6
Total remeasurements	12	(32)
Components recognised in the Consolidated Statement of Comprehensive Income	**12**	**(32)**
Benefits paid	(11)	(10)
Other	1	—
Balance at end of year	**178**	**168**
Thereof:		
Italy	120	116
France	55	49
Other countries	3	3
Net defined benefit liability	**178**	**168**

The weighted average durations of post-employment benefits obligations are as follows:

	N° of years
Pension plans	12
Other post-employment benefits	9

Assumptions

The following main assumptions were utilized in determining the funded status at 31 December 2023 and 2022, and the expense of Iveco Group's defined benefit plans for the years ended 31 December 2023 and 2022:

		Assumptions used to determine funded status at year-end
		At 31 December 2023
(in %)	**Pension plans**	**Other post-employment benefits**
Weighted-average discount rates	3.08	3.26
Weighted-average rate of compensation increase	2.07	3.31
		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

		Assumptions used to determine expense at year-end
		At 31 December 2023
(in %)	**Pension plans**	**Other post-employment benefits**
Weighted-average discount rates – current service cost	1.96	3.73
Weighted-average discount rates – interest cost	3.62	3.75
Weighted-average rate of compensation increase	2.08	3.54
		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

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 analysing 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 an effect on the amount recognised in the 2023 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 2023	(44)	51
Effect on other post-employment defined benefit obligation at 31 December 2023	(15)	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 2023 and 2022 may be disaggregated by asset class and level as follows. Fair value levels presented below are described in the "Accounting policies – Fair value measurement" section of these Notes.

	Fair value of plan assets							
	At 31 December 2023				At 31 December 2022			
(€ million)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Equity securities	44	35	9	—	38	38	—	—
Government bonds	94	49	45	—	78	78	—	—
Corporate bonds	37	—	37	—	6	6	—	—
Insurance contracts	10	—	—	10	9	—	—	9
Other types of investments (1)	48	16	24	8	62	62	—	—
Cash	17	17	—	—	27	27	—	—
Real Estate	46	—	46	—	52	—	52	—
Total	**296**	**117**	**161**	**18**	**272**	**211**	**52**	**9**

(1) This category includes primarily commingled funds.

Contribution

Iveco Group expects to contribute approximately €6 million to its pension plans in 2024. The benefit expected to be paid from the benefit plans, which reflect expected future years of service, are as follows:

	Expected benefit payments						
(€ million)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029 to 2032**	**Total**
Post-employment benefits:							
Pension plans	24	25	24	24	23	111	**231**
Other	12	11	11	12	14	83	**143**
Total Post-employment benefits	36	36	35	36	37	194	**374**
Other long-term employee benefits	5	6	5	5	6	32	**59**
Total	**41**	**42**	**40**	**41**	**43**	**226**	**433**

Potential outflows in the years after 2024 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 2022**	**Charge**	**Utilization**	**Release to income and other changes**	**At 31 December 2023**
Warranty and technical assistance provision	430	412	(291)	(53)	498
Restructuring provision	35	7	(13)	(5)	24
Investment provision	5	—	—	—	5
Other risks	1,128	847	(588)	(78)	1,309
Total Other provisions	**1,598**	**1,266**	**(892)**	**(136)**	**1,836**

(€ 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**

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 2023	At 31 December 2022
Commercial risks	500	384
Marketing and sales incentives programs	444	368
Legal proceedings and other disputes	81	91
Other reserves for risks and charges	284	285
Total Other risks	**1,309**	**1,128**

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 recognised 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 other provisions of smaller amounts for miscellaneous risks and charges in connection with risks which cannot be specifically attributed to the other provision categories.

None of these provisions is individually significant. Each Group company recognises 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 2023 and 2022, Iveco Group had available committed unsecured facilities expiring after twelve months amounting to €2,000 million.

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 two additional years with all lenders, by exercising the first and the second one-year extension option. The facility is now due to mature in January 2029.

On 27 November 2023, Iveco Group signed a €450 million term loan facility with the European Investment Bank with an 8-year amortization profile, which represents the first tranche of the €500 million total approved by the European Investment Bank. The proceeds of the loan facility, which have been drawdown in full in December 2023, will be applied, over a period of three years, to enable Iveco Group to develop innovative technologies and architectures in the field of electric propulsion and to increase efficiency, safety, driving comfort and productivity by further developing solutions for autonomous driving, digitalization and vehicle connectivity.

The facilities above 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 2023, Iveco Group was in compliance with all covenants of the above facilities.

At 31 December 2023, Financial Services' asset-backed facilities amounted to €1,025 million (€839 million at 31 December 2022), committed and expiring after twelve months.

Debt

An analysis of debt by nature and due date is as follows:

	At 31 December 2023				At 31 December 2022			
(€ 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**
Asset-backed financing	3,282	578	—	**3,860**	3,072	77	—	3,149
Other debt:								
Borrowings from banks	196	1,221	214	**1,631**	49	663	9	721
Payables represented by securities	38	—	—	**38**	66	—	—	66
Lease liabilities	56	94	46	**196**	52	94	39	185
Other	370	5	—	**375**	304	8	—	312
Total Other debt	660	1,320	260	**2,240**	471	765	48	1,284
Total Debt	**3,942**	**1,898**	**260**	**6,100**	**3,543**	**842**	**48**	**4,433**

Total Debt was €6,100 million 31 December 2023, an increase of €1,667 million compared to 31 December 2022 as a result of an increase in asset-backed financing and in bank debt deriving from the higher portfolio of Financial Services, and to the signing of €450 million loan with the European Investment Bank.

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

Referring to Lease liabilities, in 2023, €68 million for the principal portion and €8 million for interest expenses related to lease liabilities, respectively, were paid (€67 million for the principal portion of Lease liabilities and €5 million for interest expenses, respectively, were paid in 2022).

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

(€ million)	At 31 December 2023	At 31 December 2022
Less than one year	63	57
One to two years	46	41
Two to three years	29	30
Three to four years	20	21
Four to five years	14	13
More than five years	55	46
Total undiscounted lease payments	**227**	**208**
Less: Interest	(31)	(23)
Total Lease liabilities	**196**	**185**

At 31 December 2023, the weighted average remaining lease term (calculated on the basis of the remaining lease term and the lease liability balance for each lease) and the weighted average discount rate for leases were 6.3 years and 3.6%, respectively (6.3 years and 2.8% at 31 December 2022).

With the purpose of further diversifying its funding structure, Iveco Group has established a commercial paper program. IC Financial Services S.A. in Europe issued commercial paper under the program which had an amount of €38 million outstanding at 31 December 2023 (€66 million outstanding at 31 December 2022).

As of 31 December 2023, 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 2023 and 2022, 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 2023 and 2022. In addition, the Group's assets include current receivables and cash with a pre-determined use reserved primarily to settle asset-backed financing of €3,860 million at 31 December 2023 (€3,149 million at 31 December 2022).

25. Trade payables

An analysis by due date of Trade payables is as follows:

	At 31 December 2023			
(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
Trade payables	**3,918**	**7**	**2**	**3,927**

	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**

26. Other current liabilities

An analysis of Other current liabilities is as follows:

(€ million)	At 31 December 2023	At 31 December 2022
Advances on buy-back agreements	936	995
Contract liabilities	1,332	1,280
Indirect tax payables	278	273
Accrued expenses and deferred income	165	137
Payables to personnel	174	157
Social security payables	98	87
Other	357	284
Total Other current liabilities	**3,340**	**3,213**

An analysis of Other current liabilities (excluding Accrued expenses and deferred income) by due date is as follows:

	At 31 December 2023			
(€ 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)	**1,880**	**1,248**	**47**	**3,175**

	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**

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 €595 million at 31 December 2023 (€619 million at 31 December 2022) for future rents related to buy-back agreements. Changes in Contract liabilities for the years ended 31 December 2023 and 2022 are as follows:

(€ million)	At 31 December 2022	Additional amounts arising during the period	Amounts recognised within revenue	Translation differences and other changes	At 31 December 2023
Contract liabilities	**1,280**	**701**	**(636)**	**(13)**	**1,332**

(€ million)	At 31 December 2021	Additional amounts arising during the period	Amounts recognised within revenue	Translation differences and other changes	At 31 December 2022
Contract liabilities	**1,270**	**586**	**(578)**	**2**	**1,280**

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 “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 rights disputes on intellectual property rights, product warranty and defective product claims, product performance liability, asbestos, personal injury, regulatory and contractual issues, competition law, anti-corruption and other investigations, environmental claims. All significant matters are described below.

The outcome of any current or future proceedings, claims, or investigations cannot be predicted with certainty. Adverse decisions in some of these proceedings, claims or investigations could require 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 Iveco Group's financial position and results.

When it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Iveco Group recognises specific provisions for this purpose. Contingent liabilities estimated by the Group, for which no provisions have been recognised since an outflow of resources is not considered probable at the present time, were not material at 31 December 2023 and 2022.

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

Other litigation and investigation

<u>Follow on Damages Claims</u>: 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 their 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 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 cannot be reliably predicted at this time and, therefore, the Group did not recognise any specific provision for these claims. In 2023, Iveco Group recognised a cost of €12 million related to certain claims for which it was possible to make a reliable estimate. This current position will be reassessed on a regular basis and updated as necessary, based on cases' evolution. 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.

<u>FPT Emissions Investigation</u>: 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 (later transferred to the public prosecutor's office in Stuttgart, Germany) and Turin, Italy, in relation to alleged noncompliance of two engine models produced by FPT Industrial S.p.A., which is now part of the Iveco Group. The Italian criminal investigation has been concluded in 2023. As a result of the full cooperation and discussions with the investigative authorities, the German criminal investigation has also been concluded in December 2023. We are also defending individual civil claims alleging emissions' non-compliance in Germany and Austria. We cannot predict at this time the extent and outcome of these individual claims and therefore we did not recognise any specific provision in such relation.

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 of a joint venture related to commercial commitments of defense vehicles, for the total amount of €422 million and €452 million at 31 December 2023 and 2022, 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") reviews to assess performance and make decisions about resource allocation. The segments are organised based on products and services provided by Iveco Group.

As of 31 December 2023, Iveco Group had three operating segments:

- **Commercial and Specialty Vehicles** designs, manufactures and distributes a full range of light, medium, and heavy vehicles for the transportation and distribution of goods under the IVECO brand, minibuses, city-buses, intercity buses and coaches under the IVECO BUS and HEULIEZ brands, vehicles for civil defense and peace-keeping missions under the IDV brand, large-scale heavy-duty quarry and construction vehicles under the ASTRA brand and firefighting vehicles under the MAGIRUS 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 its European brands, dealers and customers under a vendor and service agreement, receiving a fee for the services rendered.

The activities carried out by the two industrial segments Commercial and Specialty Vehicles and Powertrain, as well as by the holding company Iveco Group N.V., are collectively referred to as "Industrial Activities".

Revenues for each reported segment are those directly generated by or attributable to the segment as a result of its business activities and include revenues from transactions with third parties as well as those deriving from transactions with other segments, recognised 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 recognised at normal market prices.

The CODM assesses the segment performance and makes decisions about resource allocation based upon Adjusted EBIT, which is deemed to more fully reflect Industrial Activities and Financial Services segments' profitability. Adjusted EBIT is defined as EBIT before restructuring costs and non-recurring items. In particular, non-recurring items are specifically disclosed items that management considers rare or discrete events that are infrequent in nature and not reflective of on-going operational activities.

The following table summarises Adjusted EBIT by reportable segment:

(€ million)	**2023**	**2022**
Commercial and Specialty Vehicles	773	415
Powertrain	252	187
Unallocated items, eliminations and other	(207)	(178)
Adjusted EBIT of Industrial Activities	**818**	**424**
Financial Services	122	103
Eliminations and other	—	—
Total Adjusted EBIT	**940**	**527**

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

(€ million)	**2023**	**2022**
Adjusted EBIT of Industrial Activities	818	424
Adjusted EBIT of Financial Services	122	103
Adjusted EBIT	**940**	**527**
Restructuring costs	(35)	(15)
Other discrete items(1)	(68)	(46)
Financial income/(expenses)	(450)	(206)
Profit/(loss) before taxes	**387**	**260**

(1) In the year ended 31 December 2023, this item mainly includes €43 million from the acquisition of full ownership of Nikola Iveco Europe GmbH (now renamed EVCO GmbH), €19 million costs related to certain claims arising from the EU Commission's 2016 antitrust settlement and FPT emission investigation closure, as well as €8 million positive impact from the release of provisions related to the Russia and Ukraine conflict, and €12 million separation costs related to the spin-off of the Iveco Group business. In the year ended 31 December 2022, this item primarily included €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.

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

Additional reportable segment information

Net Revenues by reportable segment for the years ended 31 December 2023 and 2022 are provided in Note 1.

Depreciation and amortization by reportable segment for the years ended 31 December 2023 and 2022 are provided below:

(€ million)	**2023**	**2022**
Commercial and Specialty Vehicles	435	396
Powertrain	159	162
Unallocated items, eliminations and other	2	—
Total Industrial Activities	596	558
Financial Services	3	2
Total Depreciation and Amortization(*)	**599**	**560**

(*) 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 2023 and 2022 are provided below:

(€ million)	**2023**	**2022**
Commercial and Specialty Vehicles	756	583
Powertrain	205	188
Unallocated items, eliminations and other	6	4
Total Industrial Activities	967	775
Financial Services	3	2
Total Expenditures for long-lived assets(*)	**970**	**777**

(*) 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 €3,498 million and €2,777 million in 2023 and 2022, respectively. Revenues earned in the rest of the world from external customers were €12,715 million and €11,580 million in 2023 and 2022, respectively. The following table highlights revenues earned from external customers in the rest of the world by destination:

(€ million)	**2023**	**2022**
France	2,183	2,098
Germany	1,606	1,442
Spain	1,170	828
Brazil	910	1,134
U.K.	786	627
Poland	493	415
Türkiye, Caucasus and South Central Asia Sub-region	493	367
Argentina	462	614
South East and Japan Sub-region, excluding Pakistan	458	471
Switzerland	377	287
Austria	373	255
Czech Republic	299	248
Romania	275	226
Belgium	269	259
Australia and New Zealand	219	209
The Netherlands	174	136
Portugal	171	192
China	150	159
Other	1,847	1,613
Total revenues from external customers in the rest of the world	**12,715**	**11,580**

Total non-current assets located in Italy, excluding financial assets, deferred tax assets and defined benefit assets, were €2,387 million and €2,088 million at 31 December 2023 and 2022, respectively, and the total of such assets located in the rest of the world totalled €2,910 million and €2,813 million at 31 December 2023 and 2022, respectively. The following highlights non-current assets by geographical area in the rest of the world:

(€ million)	**2023**	**2022**
France	639	650
Spain	750	670
Germany	572	564
Brazil	174	164
China	68	96
U.K.	54	12
Portugal	38	30
Switzerland	35	62
Belgium	34	54
Czech Republic	11	80
Other	535	431
Total non-current assets in the rest of the world	**2,910**	**2,813**

In 2023 and 2022, 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 recognised in the statement of financial position net of write-downs for the risk that counterparties may be unable to fulfil 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 recognised 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 fulfil 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 2023 the total net trade flows exposed to currency risk amounted to the equivalent of 9% of our revenue (13% in 2022).

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;
- ARS/USD, in relation to purchases from Europe.

Trade flows exposed to changes in these exchange rates in 2023 made up approximately 72% (70% in 2022) 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 recognised 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 2023. There were no substantial changes in 2023 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 2023 resulting from a hypothetical change of 10% in the exchange rates amounts to approximately €276 million (€291 million at 31 December 2022). 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 analysed 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) have partly been reformed and continue the reform process 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 were gradually abolished and replaced with alternative risk-free reference rates.

Group Treasury has managed and closely monitored the IBOR plan. No impact has been derived from the reform in term of renegotiation of contractual adjustment of financial instruments.

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, asset-backed securitizations, 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 2023, resulting from a hypothetical, unfavourable and instantaneous change of 10% in market interest rates, would have been approximately €3 million (€1 million at 31 December 2022).

Floating rate financial instruments consist principally of cash and cash equivalents, wholesale receivables, debt, and asset-backed securitizations. 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 2023, 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 €12 million (€8 million at 31 December 2022).

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 2023 linked to commodity prices would not have been significant (not significant at 31 December 2022).

31. Fair value measurement

Fair value levels presented below are described in the "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 2023 and 2022:

					At 31 December 2023
(€ million)	Note	Level 1	Level 2	Level 3	Total
Equity investments measured at fair value through other comprehensive income	(14)	4	—	11	15
Other investments	(14)	—	—	14	14
Derivative assets	(18)	—	27	—	27
Total Assets		**4**	**27**	**25**	**56**
Derivative liabilities	(18)	—	41	—	41
Total Liabilities		**—**	**41**	**—**	**41**

					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**

The following table provides a reconciliation from the opening balance to the closing balance for fair value measurements categorized in Level 3 in 2023 and 2022:

(€ million)	2023	2022
At 1 January	**21**	**13**
Acquisitions/(disposals)	3	8
Other changes	1	—
At 31 December	**25**	**21**

The fair value of equity investments categorized within Level 1 is determined by reference to their quoted market price at the reporting date. A market is regarded as active if quoted prices are readily and regularly, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

A description of the valuation techniques used to determine the fair value of derivative financial instruments, categorized within Level 2, is included in Note 18 "Derivative assets and Derivative liabilities".

Instruments included in Level 3 comprised primarily of 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.

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 2023 and 2022 are as follows:

						At 31 December 2023
(€ million)	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Carrying amount**
Retail financing	(17)	—	—	12	12	**12**
Dealer financing	(17)	—	—	5,540	5,540	**5,541**
Finance leases	(17)	—	—	53	53	**57**
Other receivables from financing activities	(17)	—	—	192	192	**192**
Total Receivables from financing activities[(1)]		**—**	**—**	**5,797**	**5,797**	**5,802**
Asset-backed financing	(24)	—	3,860	—	3,860	**3,860**
Borrowings from banks	(24)	—	1,638	—	1,638	**1,631**
Payables represented by securities	(24)	—	38	—	38	**38**
Lease liabilities	(24)	—	—	196	196	**196**
Other debt[(2)]	(24)	—	43	332	375	**375**
Total Debt		**—**	**5,579**	**528**	**6,107**	**6,100**

(1) At 31 December 2023, Receivables from financing activities includes €133 million of financial receivables from CNH Industrial classified as Level 3.

(2) At 31 December 2023, Other debt includes €332 million of financial payables to CNH Industrial classified as Level 3.

						At 31 December 2022
(€ million)	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Carrying amount**
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[(1)]		**—**	**—**	**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[(2)]	(24)	—	35	277	312	**312**
Total Debt		**—**	**3,961**	**462**	**4,423**	**4,433**

(1) At 31 December 2022, Receivables from financing activities included €146 million of financial receivables from CNH Industrial classified as Level 3.

(2) At 31 December 2022, Other debt included €277 million of financial payables to CNH Industrial classified as Level 3.

Receivables from financing activities

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

Debt

The fair value of Asset-backed financing, Borrowings from banks, Payable represented by securities and Other debt are included in the Level 2 and has been estimated based on discounted cash flows analysis using the current market interest rates at 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 2023 and 2022, related parties included Iveco Group's parent company Exor N.V. (which is controlled by Giovanni Agnelli B.V.) and its subsidiaries and affiliates, including CNH Industrial, Stellantis N.V. (formerly Fiat Chrysler Automobiles N.V. which, effective 16 January 2021, merged with Peugeot S.A. by means of a cross-border legal merger) and its subsidiaries and affiliates ("Stellantis"), and Iveco Group's unconsolidated subsidiaries, associates or joint ventures. In addition, the members of the Board of Directors and managers of Iveco Group with strategic responsibility and members of their families were also considered related parties.

As of 31 December 2023, based on public information available and in reference to Company's files, Exor N.V. held 43.2% 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 2023.

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

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 2023 and 2022.

In connection with the establishment of Fiat Industrial (now CNH Industrial) through the demerger from Fiat (which was subsequently merged into Fiat Chrysler Automobiles N.V. which is now Stellantis), the two companies entered into a Master Services Agreement ("Stellantis MSA") which sets forth the primary terms and conditions pursuant to which services were to be provided. Such Stellantis MSA was terminated in 2023. The Company either indemnified the service provider from any direct cost incurred as a result of such termination or purchased the lines of business dedicated to providing such services for its benefit or had them purchased by third-party providers that entered into new dedicated services agreements to supply the corresponding services. Only limited services (namely in relation to industrial security) are still shared.

During 2023 and 2022, Stellantis subsidiaries provided Iveco Group with services such as certain accounting and other administrative activities, maintenance of plant and equipment, security, and information systems under the terms and conditions described above.

These transactions are reflected in the Consolidated Financial Statements as follows:

(€ million)	**2023**	**2022**
Net revenues	40	29
Cost of sales	201	191
Selling, general and administrative costs	25	55

(€ million)	**At 31 December 2023**	**At 31 December 2022**
Trade receivables	—	4
Trade payables	35	40

Transactions with CNH Industrial

Iveco Group and CNH Industrial entered into agreements, primarily of commercial nature, but also covering general administrative and specific technical matters as well as services provided by CNH Industrial, as follows:

Master Service Agreement: in relation to lease of premises and several corporate services provided by Iveco Group to CNH Industrial or vice versa, Iveco Group and CNH Industrial entered into a Master Services Agreement ("MSA") whereby each Party (and its subsidiaries) may provide services to the other (and its subsidiaries), in substantial continuity with previous practices.

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

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

The transactions with CNH Industrial are reflected in the Consolidated Financial Statements as follows:

(€ million)	**2023**	**2022**
Net revenues	1,029	947
Cost of sales	22	20

(€ million)	**At 31 December 2023**	**At 31 December 2022**
Trade receivables	32	34
Financial receivables	133	146
Debt	332	277
Trade payables	18	15

Transactions with joint ventures

Iveco Group sells commercial vehicles and provides technical services to joint ventures such as IVECO - OTO MELARA Società Consortile a responsabilità limitata.

Net revenues from joint ventures were €232 million in 2023 (€260 million in 2022) and trade receivables from joint ventures were nil at 31 December 2023 (€14 million at 31 December 2022).

At 31 December 2023 and 2022, Iveco Group had provided guarantees on commitments of its joint ventures for an amount of €170 million and €161 million, respectively, mainly related to IVECO - OTO MELARA Società Consortile a responsabilità limitata.

Transactions with associates

Iveco Group sells trucks and commercial vehicles and provides services to associates. In 2023, revenues from associates were €93 million (€89 million in 2022). In 2023, cost of sales from associates were €18 million (€13 million in 2022). At 31 December 2023, receivables from associates amounted to €11 million (€12 million at 31 December 2022). Trade payables to associates amounted to €12 million at 31 December 2023 (€13 million at 31 December 2022). At 31 December 2023 and 2022, Iveco Group had provided guarantees on commitments of its associates for an amount of €232 million and €244 million related to CNH Industrial Capital Europe S.a.S.

Transactions with unconsolidated subsidiaries

In the years ended 31 December 2023 and 2022, there were no material transactions with unconsolidated subsidiaries.

Compensation to Key Management Personnel

The Company considers the members of the Board of Directors and the Senior Leadership Team to be the key management personnel as defined in IAS 24 - *Related Party Disclosures.*

The fees of the Directors (Executives and Non-Executives) of Iveco Group N.V. for carrying out their respective functions, including those in other consolidated legal entities, amounted to an expense of approximately €8 million in 2023 and €7 million in 2022. These amounts included the notional compensation cost arising for share-based payments awarded to Executive Directors. Details on the remuneration of Directors are given in the Remuneration Report.

The aggregate expense incurred for the compensation of the Senior Leadership Team (excluding the Chief Executive Officer, which is included in the Directors' compensation above) amounted to approximately €14 million in 2023 (€15 million in 2022) and included €11 million (€10 million in 2022) for short-term employee benefits, €3 million (€2 million in 2022) for share-based payments. In 2022, it also included €3 million for termination benefits. No expense for post-employment and other long-term benefits was included in both 2023 and 2022.

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 2023 amount to €124 million (€99 million in 2022).

Total interest of €305 million was paid and interest of €273 million was received in 2023 (interest of €119 million was paid and interest of €170 million was received in 2022, 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 recognised 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 recognised under operating activities in a single line item, which includes capital expenditure, depreciation, write-downs and changes in inventory.

Changes in working capital for 2023 and 2022 are summarised as follows:

(€ million)	**2023**	**2022**
Change in trade receivables	(90)	(35)
Change in inventories	(97)	(219)
Change in trade payables	368	555
Change in other receivables/payables	108	206
Change in working capital	**289**	**507**

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 recognised 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 change in receivables from financing activities that may be analysed as follows:

(€ million)	**2023**	**2022**
Change in dealer financing	(1,385)	(1,330)
Change in retail financing	(2)	—
Change in finance leases	—	2
Change in other receivables from financing activities	(17)	8
Change in receivables from financing activities	**(1,404)**	**(1,320)**

Liquidity absorbed by the increase in receivables from financing activities in 2023 was primarily a result of changes in the wholesale portfolio.

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 change in debt mainly reflects changes in borrowings from banks and in asset-backed financing. Changes in 2023 and 2022 are summarised as follows:

(€ million)	**2023**	**2022**
Change in asset-backed financing	710	1,223
Change in borrowings from banks and other debt	(10)	(258)
Change in other financial payables	**700**	**965**

Changes in derivative assets and liabilities consists of derivative financial instruments measured at fair value at the balance sheet date, as discussed in Note 18 above.

Reconciliation of changes in liabilities arising from financing activities may be analysed as follows:

(€ million)	2023	2022
Total Debt at beginning of year [1]	4,156	2,709
Derivative (assets)/liabilities at beginning of year	(4)	(7)
Total liabilities from financing activities at beginning of year	**4,152**	**2,702**
Cash flows	1,544	1,346
Other changes	86	104
Total liabilities from financing activities at end of year	**5,782**	**4,152**
Of which:		
Total Debt at end of year [1]	5,768	4,156
Derivative (assets)/liabilities at end of year	14	(4)

[1] *Excluding Debt payable to CNH Industrial.*

34. Subsequent events

Iveco Group has evaluated subsequent events through 5 March 2024, which is the date the financial statements were authorized for issuance. No significant events have occurred.

35. Companies included in the scope of the Consolidated Financial Statements

The main legal entities comprising the Iveco Group at 31 December 2023, 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%
EVCO GmbH	Germany	100.00%
Heuliez Bus S.A.S.	France	100.00%
IAV-Industrie-Anlagen-Verpachtung GmbH	Germany	88.00%
IDV ROBOTICS LIMITED	United Kingdom	80.00%
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%
Iveco (Schweiz) AG	Switzerland	100.00%
Iveco Arac Sanayi VE Ticaret A.S.	Turkey	100.00%
IVECO ARGENTINA S.A.	Argentina	100.00%
Iveco Austria GmbH	Austria	100.00%
Iveco Bayern GmbH	Germany	94.00%
Iveco Belgium N.V.	Belgium	100.00%
Iveco Czech Republic A.S.	Czech Republic	99.00%
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 S.A.S.	France	100.00%
Iveco Finland OY	Finland	100.00%

Name of legal entity	Country of Incorporation	Percentage Interest Held
Iveco France S.A.S.	France	100.00%
IVECO Group Korea LLC	South Korea	100.00%
Iveco Group Services (Thailand) Limited	Thailand	100.00%
Iveco Holdings Limited	United Kingdom	100.00%
Iveco Investitions GmbH	Germany	93.00%
Iveco Limited	United Kingdom	100.00%
Iveco LVI S.A.S.	France	100.00%
Iveco Magirus AG	Germany	94.00%
Iveco Nederland B.V.	Netherlands	100.00%
Iveco Nord Nutzfahrzeuge GmbH	Germany	94.00%
Iveco Nord S.A.S.	France	100.00%
Iveco Nord-Ost Nutzfahrzeuge GmbH	Germany	94.00%
Iveco Norge A.S.	Norway	100.00%
Iveco Otomotiv Ticaret A.S.	Turkey	100.00%
Iveco Ouest S.A.S.	France	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	99.00%
Iveco South Africa Works (Pty) Ltd	South Africa	60.00%
Iveco Sud-West Nutzfahrzeuge GmbH	Germany	94.00%
Iveco Sweden A.B.	Sweden	100.00%
Iveco Truck Centrum s.r.o.	Czech Republic	100.00%
Iveco Truck Services S.R.L.	Romenia	100.00%
Iveco Trucks Australia Limited	Australia	100.00%
Iveco Ukraine LLC	Ukraine	100.00%
Iveco West Nutzfahrzeuge GmbH	Germany	94.00%
Magirus Camiva S.A.S.	France	85.00%
Magirus GmbH	Germany	84.00%
Magirus Italia S.r.l.	Italy	100.00%
Magirus Lohr GmbH	Austria	84.00%
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%

Name of legal entity	Country of Incorporation	Percentage Interest Held
Seddon Atkinson Vehicles Ltd	United Kingdom	100.00%
Société Charolaise de Participations S.A.S.	France	100.00%
Zona Franca Alari Sepauto S.A.	Spain	52.00%
GATE S.P.A.	Italy	100.00%
IC Financial Services S.A.	France	100.00%
IC Financial Services UK Limited	United Kingdom	100.00%
IC Nordics A/S	Denmark	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	100.00%
Iveco Capital Solutions S.p.A.	Italy	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%
Iveco Group Switzerland SA	Switzerland	100.00%
Iveco Magirus Fire Fighting GmbH	Germany	85.00%
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 S.A.S.	France	100.00%
FPT ARGENTINA S.A.	Argentina	100.00%
FPT INDUSTRIAL BRASIL LTDA.	Brazil	100.00%
FPT Industrial S.p.A.	Italy	100.00%
FPT Motorenforschung AG	Switzerland	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%

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%

SUBSIDIARIES VALUED AT COST		
Altra S.p.A.	Italy	100.00%
Iveco Defence Vehicles France S.A.S.	France	100.00%
IVECO GROUP C.A.	Venezuela	100.00%
FPT INDUSTRIAL INDIA PRIVATE LIMITED	India	100.00%

Name of legal entity	Country of Incorporation	Percentage Interest Held
ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD		
CNH Industrial Capital Europe S.A.S.(2)	France	24.95%
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%
CODEFIS Società consortile per azioni	Italy	28.00%
OTHER COMPANIES VALUED AT FVTPL		
Naveco (Nanjing IVECO Motor Co.) Ltd.	People's Rep.of China	19.90%

(1) After the Demerger CIFINS S.p.A. is owned 50.00% by Iveco Group and 50.00% by CNH Industrial.
(2) This percentage represents the interest held by Iveco Group through its 50% interest in CIFINS S.p.A.

5 March 2024

The Board of Directors

Suzanne Heywood
Gerrit Marx
Lorenzo Simonelli
Tufan Erginbilgic
Essimari Kairisto
Linda Knoll
Alessandro Nasi
Olof Persson
Benoît Ribadeau-Dumas

IVECO GROUP N.V. COMPANY FINANCIAL STATEMENTS

At 31 December 2023

INCOME STATEMENT

(in euro thousand)	Note	2023	2022
Selling, general and administrative costs	(1)	(96,357)	(80,469)
Other operating income	(2)	80,772	65,427
Other operating expenses	(3)	(25,826)	(26,088)
Financial income	(4)	466,958	360,753
Financial expenses	(5)	(535,722)	(335,045)
PROFIT/(LOSS) BEFORE TAXES		**(110,175)**	**(15,422)**
Income tax benefit (expense)	(6)	24,402	3,376
Result from Investments in Group companies and other equity interests	(7)	304,151	158,798
NET PROFIT/(LOSS)		**218,378**	**146,752**

STATEMENT OF FINANCIAL POSITION

(BEFORE ALLOCATION OF THE RESULT)

(in euro thousand)	Note	At 31 December 2023	At 31 December 2022
ASSETS			
Intangible assets	(9)	8,696	3,439
Property, plant and equipment	(10)	1,996	849
Financial fixed assets	(11)	4,686,744	4,076,971
Investments in Group companies and other equity interests		4,497,811	3,877,510
Other financial assets		188,933	199,461
Deferred tax assets	(12)	11,081	4,691
Total Non current assets		**4,708,517**	**4,085,950**
Trade receivables	(13)	72,680	63,876
Other current assets	(14)	73,934	51,171
Current financial receivables	(15)	916,389	1,490,286
Derivative assets	(16)	59,357	69,178
Cash and cash equivalents	(17)	1,590,991	1,156,306
Total Current assets		**2,713,351**	**2,830,817**
TOTAL ASSETS		**7,421,868**	**6,916,767**

EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital		3,455	3,455
Treasury shares		(48,527)	—
Capital reserve		2,323,128	2,310,969
Legal reserves: cumulative translation adjustment reserve/OCI		(624,190)	(525,975)
Legal reserves: Other		1,649,802	1,470,098
Retained profit/(loss)		(1,167,789)	(1,051,570)
Profit/(loss) for the year		218,378	146,752
Total Equity	(18)	**2,354,257**	**2,353,729**
Provision for employee benefits	(19)	9,887	7,839
Other provisions	(20)	—	3,682
Total Provisions		**9,887**	**11,521**
Non-current financial liabilities	(21)	550,405	99,715
Total Non-current financial liabilities		**550,405**	**99,715**
Trade payables	(22)	30,961	28,242
Current financial liabilities	(21)	4,363,604	4,317,466
Derivatives Liabilities	(23)	58,786	66,242
Other current liabilities	(24)	53,968	39,852
Total Current liabilities		**4,507,319**	**4,451,802**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**7,421,868**	**6,916,767**

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 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. As a result of the listing, the company became a Dutch Public Interest Entity (OOB) on 3 January 2022.

At 31 December 2023, Iveco Group N.V. had 207 employees. Their breakdown by category was as follows:

	At 31 December 2023		At 31 December 2022	
	Number	**%**	**Number**	**%**
Managers, senior professionals & above	106	51.21 %	95	49.48 %
Professionals	79	38.16 %	78	40.63 %
Associates	22	10.63 %	19	9.90 %
Total number of employees	**207**		**192**	

At 31 December 2023, none of the employees is based in the Netherlands, but they are mostly based in Italy.

BASIS OF PREPARATION AND 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 2023 (and 31 December 2022), together with the notes thereto were authorized for issuance by the Board of Directors on 5 March 2024.

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, “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.

Receivables are mainly referred to subsidiaries. The accounting policy on trade and other receivables is included in note “Accounting policies” of the notes to the consolidated financial statements. The expected credit losses, if any, are accounted as a reduction in the carrying amount of these receivables.

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 "Accounting policies" of the Consolidated Financial Statements included in this Annual Report for notes on the uncertainty on evolution of certain macro-economic dynamics.

Certain prior year amounts included in the comparative Income Statement have been reclassified for consistency with the current year presentation and to improve the clarity of the Company Financial Statements. These reclassifications have had no impact on the comparative profit for the year and comparative shareholders' equity.

COMPOSITION AND PRINCIPAL CHANGES

1. Selling, general and administrative costs

The Selling, general and administrative costs of €96,357 thousand in 2023 (€80,469 thousand in 2022) mainly comprise:

- personnel costs of €45,203 thousand in 2023 (€38,298 thousand in 2022)
- ICT expenses of €14,347 thousand in 2023 (€7,127 thousand in 2022)
- administrative costs of €36,807 thousand in 2023 (€35,044 thousand in 2022), mainly marketing, advertising, membership fees and other professional costs, net of certain intercompany recharges due to services provided to Group subsidiaries.

2. Other operating income

Other operating income are €80,772 thousand (€65,427 thousand in 2022) and refer to amounts invoiced to Group Companies as compensation for management and other services rendered for the benefit of such Companies.

3. Other operating expenses

Other operating expenses include the following:

(in euro thousand)	**2023**	**2022**
Professional costs	21,370	16,202
Demerger costs	1,374	1,081
Other	3,082	8,805
Total Other Operating Expenses	**25,826**	**26,088**

Professional costs for an amount of €21,370 thousand in 2023 (€16,202 thousand in 2022) mainly refer to intercompany recharges from Group companies, strategic consulting expenses and legal expenses.

Demerger costs amount to €1,374 thousand in 2023 (€1,081 thousand in 2022) and relate to the spin-off of the Iveco Group business.

Other operating expenses in 2023 include restructuring expenses by €1,602 thousand, representing the total costs associated to certain fundamental organisational changes (€7,438 thousand in 2022).

4. Financial income

Financial income in 2023 amount to €466,958 thousand (€360,753 thousand in 2022).

The detail of Financial income is as follows:

(in euro thousand)	2023	2022
Financial income from Iveco Group companies:		
Interest income on current accounts	54,593	25,989
Interest and other income on loans	17,428	5,609
Income on derivative financial instruments towards Iveco Group companies	190,894	115,721
Other financial income	602	303
Total Financial income from Iveco Group companies	**263,517**	**147,622**
Financial income from third parties:		
Interest income on current accounts	6,026	1,532
Interest income on deposit accounts	5,061	3,812
Income on derivative financial instruments towards third parties	182,438	207,787
Total Financial income from third parties	**193,525**	**213,131**
Currency exchange income, net	**9,916**	**—**
Total Financial income	**466,958**	**360,753**

Financial income relate to the treasury and cash management activities performed by the Company on behalf of Iveco Group companies.

Income on derivative financial instruments include realised and unrealised gains, primarily on interest rate swaps, currency hedges (e.g. Outright, Forex Swaps, DCS) entered into with Iveco Group counterparties and prime international banks.

The detail of Income on derivative financial instruments is as follows:

(in euro thousand)	2023	2022
Income on derivative financial instruments towards Iveco Group companies	190,894	115,721
Income on derivative financial instruments towards third parties	182,438	207,787
Income on derivative financial instruments	**373,332**	**323,508**

5. Financial expenses

Financial expenses in 2023 amount to €535,722 thousand (€335,045 thousand in 2022).

The detail of Financial expenses is as follows:

(in euro thousand)	**2023**	**2022**
Financial expenses towards Iveco Group companies:		
Interest expense on current accounts	115,281	42,235
Interest and other expenses on loans	22,639	4,073
Losses on derivative financial instruments towards Iveco Group companies	160,535	3,223
Other financial expenses	679	—
Total Financial expenses from Iveco Group companies	**299,134**	**49,531**
Financial expenses towards third parties:		
Interest expense on current accounts	243	148
Interest and other expenses on bank borrowings	23,379	11,541
Losses on derivative financial instruments towards third parties	206,070	268,352
Other financial expenses	6,896	82
Total Financial expenses from third parties	**236,588**	**280,123**
Currency exchange expenses, net	—	5,391
Total Financial expenses	**535,722**	**335,045**

Financial expenses relate to the treasury and cash management activities performed by the Company on behalf of Iveco Group companies.

Other financial expenses mainly reflect expenses incurred in connection with unsecured committed credit lines provided by primary international banks.

Losses on derivatives include realised and unrealised losses, primarily on interest rate swaps, currency hedges (e.g. Outright, Forex Swaps, DCS) entered into with Iveco Group counterparties and primary international banks.

Losses on derivative financial instruments are as follows:

(in euro thousand)	**2023**	**2022**
Losses on derivative financial instruments towards Iveco Group companies	160,535	3,223
Losses on derivative financial instruments towards third parties	206,070	268,352
Losses on derivative financial instruments	**366,605**	**271,575**

6. Income tax benefit/(expense)

A breakdown of taxes recognised in the income statement is provided below:

(in euro thousand)	**2023**	**2022**
Federal current tax	19,023	284
Deferred tax assets	5,379	3,092
Total Income tax benefit/(expense)	**24,402**	**3,376**

The amount of the federal current tax (€19,023 thousand) is related to the remuneration of the fiscal loss from the Italian fiscal unit.

The deferred tax assets of €5,379 thousand in 2023 (€3,092 thousand in 2022) mainly refer to fiscal losses not remunerated and taxed provisions valued at the IRES rate in force in the years in which the temporary differences will reverse.

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)	2023	2022
Profit/(Loss) before taxes	(110,175)	(15,422)
Weighted average Italy statutory main corporation tax rate (IRES)	24 %	24 %
Theoretical income tax (expense)	**(26,442)**	**(3,701)**
Tax effect of permanent differences	1,268	1,336
Deemed Tax on Unremitted Earnings	1,011	(1,011)
True-up prior year	(239)	—
Current and deferred income tax recognised in the financial statements	**(24,402)**	**(3,376)**

7. Result from investments

Result from Investments in Group companies and other equity interests was a profit of €304,151 thousand in 2023 (€158,798 thousand in 2022) and includes the Company's share in the net profit or loss of the investees.

8. Other information by nature of expense

The income statement includes personnel costs of €45,203 thousand in 2023 (€38,298 thousand in 2022), which consist of the following:

	2023	2022
Wages and salaries	21,547	19,263
Defined benefit plans	17,015	15,793
Defined contribution plans and other social security costs	1,039	599
Other personnel costs	5,602	2,643
Total personnel costs	**45,203**	**38,298**

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

	2023	2022
Managers, senior professional & above	100	86
Professionals	78	68
Associates	18	16
Average number of employees	**196**	**170**

9. 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 2022	**3,370**	**82**	**3,452**
Additions	6,097	49	6,146
Balance at 31 December 2023	**9,467**	**131**	**9,598**
Accumulated amortization and impairment losses			
Balance at 31 December 2022	**—**	**12**	**12**
Amortization	864	26	890
Balance at 31 December 2023	**864**	**38**	**902**
Carrying amount at 31 December 2022	**3,370**	**69**	**3,439**
Carrying amount at 31 December 2023	**8,603**	**93**	**8,696**

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 recognised in the income statement under Selling, general and administrative costs.

10. Property, plant and equipment

Changes in the carrying amount of Property, plant and equipment 2023 and 2022 are as follows:

(in euro thousand)	Right-of-use-assets	Other Assets	Total
Gross carrying amount at 31 December 2022	**1,221**	**12**	**1,233**
Additions	2,316	97	2,413
Divestitures	(103)	—	(103)
Other changes	(18)	—	(18)
Balance at 31 December 2023	**3,416**	**109**	**3,525**
Accumulated depreciation and impairment losses			
Balance at 31 December 2022	**384**	**1**	**385**
Depreciation	1,208	2	1,210
Divestitures	(66)	—	(66)
Balance at 31 December 2023	**1,526**	**3**	**1,529**
Carrying amount at 31 December 2022	**837**	**11**	**849**
Carrying amount at 31 December 2023	**1,890**	**106**	**1,996**

At 31 December 2023, right-of-use assets refer primarily to lease contracts for company cars for an amount of €1,890 thousand (€837 thousand at 31 December 2022).

Short-term and low-value leases are not recorded in the statement of financial position; in 2023, Iveco Group recognised lease expenses for €61 thousand (€340 thousand at 31 December 2022). Lease expenses are recognised on a straight-line basis over the lease term.

Other assets refer to office furniture and include improvements to rented offices.

There were no tangible assets pledged as security at 31 December 2023 and 2022.

11. Financial fixed assets

At 31 December 2023 Financial fixed assets amount to €4,687 million and refer to Investments in Group companies and other equity interests (€4,498 million) and to non-current financial receivables (loans) from Iveco Group companies (€189 million).

The Investments in Group companies and other equity interests are totalled as follows:

(in euro thousand)	At 31 December 2023	At 31 December 2022
Balance at beginning of year	**3,877,510**	**—**
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	556,264	30,500
Result from Investments in Group companies and other equity interests	304,151	158,798
Dividend received	(44,847)	(73,717)
Cumulative translation adjustments and other OCI movements	(268,215)	(150,896)
Other	72,948	62,684
Balance at end of year	**4,497,811**	**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 €188,933 thousand at 31 December 2023 (€199,461 thousand at 31 December 2022), includes financial receivables from Iveco Group companies due over one year.

12. Deferred Tax Assets

The amount of deferred tax assets of €11,081 thousand at 31 December 2023 (€4,691 thousand in 2022) is mainly related to fiscal losses and taxed provisions.

Changes in the amount of Deferred Tax Assets are as follows:

(in euro thousand)	At 31 December 2022	Recognised in income statement	Other movements	At 31 December 2023
Deferred Tax Assets	4,691	5,379	1,011	11,081
Total Deferred Tax Assets	**4,691**	**5,379**	**1,011**	**11,081**

13. Trade receivables

At 31 December 2023, trade receivables totalled €72,680 thousand (€63,876 in 2022) 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.

14. Other current assets

At 31 December 2023, other current assets amounted to €73,934 thousand (€51,171 thousand in 2022) and consisted of the following:

(in euro thousand)	**At 31 December 2023**	**At 31 December 2022**
VAT receivables	21,596	4,652
Receivables from Group companies for consolidated Italian corporate tax	34,338	35,406
Prepaid expenses	10,670	10,351
Other receivables	7,330	762
Total Other current assets	**73,934**	**51,171**

Intercompany receivables for corporate tax amount to €34,338 thousand in 2023 (€35,406 thousand in 2022) 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 €10,670 thousand in 2023 (€10,351 thousand in 2022) and include upfront fees on credit lines for an amount of €5,104 thousand in 2023 (€6,968 thousand in 2022).

Other receivables include €3,093 thousand of tax credit for withholding tax and foreign tax credit.

Other current assets are entirely due within one year.

15. Current financial receivables

At 31 December 2023, current financial receivables amount to €916,389 thousand. The item may be specified as follows:

(in euro thousand)	**At 31 December 2023**	**At 31 December 2022**
Current accounts	730,770	1,214,262
Loans	185,619	276,024
Total Current financial receivables	**916,389**	**1,490,286**

At 31 December 2023, Current financial receivables are mainly made up of short-term financial receivables from Iveco Group companies for €730,770 thousand (€1,214,262 thousand at 31 December 2022) and loans to Iveco Group companies for €185,619 thousand (€276,024 thousand at 31 December 2022).

Such financial receivables bear floating interest at market rate and their carrying amount is deemed to approximate their fair value.

16. Derivative assets

(in euro thousand)	**At 31 December 2023**	**At 31 December 2022**
Derivative financial assets entered with Iveco Group companies	34,510	32,063
Derivative financial assets entered with third parties	24,847	37,115
Total Derivative assets	**59,357**	**69,178**

These items reflect the positive fair value of derivative financial instruments entered by the Company in the interest of Iveco Group subsidiaries. The Company operates as an intermediary towards third-party banks to mitigate, through the use of derivative instruments, the risk of its 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 utilise derivative instruments to mitigate their exposure to foreign currency fluctuations.

At 31 December 2023, the notional value and the maturity of financial derivatives is as follows:

(in euro thousand)	At 31 December 2023	Within one year	One to five years	Over five years
Notional value of derivatives with Iveco Group companies:				
Currency risk	1,661,321	1,575,196	86,125	—
Total Notional value of derivatives with Iveco Group companies	**1,661,321**	**1,575,196**	**86,125**	**—**
Notional value of derivatives with third parties:				
Currency risk	1,118,505	1,104,808	13,697	—
Total Notional value of derivatives with third parties	**1,118,505**	**1,104,808**	**13,697**	**—**
Total Notional value of financial derivatives	**2,779,826**	**2,680,004**	**99,822**	**—**

17. Cash and cash equivalents

(in euro thousand)	At 31 December 2023	At 31 December 2022
Cash at banks	1,590,991	1,156,306
Total Cash and cash equivalents	**1,590,991**	**1,156,306**

This item reflects cash balances held by the Company in current accounts and deposits with leading domestic and international financial institutions.

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 2023, there is no restricted cash (nil in 2022).

18. Equity

(in euro thousand)	Share capital	Treasury Shares	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**
Appropriation of the result of the year 2022	—	—	—	—	—	146,752	(146,752)	—
Current period change in OCI, net of taxes	—	—	—	(268,215)	—	—	—	(268,215)
Share-based compensation: cost accrued in the period	—	—	18,654	—	—	—	—	18,654
Purchase of treasury shares	—	(55,022)	—	—	—	—	—	(55,022)
Common shares issued from treasury shares for share-based compensation	—	6,495	(6,495)	—	—	—	—	—
Other movements	—	—	—	170,000	—	(83,267)	—	86,733
Legal reserve	—	—	—	—	179,704	(179,704)	—	—
Result for the year 2023	—	—	—	—	—	—	218,378	218,378
At 31 December 2023	**3,455**	**(48,527)**	**2,323,128**	**(624,190)**	**1,649,802**	**(1,167,789)**	**218,378**	**2,354,257**

Other movements of "Retained profit/(loss)" primarily include the negative impact of €170 million related to the transfer of fair value of equity investments designated at fair value through other comprehensive income (“FVTOCI”), partially offset by 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 2023 is in line with the Consolidated equity (excluding non-controlling interest). In addition, the Company profit for the year of €218 million equals the consolidated profit (excluding non-controlling interest).

The following table shows the reconciliation between the Company equity and the Consolidated equity:

(€ million)	Company Equity	Non-controlling interests	Consolidated Equity
At 1 January 2022	**2,289**	**22**	**2,311**
Dividend distributed	—	(1)	(1)
Share-based compensation expense	17	—	17
Profit/(loss)	147	12	159
Other comprehensive income/(loss)	(166)	2	(164)
Other changes	67	2	69
At 31 December 2022	**2,354**	**37**	**2,391**
Dividend distributed	—	(32)	(32)
Purchase of treasury	(55)	—	(55)
Share-based compensation expense	19	—	19
Profit/(loss)	218	16	234
Other comprehensive income/(loss)	(268)	(2)	(270)
Other changes	86	17	103
At 31 December 2023	**2,354**	**36**	**2,390**

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 2023, the Company's share capital was €3,454,589.70, fully paid-in, and consisted of 271,215,400 Common Shares (265,213,685 Common Shares outstanding, net of 6,001,715 Common Shares held in treasury by the Company as described in the following section) and 74,243,570 Special Voting Shares (74,172,961 Special Voting Shares outstanding, net of 70,609 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), 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 favour of the share premium reserve.

Changes in the composition of the share capital of Iveco Group N.V. during 2023 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**
(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**
(Purchases)/ Sales of treasury shares	—	(6,001,715)	(6,001,715)	—	(44,445)	(44,445)	—	(6,046,160)	(6,046,160)
Total Iveco Group N.V. shares at 31 December 2023	**271,215,400**	**(6,001,715)**	**265,213,685**	**74,243,570**	**(70,609)**	**74,172,961**	**345,458,970**	**(6,072,324)**	**339,386,646**

During the year ended 31 December 2023:

- 44,445 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 delivered 788,276 Common Shares following the vesting of share-based compensation plans. See paragraph below "Share-based compensation" for further discussion.

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.

Subject to the approval of the General Meeting 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 5 March 2024 the Board of Directors recommended and proposed to the Company's shareholders the distribution of a dividend in cash of €0.22 per Common Share, totalling approximately €59 million.

The proposal is subject to the approval of the Company's shareholders at the AGM to be held on 17 April 2024. It was proposed that the dividend be paid on 24 April 2024 on the outstanding Common Shares. The record date for the dividend will be 23 April 2024 and the common shares will be quoted ex dividend from 22 April 2024.

Distributions to shareholders and other persons entitled to distributable profits are allowed 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.

Subject to the adoption of the Annual Financial Statements by the AGM 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 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, 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 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 would resolve otherwise.

The General Meeting 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. This has been accomplished through the issuance of Special Voting Shares. For further details, see paragraph "Loyalty Voting Program" of the Corporate Governance section.

Treasury shares

At 31 December 2023, the Company held 6,001,715 Common Shares in treasury, net of transfers of Common Shares to fulfil its obligations under its share-based compensation plans, at an aggregate cost of €48.5 million. During the year ended 31 December 2023, the Company acquired approximately 44,445 Special Voting Shares surrendered to the Company following the de-registration of the corresponding Qualifying Common Shares from the Loyalty Register and net of transfer and allocation of Special Voting Shares in accordance with the Special Voting Shares - Terms and Conditions. As of 31 December 2023, the Company held 70,609 Special Voting Shares in treasury.

On 14 April 2023, the AGM authorised the Board of Directors to decide upon the acquisition of the Company's own Common Shares through purchases on the stock exchange and/or multilateral trading facilities, directly and/or otherwise, for a period of 18 months from the date of the AGM, i.e. up to and including 13 October 2024, in one or more transactions, subject to market and business conditions and in compliance with applicable rules and regulations. The Board's authority was limited to a maximum of up to 10,000,000 Common Shares, with a maximum total allocation to this end of €130 million. With due respect of applicable rules and regulations, purchases were required to take place for a price per Common Share (excluding expenses) no less than its nominal value (minimum price) and no more than 10% above the opening price as shown in the Official Price List of Euronext Milan on the day of acquisition (maximum price). The authority granted to the Board to repurchase Common Shares in the share capital of the Company intended, inter alia, to allow the Board to cover the Company's obligations related to share-based remuneration, under existing and/or future equity incentive plans.

On 14 April 2023, implementing the authorisation granted by the AGM, the Company announced the launch of an initial tranche (up to €55 million) of its share buyback program. Such initial tranche was completed on 20 December 2023. During the year ended December 2023, the Company repurchased 6.8 million shares on Euronext Milan and other multilateral trading facilities under the buyback program at an aggregate cost of €55 million. A comprehensive and detailed overview of the purchases accomplished, is available on the Company's website, www.ivecogroup.com. At the AGM to be held in 2024, the Board of Directors intends to recommend to the Company's shareholders the renewal of the authorization to repurchase Common Shares in the share capital of the Company.

Capital reserves

At 31 December 2023, capital reserves amounting to €2,323 million (€2,311 million at 31 December 2022), 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 N.V. on 28 December 2021,
- €2,279 million deriving from the Demerger of CNH Industrial effective on 1 January 2022,
- €(6) million issued from treasury shares for share-based compensation;
- €36 million of share based compensation (€19 million in 2023 and €17 million in 2022) net the vesting amount of €6 million.

Legal reserves

As of 31 December 2023, the Company Legal reserves amounted to €1,026 million (€944 at 31 December 2022) and relate to unrealised currency translation losses of €466 million and other OCI components for a net negative amount of €158 million, more than offset by other legal reserves for €1,650 million.

As of 31 December 2022, the Company Legal reserves amounted to €944 million and related to unrealised 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.

As of 31 December 2023, other legal reserves are made up by research and development costs capitalized by the equity investments for €1,479 million (€1,279 million at 31 December 2022), earnings from affiliated companies subject to certain restrictions on the transfer of funds to the parent company in form of dividend or otherwise for €30 million (€20 million at 31 December 2022) and earnings from subsidiaries that due to local law requirements cannot be distributed as dividend, unless the subsidiary is liquidated, for €141 million (€171 million at 31 December 2022).

Pursuant to Dutch law, limitations exist relating to the distribution of shareholders' equity for the entire amount of the legal reserves. By their nature, unrealised 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 2023 equalled to €1,653 million (€1,474 million at 31 December 2022). As a result, the distributable reserves as at 31 December 2023 amounted to €701 million (€880 million at 31 December 2022).

Share-based compensation

Iveco Group's equity awards are governed by three plans: i) Iveco Group N.V. 2021-2023 Long Term Incentive Plan; ii) Iveco Group N.V. 2022-2024 Long Term Equity Incentive Plan and iii) Iveco Group N.V. 2023-2025 Long Term Equity Incentive Plan.

For more information on Share-based compensation see Note 21 "Equity" of the Consolidated Financial Statements.

19. Provision for employee benefits

Provisions for employee benefits at 31 December 2023 and 2022 are as follows:

(in euro thousand)	At 31 December 2023	At 31 December 2022
Post-employment benefits	1,352	1,243
Other provision for employees	7,912	6,011
Other long-term employee benefits	623	585
Total Provision for employee benefits	**9,887**	**7,839**

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 recognised in the statement of financial position for post-employment benefits at 31 December 2023 and 2022 are as follows:

(in euro thousand)	At 31 December 2023	At 31 December 2022
Present value of funded obligations	1,352	1,243
Less: Fair value of plan assets	—	—
Deficit/(surplus)	1,352	1,243
Net liability/(Net asset)	**1,352**	**1,243**
Amounts at year-end:		
Liabilities	1,352	1,243
Assets	—	—
Net liability	**1,352**	**1,243**

Changes in the present value of post-employment obligations in 2023 and 2022 are as follows:

(in euro thousand)	At 31 December 2023	At 31 December 2022
Present value of obligation at the beginning of the year	**1,243**	**1**
Current service cost	11	10
Interest expense	44	(1)
Other remeasurements	69	2
Total remeasurements	69	2
Benefits paid	(70)	(26)
Transfers from other companies	55	1,257
Present value of obligation at the end of the year	**1,352**	**1,243**

Other remeasurements mainly include the amount of experience adjustments.

The following significant assumptions were utilized in determining the funded status at 31 December 2023 and 2022, and the expense of defined benefit plans for the years ended 31 December 2023 and 2022:

(in %)	Assumptions used to determine funded status at year-end
	At 31 December 2023
	Post-employment benefits
Weighted-average discount rates	4.03
Weighted-average rate of compensation increase	3.84
	At 31 December 2022
	Post-employment benefits
Weighted-average discount rates	3.76
Weighted-average rate of compensation increase	3.98

(in %)	Assumptions used to determine expense at year-end
	At 31 December 2023
	Post-employment benefits
Weighted-average discount rates – current service cost	4.03
Weighted-average discount rates – interest cost	4.03
Weighted-average rate of compensation increase	3.84
	At 31 December 2022
	Post-employment benefits
Weighted-average discount rates – current service cost	3.68
Weighted-average discount rates – interest cost	3.68
Weighted-average rate of compensation increase	3.98

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 analysing 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 recognised in the 2023 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 2023	(88)	97
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)	Post-employment benefits	Other long-term employee benefits	Total
At 31 December 2021	**2**	**—**	**2**
Provision	5,910	—	5,910
Utilization	(2)	—	(2)
Transfer from other companies	101	585	686
At 31 December 2022	**6,011**	**585**	**6,596**
Provision	9,470	—	9,470
Utilization	(7,611)	(44)	(7,655)
Other	(9)	71	62
Transfer from other companies	51	11	62
At 31 December 2023	**7,912**	**623**	**8,535**

20. Other Provisions

Changes in Other provisions are as follows:

(in euro thousand)	At 31 December 2022	Provision	Utilization	Reversal to P&L	At 31 December 2023
Provisions for other risks and charges	3,682	—	—	(3,682)	—
Total Other Provisions	**3,682**	**—**	**—**	**(3,682)**	**—**

(in euro thousand)	At 31 December 2021	Provision	Utilization	Reversal to P&L	At 31 December 2022
Provisions for other risks and charges	—	3,682	—	—	3,682
Total Other Provisions	**—**	**3,682**	**—**	**—**	**3,682**

Other Provisions at 31 December 2022 referred to expenses accrued by the Company in connection with other risks and charges.

21. 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 no acceleration of the advances, with prior notice to Iveco Group. At 31 December 2023 and 2022, Iveco Group had available committed unsecured facilities expiring after twelve months amounting to €2,000 million.

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 two additional years with all lenders, by exercising the first and the second one-year extension option. The facility is now due to mature in January 2029.

On 27 November 2023, Iveco Group signed a €450 million term loan facility with the European Investment Bank with an 8-year amortization profile, which represents the first tranche of the €500 million total approved by the European Investment Bank. The proceeds of the loan facility, which have been drawdown in full in December 2023, will be applied, over a period of three years, to enable Iveco Group to develop innovative technologies and architectures in the field of electric propulsion and to increase efficiency, safety, driving comfort and productivity by further developing solutions for autonomous driving, digitalization and vehicle connectivity.

The facilities above 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 2023, Iveco Group was in compliance with all covenants of the above facilities.

Non-current financial liabilities

The amount of Non-current financial debt, of €550 million at 31 December 2023 (€100 million at 31 December 2022), includes the amount payables to financial institutions after one year.

Changes are as follows:

(in euro thousand)	At 31 December 2022	Increase	Decrease	At 31 December 2023
Non-current financial liabilities	99,715	450,690	—	550,405
Total Non-current financial liabilities	**99,715**	**450,690**	**—**	**550,405**

(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**

Current financial liabilities

The amount of Current financial liabilities, of €4,364 million (€4,317 million at 31 December 2022), reflects mainly amounts due to Iveco Group companies for €3,960,953 thousand (€3,916,267 thousand at 31 December 2022) and to leading international banks for €400,729 thousand (€400,358 thousand at 31 December 2022) payable within one year.

Changes are as follows:

(in euro thousand)	At 31 December 2022	Increase	Decrease	At 31 December 2023
Current financial liabilities vs Iveco Group companies	3,916,267	44,686	—	3,960,953
Current financial liabilities vs third parties	400,358	371	—	400,729
Other Payables	841	1,081	—	1,922
Total Current financial liabilities	**4,317,466**	**46,138**	**—**	**4,363,604**

(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**

The amounts can be broken down as follows:

(in euro thousand)	At 31 December 2023	At 31 December 2022
Current accounts	3,582,098	3,591,833
Iveco Group companies	3,582,074	3,591,833
Third parties	24	—
Borrowings	779,584	724,792
Iveco Group companies	378,880	324,434
Third parties	400,704	400,358
Other Payables	1,922	841
Total Current financial liabilities	**4,363,604**	**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.

22. Trade payables

At 31 December 2023, trade payables totalled €30,961 thousand and consisted of the following:

(in euro thousand)	At 31 December 2023	At 31 December 2022
Trade payables vs Iveco Group companies	11,604	12,487
Trade payables vs other related parties	1,163	1,160
CNH Industrial Group companies	293	600
Stellantis Group companies	870	560
Trade payables vs third parties	18,194	14,595
Total Trade payables	**30,961**	**28,242**

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.

23. Derivative liabilities

(in euro thousand)	At 31 December 2023	At 31 December 2022
Iveco Group companies	24,125	35,024
Third parties	34,661	31,218
Total derivatives liabilities	**58,786**	**66,242**

These items reflect the negative fair value of derivative financial instruments entered by the Company in the interest of Iveco Group subsidiaries. The Company operates as an intermediary towards third-party banks to mitigate, through the use of derivative instruments, the risk of its 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 foreign currency fluctuations.

At 31 December 2023, the notional value and the maturity of financial derivatives is as follows:

(in euro thousand)	At 31 December 2023	Within one year	One to five years	Over five years
Notional value of derivatives with Iveco Group companies:				
Currency risk	1,058,072	1,045,194	12,878	—
Total Notional value of derivatives with Iveco Group companies	**1,058,072**	**1,045,194**	**12,878**	**—**
Notional value of derivatives with third parties:				
Currency risk	1,885,382	1,799,992	85,390	—
Total Notional value of derivatives with third parties	**1,885,382**	**1,799,992**	**85,390**	**—**
Total Notional value of financial derivatives	**2,943,454**	**2,845,186**	**98,268**	**—**

24. Other current liabilities

At 31 December 2023, Other current liabilities totalled €53,968 and included the following:

(in euro thousand)	At 31 December 2023	At 31 December 2022
Current amounts payable to employees, social security, directors	2,432	2,072
Tax payable	50,531	36,450
Tax payable vs third parties	8,364	659
Tax payable vs Iveco Group companies	8,731	34,968
VAT payables vs Iveco Group companies	31,726	—
Other Tax payable	1,710	823
Other liabilities	1,005	1,330
Total Other current liabilities	**53,968**	**39,852**

Tax payable vs third parties of €8,364 thousand is the amount of the federal debt for the Italian fiscal unit.

Tax payable vs Iveco Group companies amount to €8,731 thousand at 31 December 2023 (€34,968 thousand at 31 December 2022) and relate to the remuneration for tax losses contributed by the Italian subsidiaries participating in the domestic tax consolidation program for 2023, in which Iveco Group N.V. is the consolidating entity.

VAT payables vs Iveco Group companies amount to €31,726 thousand at 31 December 2023 (nil at 31 December 2022) and include intercompany VAT liabilities toward subsidiaries.

Other current liabilities are all due within one year and their carrying amount is deemed to approximate their fair value.

25. Guarantees, commitments and contingent liabilities

Guarantees issued at 31 December 2023 by the Company totalled €355,051 thousand (€305,142 thousand at 31 December 2022) and were made up as follows:

- €133,398 thousand (€159,761 thousand at 31 December 2022) for payment obligations related to excess VAT credits of the direct and indirect subsidiaries of Iveco Group N.V.;
- €121,653 thousand (€45,381 thousand at 31 December 2022) for sundry guarantees primarily in the interest of Iveco S.p.A. and Iveco Magirus AG for good execution of works;
- €100,000 thousand (€100,000 thousand at 31 December 2022) for credit lines granted from banks in the interest of Group companies.

At 31 December 2023 and 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.

26. Audit fees

The following table reports fees accrued for audit and other services to the Group performed by the independent auditor Deloitte Accountants B.V., the member firms of Deloitte & Touche and their respective affiliates (collectively, the "Deloitte Entities"). For 2022, the amounts refer to audit and other services performed by Ernst & Young Accountants LLP or entities in its network.

(in euro thousand)	**2023**	**2022**
Audit fees of the consolidated and Company financial statements	4,534	4,879
Other Audit and assurance services	82	66
Total Audit fees	**4,616**	**4,945**

The audit fees encompassed an amount of €150 thousand for the audit of the Company Financial Statements of Iveco Group N.V. performed by Deloitte Accountants B.V. (compared to €179 thousand in 2022, which pertained to the audit performed by Ernst & Young Accountants LLP).

27. 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.

28. Subsequent events

Iveco Group has evaluated subsequent events through 5 March 2024, which is the date the financial statements were authorized for issuance. No significant events have occurred.

5 March 2024

The Board of Directors

Suzanne Heywood

Gerrit Marx

Lorenzo Simonelli

Tufan Erginbilgic

Essimari Kairisto

Linda Knoll

Alessandro Nasi

Olof Persson

Benoît Ribadeau-Dumas

OTHER INFORMATION

Independent Auditor's Report

The report of the Company's independent auditor, Deloitte Accountants B.V., 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 AGM 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 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 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 may declare and pay dividends in United States Dollars. Furthermore, subject to the approval of the General Meeting 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, 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 for the year ended 31 December 2023 included in the annual report

Our opinion

We have audited the financial statements for the year ended 31 December 2023 of Iveco Group N.V., based in Amsterdam, the Netherlands. The financial statements comprise the consolidated financial statements and the 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 31 December 2023, and of its result and its cash flows for the year ended 31 December 2023 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 31 December 2023, and of its result for the year ended 31 December 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2023.
2. The following statements for 2023: the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity.
3. The notes to the consolidated financial statements, comprising a summary of the accounting policies and other explanatory information.

The company financial statements comprise:

1. The company statement of financial position as at 31 December 2023.
2. The company income statement for the year ended 31 December 2023.
3. 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 was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 90 million. The materiality is based on net revenue. 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 the audit committee that misstatements in excess of EUR 4.5 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 at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Iveco Group N.V.

Our group audit mainly focused on significant group entities. Our assessment of entities that are significant to the group was done as part of our audit planning and was aimed to obtain sufficient coverage of the risks of a material misstatement for the significant account balances, classes of transactions and disclosures that we have identified. In addition, we considered qualitative factors as part of our assessment.

For the selected component audit teams, the group audit team provided detailed written instructions, which, in addition to communicating our requirements of component audit teams, also detailed significant audit areas, including awareness for risks related to management override of controls and revenue recognition. Furthermore, we developed a plan for overseeing component audit teams based on its relative significance and specific risk characteristics. Our oversight procedures included a combination of live and virtual meetings with the component auditor, including working paper reviews. We also reviewed component audit team deliverables to gain a sufficient understanding of the work performed based on our instructions. The nature, timing and extent of our oversight procedures varied based on both quantitative and qualitative considerations.

By performing the procedures mentioned above at group entities, 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 on the consolidated financial statements.

Audit approach 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 entity 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 the audit committee exercises oversight, as well as the outcomes. We refer to section Risk Management and Internal Control System of the board report for management's fraud risk assessment in which the management and audit committee reflects on this 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 among others 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 in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We involved our forensic specialists in this evaluation to identify and evaluate possible financial statement or assertion level fraud and non-compliance risks and assessing findings of an investigation into actual fraud and / or non-compliance.

We identified management override of controls and revenue recognition as presumed fraud risks. Our audit procedures to respond to these fraud risks include, amongst others, detailed testing of journal entries and top-side adjustments based on supporting documentation. We have used data-analytics to perform a selection of journal entries based on risk-based characteristics to address the identified fraud risks.

Additionally we performed, amongst others, the following procedures:

- 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.
- We considered available information and made enquiries of relevant key management personnel, the Executive Directors and Non-Executive Directors.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- We evaluated whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.
- We evaluated whether the judgments and decisions made by the Board of Directors in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. The estimates and assumptions that might have a major impact on the financial statements are disclosed in accounting policies – use of estimates of the financial statements.
- For significant transactions during the year we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

This did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the entity through discussion with, amongst others, management, group legal counsel, internal audit and those charged with governance, reading minutes and reports of internal audit.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: (corporate) tax law, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the entity is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Given the nature of the entity's business and the complexity of these other laws and regulations, there is a risk of non-compliance with the requirements of such laws and regulations. In addition, we considered major laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the entity's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Audit Committee, the

Board of Directors and others within the entity as to whether the entity is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

Our responsibilities, as well as the responsibilities of the board of directors, related to going concern under the prevailing standards are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we performed procedures including evaluating management's assessment of the Company's ability to continue as a going concern and considering the impact of financial, operational, and other conditions. Based on these procedures, we did not identify any reportable findings related to the entity's ability to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed.

1. Recognition of "Follow on Damages Claims" as Contingent Liability

Description

In 2011 Iveco S.p.A. and Iveco Magirus AG (together ''Iveco'') 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 (of which Iveco was part before the demerger). Iveco paid a fine of EUR 494.6 million. Similar decisions were taken by the Commission with reference to the other competitors. Following the adoption of the European Commission's settlement decision, the Group has been named as defendants in many proceedings across Europe and Israel (so-called "Follow on Damages Claims").

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 cannot be reliably predicted at this time and, therefore, the Group did not recognize a provision for these claims.

How the key audit matter was addressed in the audit

Our audit procedures included, but were not limited to:

- meetings and discussions with management and in particular with Iveco Group N.V. internal legal department in order to obtain an understanding of relevant matters regarding the claims;
- discussing the allegations with both internal and external legal counsel and requested confirmation letters from in-house legal counsel and external legal counsel involved;
- review of management position papers also with the involvement of our legal specialists;
- review of the minutes of meetings of governance bodies;
- review the disclosures made in the financial statements and in the board report.

Observation

The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures did not result in any reportable matters.

2. Net realizable value of vehicles sold with buy-back commitment

Description

The Iveco Group N.V. consolidated financial statements at December 31, 2023 include, under "Property, plant and equipment", vehicles sold with a buy-back commitment in the amount of EUR 1,298 million after accumulated depreciation.

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. 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. 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 estimated net realizable value of vehicles sold with buy-back commitment depends on the situation in the used vehicle markets at the time the vehicles are expected to be returned.

Given the materiality of the carrying amount of this balance and the analysis needed in determining the estimated net realizable value which involves significant management's judgement, we have identified testing the valuation of the net realizable value of vehicles sold with buy-back commitment a key audit matter.

Note 13 to the consolidated financial statements shows movements on this caption during the reporting period. The measurement criteria applied by the Group to this caption are described in "Revenues recognition" of the "Accounting Policies" section of the notes to the consolidated financial statements.

How the key audit matter was addressed in the audit

Our audit procedures included, but were not limited to:

- understanding of the main controls performed by Iveco Group N.V. when recording transactions of vehicles sold with a buy-back commitment and on those controls over management's review of the significant assumptions adopted in the determination of estimated net realizable value process;
- review the method, data and assumptions used in relation to the estimation of net realizable value of vehicles sold with buy-back commitment including the analysis of Iveco Group N.V. management's written policies and procedures;
- meetings and discussions with management and inspection of documentation supporting key considerations taken by management in order to assess the reasonableness of management's significant assumptions in relation to the estimation of net realizable value of vehicles sold with buy-back commitment;
- review the disclosures made in the financial statements.

Observation

The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures did not result in any reportable matters.

3. Direction, supervision and review of the work performed by Deloitte & Touche S.p.A.

Description

Iveco Group N.V. is an international group of companies and is statutory seated in The Netherlands. As a result, the Company is required to issue financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code. Deloitte Accountants B.V. has been appointed as the Company's auditor for fiscal year 2023.

As part of our audit of these financial statements, we have engaged Deloitte & Touche S.p.A. to audit the Company's financials in accordance with EU-IFRS.

Following the NV structure of the group, we as Deloitte Accountants B.V., are required by International Standard on Auditing 600 to direct, supervise and review the work that was performed by Deloitte & Touche S.p.A. Since this forms a significant part of our audit, we have identified this as a key audit matter.

How the key audit matter was addressed in the audit

We have performed the following audit procedures:

- We, together with our specialists involved, issued written instructions to the audit team of Deloitte & Touche S.p.A. We reviewed and discussed the audit team's deliverables to ensure the work was performed in accordance with our instructions;
- In addition, we exercised direction, supervision and review on the work performed by the audit team of Deloitte & Touche S.p.A. throughout all stages of the audit by means of remote meetings, site visits as well as physical and remote file reviews. During these interactions, we were involved in the direction, supervision and review of audit procedures, such as but not limited to risk assessment, evaluating the company's internal control environment, (fraud) risk assessment, substantive audit procedures on significant and higher risk areas and concluding audit procedures; and
- We have joined several meetings between the audit team of Deloitte & Touche S.p.A. and management of Iveco Group N.V. on significant accounting and audit matters, including audit committee meetings.

Observation

The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures did not result in any reportable matters.

Report on the 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 other information consists of:

- Board Report.
- The remuneration report.
- The information on the board of directors and auditor and the letter from the chair and the Chief Executive Officer.
- 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 all the information regarding the board report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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 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.

Management 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.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the annual meeting of shareholders as auditor of Iveco Group N.V. in the general meeting held in second quarter of 2022, as of the audit for the year 2023 and have operated as statutory auditor ever since that financial year.

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 Format (ESEF)

Iveco Group N.V. has prepared its 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 XHTML format, including the (partly) 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 one 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 the company'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 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 the Board 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 frameworks 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 assignment 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 judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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.

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.

We communicate with those charged with governance 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 identified 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.

Amsterdam, 5 March 2024

Deloitte Accountants B.V.

M.R. van Leeuwen