06

Consolidated and Combined Financial Statements of Accelleron

KPMG

Statutory Auditor's Report

To the General Meeting of Accelleron Industries AG, Baden

Report on the Audit of the consolidated and combined financial statements

Opinion

We have audited the consolidated and combined financial statements of Accelleron Industries AG and its subsidiaries (the Company), which comprise the consolidated and combined statement of income and statement of comprehensive income for the year ended December 31, 2022, the consolidated balance sheet as of December 31, 2022, the consolidated and combined statements of cash flows and changes in stockholders' equity for the year ended December 31, 2022, the combined statement of income and statement of comprehensive income for the year ended December 31, 2021, the combined balance sheet as of December 31, 2021, the combined statements of cash flows and changes in stockholders' equity for the year ended December 31, 2021 and the related notes to the consolidated and combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and combined financial statements (pages 51 to 67) present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the consolidated and combined financial statements" section of our report. We are independent of the Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit, which include relevant ethical requirements in the United States of America, with the provisions of Swiss law and the requirements of the Swiss audit profession. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated and combined financial statements, the Company achieved its consolidated reporting structure effective September 30, 2022 upon completion of its legal structure formation. The consolidated and combined financial statements for 2022 include the results of the operations of the business from January 1, 2022 through September 30, 2022 on a combined basis and the results of the operations of the Company from October 1, 2022 through December 31, 2022 on a consolidated basis. The financial statements as of and for the year ended December 31, 2021 are presented on a combined basis.

As further discussed in Note 2, the financial statements presented on a consolidated and combined basis may not be indicative of the future performance of the Company and do not necessarily reflect what the results of operations, financial position and cash flows would have been had it operated as an independent business during the periods presented on a combined basis.

Our opinion is not modified in respect to this matter.

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Key Audit Matters

REVENUE RECOGNITION

BASIS OF PREPARATION - ACCOUNTING FOR THE SPIN-OFF TRANSACTION

Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the consolidated and combined financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and combined financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

Key Audit Matter

Total consolidated revenue of the financial year 2022 amounted to USD 781 million (2021: USD 756 million).

The Company offers products and services relating to highly customized turbochargers of engines for heavy-duty applications. The Company recognizes revenue when a performance obligation has been satisfied and control has been transferred to the customer, usually at a designated shipping point and in accordance with the agreed delivery terms for products, and upon customer acceptance for services.

Revenue is a key performance indicator and therefore in internal and external stakeholders' focus.

There is a risk that revenue may be recognized in the wrong accounting period. We consider revenue recognition to be a key audit matter due to the number of transactions that occur close to year-end and the potential impact of these transactions on the consolidated and combined financial statements if they are recorded in the incorrect accounting period.

Our response

Our audit procedures included, among others, inquiries with management regarding significant new contracts with customers and relevant changes in existing contracts. The procedures also included reading significant new or amended contracts to evaluate the terms and conditions and their impact on revenue recognition.

In addition, we evaluated the design and implementation of certain internal controls related to the Company's revenue process including controls over whether a performance obligation has been satisfied and control has been transferred to the customer.

On a sample basis, we reconciled revenue transactions recorded in December 2022 and January 2023 to the supporting documentation - such as sales contracts, external shipping documents and customer acceptance reports - to assess whether revenue has been recognized in the appropriate period and amount.

For further information on revenue recognition refer to the following: Note 3 of the consolidated and combined financial statements - Significant accounting policies – Revenue recognition.

BASIS OF PREPARATION - ACCOUNTING FOR THE SPIN-OFF TRANSACTION

Key Audit Matter

On October 3, 2022, the Turbocharging business of ABB was spun off to form the Company by way of a dividend-in-kind of the shares pro rata to all ABB shareholders.

In preparation for the spin-off and the listing of the Company on the Swiss stock exchange, the Company's business was carved out from ABB in several steps over the course of 2021 and 2022, until the target legal structure was established in September 2022.

Evaluating the Company's determination of the accounting for these transactions involved a number of separate, but related, considerations:

- Judgment was required to determine whether assets and liabilities, income and expenses were appropriately allocated to the combined business representing the Turbocharging business of ABB.
- Complexity was connected with determining the respective accounting guidelines applying to the spin-off transaction.

Our response

As part of our audit procedures we obtained and inspected the relevant legal agreements and documents outlining the terms of the transfer. Based on these agreements and documents we assessed the consolidation starting date, the legal entity structure subject to consolidation and the key terms and conditions of the transfer of assets and liabilities.

We assessed management's adjustments in the Company's consolidated and combined financial statements and the appropriateness of the conclusions made by the Company related to

- the allocation of assets and liabilities, income and expenses to the entities included in consolidated and combined financial statements, and
- the presentation of these items in the consolidated and combined financial statements

by inspecting the Company's position papers and evaluating the conclusions related to relevant accounting standards.

For further information on basis of preparation refer to the following: Note 2 of the consolidated and combined financial statements - Basis of preparation.

Board of Directors' Responsibilities for the consolidated and combined financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated and combined financial statements in accordance with U.S. generally accepted accounting principles and the provisions of Swiss law, and for the design, implementation, and maintenance of internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and combined financial statements, the Board of Directors is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated and combined financial statements are available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the consolidated and combined financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, Swiss Law, and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment or economic decisions made by a reasonable user based on the consolidated and combined financial statements.

In performing an audit in accordance with US GAAS, Swiss law, and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.
- Conclude on the appropriateness of the Board of Directors' 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 entity'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 consolidated and combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and combined financial statements, including the disclosures, and whether the consolidated and combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated and combined financial statements. We are responsible for the direction, supervision, and performance of the group audit of the Company. We remain solely responsible for our audit opinion.

We are required to communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters, including any significant deficiencies, that we identified during the audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated and combined financial statements of the current period and are therefore the key audit matters. 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The Board of Directors is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated and combined financial statements of the Company, the stand-alone financial statements of Accelleron Industries AG, the remuneration report, and our auditor reports thereon. Our opinion on the consolidated and combined financial statements does not cover the other information, and we do not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and combined financial statements, our responsibility is to read the other information and, in doing so, consider whether a material inconsistency exists between the other information and the consolidated and combined financial statements or our knowledge obtained in the audit or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated and combined financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated and combined financial statements submitted to you be approved.

KPMG AG

Simon Studer

Licensed Audit Expert
Auditor in Charge

Ekaterina Abramova

Zurich, March 28, 2023

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

Accelleron Consolidated and Combined

Statements of Income

		Years Ended December 31,	
(USD in thousands)	**Note**	**2022**	**2021**
Revenues	4	780,538	756,466
Cost of sales		(427,714)	(400,815)
Gross profit		**352,824**	**355,651**
Selling, general and administrative expenses		(149,602)	(121,043)
Research and development expenses		(51,087)	(51,626)
Other income, net		4,903	2,599
Income from operations		**157,038**	**185,581**
Interest and other finance expense		(555)	(1,379)
Income from operations before income taxes		**156,483**	**184,202**
Income tax expense	5	(26,691)	(39,897)
Net income		**129,792**	**144,305**
Attributable to non-controlling interests		6,991	5,797
Attributable to Accelleron		**122,801**	**138,508**

Earnings per share	**6**		
Basic EPS (USD)		1.31	1.48
Diluted EPS (USD)		1.31	1.48

See accompanying notes to the consolidated and combined financial statements

Accelleron Consolidated and Combined

Statements of Comprehensive Income

(USD in thousands)	Years Ended December 31, 2022	2021
Net income	129,792	144,305
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	(11,858)	(5,742)
Pension and other postretirement plan adjustments	(11,007)	—
Total other comprehensive loss, net of tax	**(22,865)**	**(5,742)**
Total comprehensive income, net of tax	**106,927**	**138,563**
Less: total comprehensive income, net of tax attributable to non-controlling interests	3,340	18
Total comprehensive income attributable to Accelleron, net of tax	**103,587**	**138,545**

See accompanying notes to the consolidated and combined financial statements

Accelleron Consolidated and Combined

Balance Sheets

(USD in thousands)	Note	December 31, 2022	2021
Cash and cash equivalents		189,357	73,183
Receivables, net	13	199,590	182,584
Contract assets	13	16,385	14,288
Inventories	12	186,287	154,754
Other current assets	14	23,285	12,054
Total current assets		**614,904**	**436,863**
Property, plant and equipment, net	9	150,109	145,557
Operating lease right-of-use assets, net	10	27,431	30,526
Goodwill and other intangible assets	11	10,540	10,746
Deferred tax assets	5	99,470	61,120
Pension asset	8	77,017	—
Other non-current assets		2,080	1,273
Total non-current assets		**366,647**	**249,222**
Total assets		**981,551**	**686,085**
Accounts payable	17	130,727	76,757
Contract liabilities	13	23,599	22,574
Current lease liabilities	10	7,130	10,540
Current debt	20	—	92,136
Current provisions	15	27,979	27,143
Accrued liabilities	16	56,226	49,521
Other current liabilities	16	40,735	47,452
Total current liabilities		**286,396**	**326,123**
Non-current debt	20	322,770	—
Non-current lease liabilities	10	20,997	20,505
Pension and other employee benefits	8	5,619	—
Deferred tax liabilities	5	32,811	16,300
Non-current provisions	15	16,216	15,011
Other non-current liabilities		236	1,096
Total non-current liabilities		**398,649**	**52,912**
Total liabilities		**685,045**	**379,035**
Registered ordinary shares, CHF 0.01 par value, 94,500,000 shares issued at December 31, 2022		995	—
Treasury shares at cost, 748,701 shares at December 31, 2022		(3,981)	—
Additional paid-in capital		100,448	—
Net Former Parent investment		—	199,123
Accumulated earnings		122,801	—
Accumulated other comprehensive income		63,521	89,726
Total Accelleron's shareholders' equity	18	**283,784**	**288,849**
Non-controlling interests		**12,722**	**18,201**
Total shareholders' equity		**296,506**	**307,050**
Total liabilities and shareholders' equity		**981,551**	**686,085**

See accompanying notes to the consolidated and combined financial statements

Accelleron Consolidated and Combined

Statements of Cash Flows

(USD in thousands)	2022	December 31, 2021
Operating activities:		
Net income	129,792	144,305
Adjustments to reconcile net income to net cash provided by operating		
Depreciation and amortization	22,745	23,511
Pension and other employee benefits	(6,979)	—
Deferred taxes	2,149	(222)
Other	3,929	(804)
Changes in operating assets and liabilities:		
Receivables, net	(29,785)	(26,371)
Contract assets and liabilities	(864)	898
Inventories	(33,632)	4,154
Accounts payable, trade	45,678	15,455
Accrued liabilities	6,605	13,944
Provisions, net	2,098	(839)
Income taxes payable and receivable	1,203	(3,954)
Other assets and liabilities, net	(9,551)	(6,794)
Net cash provided by operating activities	**133,388**	**163,283**
Investing activities:		
Purchases of property, plant and equipment and intangible assets	(34,425)	(28,855)
Proceeds from sales of property, plant and equipment	338	1,609
Other investing activities	—	(517)
Net cash (used in) investing activities	**(34,087)**	**(27,763)**
Financing activities:		
Changes in financing receivables	—	(271)
Net transfer to Former Parent	(178,433)	(153,822)
Increase in debt	303,409	92,136
Repayment of debt	(93,129)	—
Dividends paid to non-controlling interests	(3,249)	(3,896)
Other financing activities	273	(374)
Net cash provided by (used in) financing activities	**28,871**	**(66,227)**
Effects of exchange rate changes on cash and cash equivalents	(11,998)	(478)
Net change in cash and cash equivalents	**116,174**	**68,815**
Cash and cash equivalents, beginning of period	**73,183**	**4,368**
Cash and cash equivalents, end of period	**189,357**	**73,183**
		—
Supplementary disclosure of cash flows information:		
Interest paid	(3,768)	—
Income taxes paid[1]	(23,339)	(44,073)

[1] In determining the taxable income, the Company made certain estimates and judgments for the period prior to the spin-off as if hypothetical tax returns had been filed. Therefore, income tax liabilities were assumed to be settled with the Former Parent through the net transfer to Former Parent.

See accompanying notes to the consolidated and combined financial statements

Accelleron Consolidated and Combined

Statements of Changes in Shareholders' Equity

(USD in thousands)	Registered ordinary shares	Treasury shares	Additional paid-in capital	Accumulated earnings	Net Former Parent investment	Accumulated comprehensive income	Total Accelleron's shareholders' equity	Non-controlling interests	Total shareholder's equity
Balance as of January 1, 2021	**—**	**—**	**—**	**—**	**157,752**	**95,486**	**253,238**	**21,186**	**274,424**
Net income	—	—	—	—	138,508	—	**138,508**	5,797	**144,305**
Other comprehensive income (loss), net	—	—	—	—	—	(5,760)	**(5,760)**	18	**(5,742)**
Changes in deferred taxes due to reorganization	—	—	—	—	51,781	—	**51,781**	—	**51,781**
Net transfers to parent	—	—	—	—	(153,822)	—	**(153,822)**	—	**(153,822)**
Dividends to non-controlling interest	—	—	—	—	—	—	**—**	(3,896)	**(3,896)**
Change in non-controlling interest	—	—	—	—	4,904	—	**4,904**	(4,904)	**—**
Balance at December 31, 2021	**—**	**—**	**—**	**—**	**199,123**	**89,726**	**288,849**	**18,201**	**307,050**
Balance as of January 1, 2022	**—**	**—**	**—**	**—**	**199,123**	**89,726**	**288,849**	**18,201**	**307,050**
Net income through September 30, 2022	—	—	—	—	96,851	—	**96,851**	5,485	**102,336**
Net transfers to parent	—	—	—	—	(114,222)	—	**(114,222)**	—	**(114,222)**
Dividends to non-controlling interest	—	—	—	—	—	—	**—**	(3,249)	**(3,249)**
Change in non-controlling interest	—	—	—	—	12,561	—	**12,561**	(12,561)	**—**
Issuance of registered ordinary shares and reclassification of Former Parent Investment, net	995	(3,981)	100,448	96,851	(194,313)	—	**—**	—	**—**
Net income from October 1, 2022	—	—	—	25,950	—	—	**25,950**	1,506	**27,456**
Other comprehensive income (loss), net	—	—	—	—	—	(26,205)	**(26,205)**	3,340	**(22,865)**
Balance at December 31, 2022	**995**	**(3,981)**	**100,448**	**122,801**	**—**	**63,521**	**283,784**	**12,722**	**296,506**

See accompanying Notes to the consolidated and combined Financial Statements

Notes to the Consolidated and Combined

Financial Statements

Note 1
The Company

Accelleron Industries AG and its subsidiaries (collectively the “Company” or “Accelleron”) together form a global leader in turbocharging technologies and optimization solutions for 0.5 to 80+ megawatt (MW) engines, helping to provide sustainable, efficient and reliable power to the marine, energy, rail, and off-highway sectors. Through its innovative product offerings and research leadership, the Company accelerates the decarbonization of the industries it operates in. Accelleron has an installed base of approximately 180,000 turbochargers and a network of more than 100 service stations across 50 countries worldwide.

Accelleron operates through two reportable segments, High Speed (HS) and Medium & Low Speed (M&LS), which offer turbochargers as well as services throughout the whole product life cycle.

The Company’s registered shares are listed on the SIX Swiss Exchange under the ticker symbol "ACLN” (ISIN: CH1169360919 / Swiss security number: 116936091).

Note 2
Basis of preparation

On July 20, 2022, ABB Ltd. (“ABB“ or “Former Parent”) announced that its Board of Directors had approved a plan to spin off Accelleron (“Business” or formerly ABB Turbocharging), its market-leading turbocharging division. The spin-off from ABB was carried out on October 3, 2022 as a dividend-in-kind where existing ABB shareholders were allocated on a pro rata basis, one (1) Accelleron share for twenty (20) ABB shares held.

The Accelleron legal structure formation was complete as of September 30, 2022 and since this date consolidated financial statements have been prepared. Prior to this date, Accelleron’s historical combined financials statements were derived from the consolidated financial statements and accounting records of ABB. The basis of preparation by period is shown below.

Date	Statement	Basis of presentation
For the period January 1, 2021 to December 31, 2021 and for the year ended December 31, 2021	Balance sheet Statements of income Statements of comprehensive income Statements of cash flows Statements of changes in shareholder's equity	Combined
For the period January 1, 2022 to December 31, 2022	Statements of income Statements of comprehensive income Statements of cash flows Statements of changes in shareholder's equity	Consolidated and Combined
For the year ended December 31, 2022	Balance Sheet	Consolidated

As of December 31, 2022, the consolidated and combined financial statements included the accounts of Accelleron and its subsidiaries. The consolidated and combined financial statements have been prepared in United States (U.S.) dollars and in conformity with accounting principles generally accepted in the United States (U.S. GAAP).

These consolidated and combined financial statements reflect the combined historical financial position, results of operations and cash flows of the Company’s business as historically managed within ABB for the periods prior to the completion of the legal structure formation and reflect the Company’s consolidated financial position, results of operations and cash flows for the period after the completion of the legal structure formation. The consolidated and combined financial statements may not be indicative of the Company’s future performance and do not necessarily reflect what the results of operations, financial position and cash flows would have been had it operated as an independent company during all periods presented.

For the periods prior to the completion of the legal structure formation, the combined statements of operations also include expense allocations for certain functions provided by ABB, including, but not limited to general corporate expenses related to finance, legal, information technology, human resources, communications, research and development, health and safety. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder principally allocated on the basis of percent of capital deployed, headcount or other measures. During the years ended 2022 and 2021 the Company was allocated approximately USD 33.4 million and USD 45.9 million, of which general corporate expenses, were included within cost of sales, selling, general and administrative expenses and non-order related research and development expenses in the consolidated and combined statements of income. Management considers the basis on which the expenses have been allocated to reasonably reflect the utilization of services provided to or the benefit received by the Company during the periods presented. The allocations may not, however, reflect the expenses the Company would have incurred if the Company had been an independent company for all periods presented. Actual costs that may have been incurred if the Company had been an independent company during these periods would depend on several factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. It is not possible to determine what such costs would have been had the Company been independent during these periods.

Intercompany transactions have been eliminated. Related party transactions between the Company and Former Parent have been included in these consolidated and combined financial statements and settled in cash at the time the transaction was recorded. The total net effect of the settlement of these transactions was reflected in the consolidated and combined statements of cash flows as a financing activity as net transfers to Former Parent and in the consolidated and combined balance sheet as net transfers to Former Parent. Amounts due to or due from ABB whereby the transaction is between two distinct legal entities, have been presented as assets and liabilities of the Company.

Prior to the spin-off, cash and cash equivalents presented in the combined balance sheet of the Company represent cash balances held by legal entities dedicated to the business of the Company. Transfers of cash between the Company and ABB have been presented as a component of the change in Net Former Parent investment as a financing activity in the consolidated and combined statement of cash flows.

External debt, including any interest expense, associated with the debt of ABB which was not directly attributable to the Company has been excluded from these consolidated and combined financial statements. Prior to the spin-off equity represented the net investment of ABB in the Company. ABB's historical retained earnings related to the Company were included within Net Former Parent investment.

Current and deferred income taxes have been determined based on the stand-alone results of the Company. Before achieving the completion of the legal structure formation, the Company prepared and filed its tax returns as part of ABB's tax group in certain jurisdictions.

Since the completion of the legal structure formation on September 30, 2022, all transferred net assets from ABB are controlled by Accelleron and the Company began to prepare consolidated financial statements.

Certain amounts in the Company's notes to the consolidated and combined financial statements may not add or recalculate due to rounding.

Note 3
Significant accounting policies

The following is a summary of significant accounting policies used in the preparation of these consolidated and combined financial statements.

Principle of Consolidation
The consolidated and combined financial statements include the accounts of Accelleron Industries AG and its subsidiaries in which the Company has control. Intercompany accounts and transactions have been eliminated.

Use of estimates
The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures in the accompanying notes. Actual results could differ materially from those estimates. Estimates and assumptions are periodically reviewed, and the effects of changes are reflected in the consolidated and combined financial statements in the period they are determined to be necessary.

Translation of foreign currencies and foreign exchange transactions
The reporting currency of the Company is U.S. dollars. The functional currency for most of the Company's foreign subsidiaries is their local currency. Net assets are translated at month-end exchange rates while income, expense, and cash flow items are translated at average exchange rates for the applicable period. Translation adjustments are recorded within accumulated other comprehensive income (loss).

The exchange rates for the most significant foreign currencies in 2022 are as follows:

	Year-end rate	Average rate
Euro (EUR)	1.068	1.054
Swiss Franc (CHF)	1.084	1.052
Japanese Yen (JPY)	0.008	0.008
Chinese Yuan (CNY)	0.145	0.149
Singapore Dollar (SGD)	0.746	0.668
Indian Rupee (INR)	0.012	0.013
British Pound (GBP)	1.204	1.238

Foreign currency exchange gains and losses, such as those resulting from foreign currency denominated receivables or payables, are included in the determination of earnings. Exchange gains and losses recognized in earnings are included in total revenues, cost of sales or selling, general and administrative expenses consistent with the nature of the underlying item.

Revenue recognition
The Company accounts for a contract with a customer when the contract has been approved by both parties, has commercial substance, contains payment terms, as well as each party's rights and commitments and collectability under the contract is considered probable.

The Company offers product and services contracts to meet its customers' needs. These contracts are largely recognized at a point in time with a minor percentage of performance obligations recognized over a period of time. Goods and services under such contracts are evaluated to determine whether they form distinct performance obligations and should be accounted for as separate revenue transactions. The Company allocates the sales price to each distinct performance obligation based on the price of each item sold in separate transactions at the inception of the contract.

Point in time revenue is recognized when the customer obtains control which is when it has taken title and assumed the risks and rewards of ownership specified in the contract. Generally, the transfer of title and risks and rewards of ownership are governed by the contractually defined shipping terms. Revenue for services is recognized at the point of customer acceptance.

Payment terms and rebates are agreed upon and apply to all sales of products or services under the contract. The price list and payment terms are fixed for a timeframe usually up to 2-3 years. Some large customers have incentives in the form of volume rebates, which are considered to be variable consideration when determining the transaction price and are accounted for as a reduction of revenues.

The differences between the timing of revenues recognized and customer billings result in changes to contract assets and contract liabilities. Contract assets arise when the timing of billing to customers differs from the timing of revenue recognition. Contract liabilities are recorded for amounts invoiced to customers in advance of revenue recognition.

Research and development
Research and development costs are predominantly non order related and are expensed as incurred.

Cash and cash equivalents
Cash and cash equivalents include highly liquid investments purchased with an original maturity of three months or less.

Accounts receivable and allowance for expected credit losses
Accounts receivable are recorded at the invoiced amount. The Company provides an allowance against accounts receivable for the amount expected to be uncollectible. The Company records a specific reserve for individual accounts when the Company becomes aware of specific customer circumstances, such as in the case of deterioration in the customer's operating results or financial position. If there are additional changes in circumstances related to the specific customer, the Company further adjusts estimates of the recoverability of receivables. The Company maintains an allowance for expected credit losses for all other customers based on a variety of factors, including the use of financial condition of customers, payment history, length of time receivables are past due, macroeconomic conditions, significant one-time events, and historical experience. Accounts receivable are written off against the allowance when they are deemed uncollectible.

The Company maintains non-recourse factoring agreements with a financial institution and regularly transfers certain account receivables from one customer. Under this factoring agreement, the Company is not exposed to any default risk of the transferred receivables.

Concentrations of credit risk
Concentrations of credit risk with respect to accounts receivable are limited, as the customer base is comprised of a large number of individual customers. Ongoing credit evaluations of customers' financial positions are performed to determine whether the use of credit support instruments such as guarantees, letters of credit or credit insurance are necessary; collateral is not generally required. The Company invests cash in deposits with banks throughout the world with certain minimum credit ratings and in high-quality, low-risk, liquid investments. The Company actively manages its credit risk by routinely reviewing the creditworthiness of the banks and the investments held.

Derivative instruments
Derivative instruments, not designated as hedging instruments, consist of foreign exchange contracts, used to hedge foreign currency denominated balance sheet exposures and forecasted foreign currency denominated sales and related foreign currency denominated purchases. All derivative instruments are initially recognized at fair value and changes in fair value are recognized in cost of sales within the consolidated and combined financial statements. Any cash flow impact on settlement of these contracts is classified as cash flows from operating activities.

Inventories
Inventories are stated at the lower of cost (computed in accordance with the weighted-average cost method) or net realizable value. Elements of cost include raw materials, purchased components, labor, and overhead.

Property, plant and equipment
The Company states property, plant and equipment at cost less accumulated depreciation. The Company capitalizes additions and improvements, and expenses maintenance and repairs as incurred. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are 15 to 40 years for buildings and 3 to 15 years for machinery and equipment. Leasehold improvements are depreciated over their estimated useful life or, for operating leases, over the lease term, if shorter.

Goodwill and other intangible assets
Goodwill is assessed for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that it might be impaired, by comparing carrying value to the reporting unit's fair value. Goodwill is assigned to a reporting unit, which is defined as an operating segment.
When evaluating goodwill for impairment, either a qualitative or quantitative assessment method is used. The qualitative assessment involves determining, based on an evaluation of qualitative factors, if it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on this qualitative assessment, it is determined to be more likely than not that the reporting unit's fair value is less than its carrying value, a quantitative impairment test is performed, otherwise no further analysis is required. The quantitative impairment test calculates the fair value of a reporting unit (based on the income approach whereby the fair value of a reporting unit is calculated based on the present value of future cash flows) and compares it to the reporting unit's carrying value. If the carrying value of the net assets of a reporting unit exceeds the fair value of the reporting unit, then an impairment charge equal to the difference is recognized, provided that the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit.

Costs incurred to develop software for internal use are capitalized within other intangible assets and are amortized on a straight-line basis over the estimated useful life, typically ranging from 3 to 5 years. Subsequent additions, modifications or upgrades are only capitalized if such changes allow the software to perform a task it previously did not perform.

Impairment of long-lived assets
The Company reviews long-lived assets, primarily property, plant and equipment and intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If impairment indicators are present and the estimated future undiscounted cash flows are less than the carrying value of the assets, the carrying values are reduced to the estimated fair value. Fair values are determined based on quoted market values, discounted cash flows, or external appraisals, as applicable.

Warranties
The Company offers warranties for products and services. For products, the warranty length ranges from 12 to 36 months. For services, the length is typically from 6 to 12 months. The Company provides for anticipated costs for warranties when it recognizes revenues on the related products or services. The warranty reserve includes the best estimate of the projected costs to replace or repair

Company provides for anticipated costs for warranties when it recognizes revenues on the related products or services. The warranty reserve includes the best estimate of the projected costs to replace or repair items under warranties including imperfections in design, material and workmanship. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. In addition, the Company makes individual assessments with risks resulting from order-specific conditions or guarantees and assessments on an overall, statistical basis for similar products sold in larger quantities. The portion of the warranty reserve expected to be incurred within the next 12 months is included within Current provisions, while the remaining balance is included within Non-current provisions on the consolidated and combined balance sheet. Warranty expense is recorded as a component of Cost of sales in the consolidated and combined statements of income.

Leases
The Company enters into operating leasing arrangements mainly for real estate, vehicles and machinery. The Company determines if a contract is or contains a lease at inception. A contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases with an original term of more than twelve months the Company recognizes a right-of-use asset (RoU) and a lease liability. RoU represent the right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Short-term leases with a term of twelve months or less and low-value leases are not recorded on the consolidated and combined balance sheets and the related expense is recognized on a straight-line basis over the term of the lease.

Lease liabilities are recorded at the commencement date of the lease based on the present value of the minimum lease payments which include any noncancellable lease terms and any renewal periods that the Company is reasonably certain to exercise. The present value of the lease payments is determined by using the interest rate implicit in the lease if available. As most of the operating leases do not provide an implicit rate, the Company's incremental borrowing rate is used for most leases and is determined for portfolios of leases based on the remaining lease term, currency of the lease, and the internal credit rating of the subsidiary which entered into the lease.

Lease and non-lease components for leases other than real estate are not accounted for separately.

Income taxes
Income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Most of the Company's operations have historically been included in the tax returns filed by the Former Parent entities. The income tax expense and other income tax related information in the consolidated and combined financial statements is based on a separate return method using the asset and liability approach of accounting for income taxes. Prior to spin-off, under this approach income taxes are calculated as if the Company was a standalone taxpayer filing hypothetical tax returns. Any additional accrued tax liability or refund arising as a result of this approach is assumed to be immediately settled with the Former Parent as a component of Former Parent investment. Deferred tax assets are reflected to the extent that such attributes are relating to operations which transferred with the Company upon the spin-off.

Earnings per share
Basic earnings per share is computed by dividing net income available to Accelleron's shareholders by the weighted average number of ordinary shares outstanding for the period. Diluted earnings per share is calculated by adjusting the weighted average outstanding ordinary shares to include any dilutive effect of shares granted subject to certain conditions under the Company's share-based payment arrangements.

Share-based payment arrangements
The Company has two equity incentive plans in place, defined as long-term incentive plans (LTIP). These share-based payment arrangements are accounted for under the fair value method. For awards that are equity-settled, total compensation is measured at grant date, based on the fair value of the award at that date, and recorded in earnings over the period the employees are required to render service. The Company recognizes compensation cost only for those awards expected to meet the service and performance vesting conditions on a straight-line basis over the requisite service period of the award. The Company estimates the forfeiture rate based on its future expectations as no historical experience exists.

Fair value of financial instruments
The required fair values of the Company's financial assets and financial liabilities reflect the amounts that could be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date (exit price). The Company determines fair value based on a three-tiered fair value hierarchy. The hierarchy consists of:

Level 1: fair value measurements represent exchange-traded securities which are valued at quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date;

Level 2: fair value measurements are determined using input prices that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data; and

Level 3: fair value measurements are determined using unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

Contingencies
Guarantees provided in favor of third parties are reported off-balance sheet as contingent liabilities and are only recognized as a provision if it is probable that an outflow of resources will occur.

The Company records a provision for its contingent obligations when it is probable that a loss will be incurred and the amount can be reasonably estimated. Any such provision is generally recognized on an undiscounted basis using the Company's best estimate of the amount of loss incurred or at the lower end of an estimated range when a single best estimate is not determinable. In some cases, the Company may be able to recover a portion of the costs relating to these obligations from insurers or other third parties; however, the Company records such amounts only when it is probable that they will be collected.

Pensions and other postretirement benefits
In accordance with local regulations and practices, the Company has various employee benefit plans, including defined contribution and termination indemnity plans. As of December 31, 2022, the Company recognizes the funded status of each defined benefit pension plan in the consolidated and combined balance sheets. Each overfunded plan is recognized as an asset in employee benefit assets and each underfunded plan is recognized as a liability in employee benefit obligations. The Company measures plan assets and obligations that determine its funded status at year end and recognizes the changes in the funded status in the year in which the changes occur.

Actuarial valuations are used to determine pension and postretirement benefit costs and credits. The amounts calculated depend on a variety of key assumptions, including discount rates and expected return on plan assets. Current market conditions are considered in selecting these assumptions. Significant differences between assumptions and actual experience, or significant changes in assumptions, may materially affect the pension obligations. The effects of actual results differing from assumptions and the changing of assumptions are included in net actuarial gain/(loss) within "Accumulated other comprehensive (loss) or income".

Recently issued accounting pronouncements not yet adopted
The Company reviewed all the recently issued, but not yet effective, accounting pronouncements and determined that none of these pronouncements will have a material impact on the Company's consolidated and combined financial position, operating results, cash flows, or related disclosures.

Impacts of COVID-19
On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. Many of these restrictive measures have been lifted or reduced as the number of COVID-19 cases has declined in Switzerland and various other countries in comparison to earlier levels at the height of the pandemic, and economic conditions have improved. At the current time all sites and service stations are open and operating. In light of the global nature of the Company's service business, the imposition of operating or travel restrictions may adversely affect the business because the Company relies on its ability to maintain service stations and personnel on-site in over 100 service locations globally. The Company's operations have continued to experience higher supply chain costs and constrained transportation due in part to the impacts of COVID-19. If the Company or the Company's customers experience prolonged shutdowns or other business disruptions, the business, liquidity, results of operations and financial condition may be materially adversely affected.

Impacts of the war in Ukraine
The acts of war, which Russian armed forces have started through their invasion of Ukraine in late February 2022 is causing disruption to business and economic activity in the region and worldwide. The Company decided to wind down business operations in Russia having already suspended all new shipments and paused marketing activities as of February 2022. The impact of the wind down is not significant to the Company's operations.

Note 4
Operating segment and disaggregated revenue information

The Company operates in two segments and discloses its operations according to the product lifecycle segmentation which is composed of High Speed (HS) and Medium & Low Speed (M&LS) segments:

- HS produces and services turbochargers with power ranging from 500 – 5,000 Kilowatts, for the use of 1 to 4 turbochargers per engine. HS turbochargers are mainly used in marine, electric power generation, Oil & Gas onshore and off-highway sites.

- M&LS produces and services turbochargers with power output from 3,000 – 30,000 Kilowatts, for the use of 1 to 2 turbochargers per engine. Such turbochargers are used mainly in marine and electric power generation applications and include rail, digital and Tekomar as their application and use is primarily related to M&LS.

The Company's Chief Operating Decision Maker (CODM) is a group of the highest ranked individuals within the Company, which manage the business' operations for the purposes of allocating resources, making operating decisions and evaluating financial performance.

The segments' performance measure is operational earnings before interest, taxes and amortization (Operational EBITA) which eliminates the impact of certain items that the Company does not consider indicative of its ongoing operating performance.

Information on segment assets is not disclosed as the Company does not use total assets by segment to evaluate segment performance or allocate resources and capital.

Segment Operational EBITA and the reconciliation to the Company's consolidated and combined results are as follows:

(USD in thousands)	Years Ended December 31, 2022	2021
Income from continuing operations before taxes	**156,483**	**184,202**
Add back: Interest and other finance expense, net[1]	555	1,379
Income from operations	**157,038**	**185,581**
Add back: One-off and other non-operational costs, net[2]	34,770	2,024
Operational EBITA[3]:	**191,808**	**187,605**
Thereof High Speed	40,954	49,620
Thereof Medium & Low Speed	150,854	137,985

1 Interest and other finance income/(expense), net includes non-operational pension income in the amount of USD 6,224 thousands (2021: USD 279 thousands of expense) and other finance expenses in the amount of USD 6,779 thousands (2021: USD 1,100 thousands).
2 One-off and other non-operational costs, net includes operational pension gains in the amount of USD 1,129 thousands (2021: USD nil), foreign exchange gains in the amount of USD 67 thousands (2021: USD 1,223 thousands), restructuring and related activities in the amount of USD 1,037 thousands of income (2021: USD 3,247 thousands of expenses) and build-up costs following the spin-off from Former Parent in the amount of USD 37,003 thousands (2021: USD nil).
3 Operational EBITA represents income from operations excluding costs related to acquisition and divestment, one-time items in statements of income, non-operational integration costs, special non-operational projects, restructuring costs, amortization of acquired intangibles as a result of a business combination and temporary unrealized timing differences in the context of foreign exchange transactions (FX). Operational EBITA is the Company's measure to monitor segments' performance and also used by management to evaluate the profitability of the Company as a whole.

The following table presents disaggregated revenues information for 2022 and 2021.

(USD in thousands)	Years Ended December 31, 2022	2021
Geographical markets:		
Asia, Middle East & Africa	316,539	303,091
thereof Japan	58,462	66,519
thereof China	86,902	81,040
The Americas	176,634	145,274
thereof United States of America	127,018	98,196
Europe	287,365	308,101
thereof Switzerland	19,499	17,265
	780,538	**756,466**
Product Type		
High Speed Products and Services	213,826	205,885
Medium & Low Speed Products and Services	566,712	550,581
	780,538	**756,466**
Third-party revenues	780,538	755,122
Revenues with related parties (Former Parent)	—	1,344
Total revenues	**780,538**	**756,466**

One of the Company's HS customers accounted for 13% and 12% of total revenues in 2022 and 2021, respectively. As of December 31, 2022 another customer of the Company's M&LS segment accounted for 12% of total revenues. Such customer accounted for less than 10% of total revenues in 2021 and is therefore not separately disclosed.

Note 5 Income taxes

In 2021, amounts presented in these consolidated and combined financial statements relate to income taxes determined on a separate return basis. Current income tax liabilities are assumed to be immediately settled when due in the same year. Therefore, current income taxes payable is only presented in the consolidated and combined financial statements where the tax liability is not settled within the same year when the taxes are due. The net effect of the settlement of these transactions is reflected in "Net transfer to Former Parent" as a financing activity in the consolidated and combined statements of cash flows. In 2022, the closing current tax payable/receivable reflects the positions payable to tax authorities on a separate return basis.

In both 2022 and 2021, the Company implemented legal reorganizations in several jurisdictions in order to legally separate the Turbocharging business from the legacy ABB corporate structure. Most of these legal reorganizations were implemented at fair market value which led in various jurisdictions to the crystallization of taxable capital gains for the transferor and the recognition of tax-deductible goodwill for the transferee. The current and deferred income tax consequences resulting from these transactions were recorded in the consolidated and combined statements of changes in equity as a change in Net Parent Investment.

Additionally, Accelleron derecognized all tax attributes (primarily tax loss carry-forwards) that were forfeited with the legal reorganizations or that no longer existed once the Turbocharging business was separated from the Former Parent. Within the tax neutral demergers executed in 2021 and 2022, the related tax losses are not transferred to the Company and hence, the respective deferred tax assets and the corresponding valuation allowances were released (see consolidated and combined statements of changes in shareholders' equity).

"Income tax expense" consisted of the following:

(USD in thousands)	2022	December 31, 2021
Current taxes	(24,800)	(40,119)
Deferred taxes	(1,891)	222
Tax expenses from operations	**(26,691)**	**(39,897)**

The effective income tax rate on pre-tax earnings differed from the Switzerland applicable tax rate as follows:

	Years Ended December 31,	
(USD in thousands, except % data)	**2022**	**2021**
Income from operations before taxes	**156,483**	**184,202**
Blended Swiss statutory tax rate	**17.5%**	**17.5%**
Income taxes at blended Swiss statutory tax rate	(27,384)	(32,235)
Non-deductible expenses	2,460	(77)
Items taxed at rates other than the blended Swiss statutory tax rate	(1,433)	(5,019)
Effects of changes in tax laws and (enacted) tax rates	1,756	87
Any tax expense for dividends and related distributions	(1,769)	(2,057)
Adjustments for tax of prior periods	(298)	—
Other, net	(23)	(596)
Income tax expense	**(26,691)**	**(39,897)**
Effective tax rate for the year	**17.1%**	**21.7%**

Deferred income tax assets and liabilities consisted of the following:

		December 31,
(USD in thousands)	**2022**	**2021**
Deferred tax assets:		
Intangible assets	76,967	54,459
Unused tax losses and credits	3,725	1,507
Provisions and other accrued liabilities	6,731	8,895
Pension	1,095	2,159
Inventories	2,646	2,514
Other	961	1,149
Property, plant and equipment	1,038	—
Other liabilities	6,397	—
Total gross deferred tax assets	**99,560**	**70,683**
Valuation allowance	**(90)**	**(705)**
Total gross deferred tax asset, net of valuation allowance	**99,470**	**69,978**
Deferred tax liabilities:		
Intangible assets	(344)	—
Property, plant and equipment	(14,057)	(20,156)
Other liabilities	(51)	(538)
Provisions and other accrued liabilities	(2,832)	—
Inventories	(1,703)	(202)
Pension	(11,781)	—
Unremitted earnings	(1,620)	(4,262)
Other	(423)	—
Total gross deferred tax liabilities	**(32,811)**	**(25,158)**
Net deferred tax asset	**66,659**	**44,820**

Included in:

"Deferred tax assets" - non-current assets	91,958	61,120
"Deferred tax liabilities" - non-current liabilities	(25,299)	(16,300)
Net deferred tax asset[1]	**66,659**	**44,820**

1 Deferred tax assets and liabilities are netted at the jurisdiction level whereas they are presented gross in the consolidated and combined financial statements as of 31.12.2022.

For the financial years ended December 31, 2022 and 2021, deferred tax liabilities totaling USD 1,620 thousands and USD 4,262 thousands respectively, have been provided for withholding taxes, dividend distribution taxes or additional corporate income taxes on unremitted earnings which will be payable in foreign jurisdictions in the event of repatriation of the foreign earnings to Switzerland. The Company does not have any unremitted earnings which are permanently reinvested.

Within the demergers executed in 2022 and 2021, the related retained earnings are not transferred to the business and hence, the respective deferred tax liabilities were released. These impacts were recorded as “Net transfers to Parent”.

As of December 31, 2022 and 2021, the net operating loss carry-forwards are USD 15,983 and USD 4,993 thousands, respectively, and tax credits are USD 62 thousands and nil, respectively, and these amounts were available to reduce future income taxes of certain subsidiaries. Of these amounts, USD 15,983 and USD 4,992 thousands, respectively, of operating loss carry-forwards and USD 62 thousands and nil, respectively of tax credits will expire in varying amounts through 2037, while the remainder are available for carryforward indefinitely.

As of December 31, 2022, the earliest significant open tax years that remained subject to examination were the following:

Europe	2021
United States	2021
Rest of Americas	2021
China	2013
Rest of Asia, Middle East and Africa	2019

Note 6
Earnings per share

		December 31,
(USD in thousands, except share and per share numbers)	**2022**	**2021**
Numerator:		
Net income attributable to Accelleron	122,801	138,508
Denominator:[1]		
Weighted number of outstanding shares (undiluted)	93,751,299	93,751,299
Weighted number of outstanding shares (diluted)	93,752,355	93,752,355
Basic EPS (USD)	**1.31**	**1.48**
Diluted EPS (USD)	**1.31**	**1.48**

1 Basic and Diluted EPS for historical periods prior to the spin-off reflect the number of registered shares, or 94'500'000 shares reduced by the number of shares held in treasury by the Company as if they were issued and outstanding from January 1, 2021.

Note 7
Share-based compensation

Share-based compensation expense was primarily recorded in selling, general and administrative expenses in the consolidated and combined statements of income.

	Years Ended December 31,
(USD in thousands)	**2022**
Total share-based compensation expense	**181**

Subsequent to the spin-off Accelleron adopted two long-term incentive plans (LTIPs). Under the LTIPs restricted share units (RSUs) are granted annually to eligible senior employees, are subject only to service conditions and vest over a weighted-average period of about two years and six months. The fair value of RSUs is determined based on the closing price of the Company's shares on the grant date less the present value of the expected future dividend payments as participants are not entitled to dividends declared during the vesting period and voting rights.

As of December 31, 2022, the approximate value of total unrecognized share-based compensation related to unvested RSUs granted under the LTIPs is USD 2,523 thousands. That cost is expected to be recognized over a weighted-average period of about two years.

Changes in RSUs are as follows:

	LTIP 2021	LTIP 2022	Weighted Average Grant Date Fair Value Per Share (USD)
Granted	28,740	101,846	19.32
Vested	—	—	—
Forfeited	—	—	—
Nonvested at December 31, 2022	**28,740**	**101,846**	**19.32**

Note 8
Employee benefits

The Company operates a defined benefit pension plan in Switzerland, which also provides benefits upon death and disability, along with further less material defined benefit and other employee benefit arrangements in other countries. The Swiss pension arrangement is currently financed through existing Former Parent pension plans. However, the Company implemented its own pension solution as of January 1, 2023. The measurement date used for the Company's employee benefit plans is December 31. The funding policies of the Company's plans are consistent with local government and tax requirements.

The Company recognizes in its consolidated and combined balance sheet the funded status of its defined benefit pension plans, postretirement plans and other employee-related benefits measured as the difference between the fair value of the plan assets and the benefit obligation.

Obligations and funded status of the plans
The change in benefit obligation, change in fair value of plan assets, and funded status recognized in the consolidated and combined balance sheet were as follows:

	December 31,
(USD in thousands)	**2022**
Projected benefit obligation at beginning of period[1]	**351,217**
Service cost	4,539
Interest cost	4,009
Employee contributions	3,967
Benefits paid to (from) plan assets	1,879
Plan amendments	1,799
Actuarial (gain) loss	(5,734)
Foreign currency exchange rates changes	14,804
Projected benefit obligation at end of period	**376,482**
Accumulated benefit obligation	**360,239**

	December 31,
(USD in thousands)	**2022**
Fair value of plan assets at beginning of period[1]	429,225
Actual return on plan assets	(5,786)
Employer contributions	6,407
Employee contributions	3,967
Benefits paid to (from) plan assets	1,879
Foreign currency exchange rates changes	17,807
Fair value of plan assets at end of period	**453,499**

1 Refers to May 13, 2022, the day the affiliation agreements with ABB Ergänzungsversicherung and ABB Pensionskasse were signed.

The projected benefit obligation and fair value of plan assets have been re-measured at December 31, 2022 to reflect the adjustment from the traditional unit credit to the projected unit credit actuarial methodology. The former approach, which is used by Former Parent, was used by the Company at September 30, 2022. This, as well as other less significant Former Parent-related effects are reported via an adjustment to Net Former Parent investment.

The amounts recognized in Accumulated Other Comprehensive Income (AOCI) at December 31 before taxes were:

	December 31,
(USD in thousands)	**2022**
Net prior service cost (credit)	1,799
Prior service cost	10,286
Total AOCI	**12,085**

The following amounts were recognized in the Company's consolidated and combined balance sheet as at December 31 and classified as non-current assets:

	December 31,
(USD in thousands)	**2022**
Pension asset	77,017
Total amount recognized	**77,017**

Components of net periodic benefit cost

Net periodic benefit cost consisted of the following:

	Year Ended December 31,
(USD in thousands)	**2022**
Service cost	4,539
Interest cost	4,009
Expected return on plan assets	(10,233)
Total net periodic benefit cost	**(1,685)**
Thereof operational	4,539
Thereof non-operational	(6,224)

Assumptions

The following assumptions were used to determine the projected benefit obligation at December 31 (weighted average):

	December 31,
	2022
Discount rate	1.50%
Interest credit rate	1.00%
Expected long-term rate of return on plan assets	4.00%
Rate of compensation increase	1.25%

For the Company’s benefit plans, the discount rate used at each measurement date is set based on a high-quality corporate bond yield curve reflecting the timing and amount of the future expected benefit payments for each of the plans.

The following assumptions were used to determine the net periodic benefit cost:

	December 31,
	2022
Discount rate	1.50%
Interest credit rate	1.00%
Expected long-term rate of return on plan assets	4.00%
Rate of compensation increase	1.00%

The expected long-term rate of return on plan assets is determined by weighting the expected future long-term return for each individual asset class by a plan’s target asset allocation.

Plan assets

The Swiss pension plan is funded by regular contributions from employees and the Company. This plan is administered by a board of trustees whose primary responsibilities include ensuring that the plan meets its liabilities through contributions and investment returns. The board of trustees has the responsibility for making key investment strategy decisions within a risk-controlled framework. Plan assets are invested in diversified portfolios that are managed by third-party asset managers, in accordance with local statutory regulations, pension plan rules, the results of asset/liability management studies and investment guidelines, as approved by the board of trustees.

The board of trustees investment goal is to maximize the long-term returns of plan assets within specified risk parameters, while considering future liabilities and liquidity needs. Risk measures taken into account include the funding ratio of the plan, the likelihood of extraordinary cash contributions being required, the risk embedded in each individual asset class, and the plan asset portfolio as a whole.

Plan assets are measured at fair value at the balance sheet date.

Fair value of assets at the end of the period

The fair values of the Company’s pension plan assets by asset class at December 31, 2022 are presented below.

(USD in thousands)	**Level 1**	**Level 2**	**Not subject to leveling[1]**	**Total**
Cash and cash equivalents	—	5,397	—	5,397
Debt securities	—	223,666	—	223,666
Equity securities	—	62,537	—	62,537
Real estate	—	—	144,213	144,213
Alternatives	—	—	17,686	17,686
Total	**—**	**291,600**	**161,899**	**453,499**

[1] Amounts relate to assets measured using the NAV practical expedient which are not subject to leveling.

The Company applies accounting guidance related to the presentation of certain investments using the net asset value (NAV) practical expedient. This accounting guidance exempts investments using this practical expedient from categorization within the fair value hierarchy. Investments measured at NAV are primarily non exchange-traded commingled or collective funds in private equity and real estate where the fair value of the underlying assets is determined by the investment manager. Investments in private equity can never be redeemed, but instead the funds will make distributions through liquidation of the underlying assets.

Contributions
The Company expects to contribute approximately CHF 7,296 thousands to its defined benefit pension plans in 2023.

Estimated future benefit payment
The expected future cash flows to be paid by the Company's plans in respect of pension plans at December 31, 2022 are as follows:

(USD in thousands)	
2023	29,338
2024	25,101
2025	24,748
2026	25,912
2027	24,216
2028 - 2031 inclusive	126,472

Note 9
Property, plant and equipment, net

		December 31,
(USD in thousands)	**2022**	**2021**
Land and buildings	189,727	213,032
Machinery and equipment	290,894	284,545
Construction in progress	39,141	27,871
Leasehold improvement	1,455	—
Total, gross	**521,217**	**525,448**
Accumulated depreciation	**(371,108)**	**(379,891)**
Total, net	**150,109**	**145,557**

Depreciation expense amounted to USD 20,832 thousands and USD 21,470 thousands for 2022 and 2021, respectively.

During the last two years, there were no impairment charges recorded on property, plant and equipment, net.

Note 10
Leases

The Company primarily has operating leases that consist of real estate and vehicles.
The components of operating and finance lease expenses were as follows:

		December 31,
(USD in thousands)	**2022**	**2021**
Operating lease cost	9,274	10,013
Finance lease cost:	26	70
Amortization of right-of-use assets	25	63
Interest on lease liabilities	1	7
Total lease expense	**9,300**	**10,083**

Supplemental cash flow information related to operating and finance leases is as follows:

		December 31,
(USD in thousands)	**2022**	**2021**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	8,982	8,096
Financing cash flows from finance leases	72	1,759
Right-of-use assets obtained in exchange for new liabilities:		
Under operating leases	6,176	11,139
Under finance leases	(138)	—

Supplemental balance sheet information related to operating and finance leases is as follows:

		December 31,
	2022	**2021**
Operating Leases:		
Weighted-average remaining term (years)	6	5
Weighted-average discount rate	15.5%	19.7%
Finance Leases:		
Weighted-average remaining term (years)	4	3
Weighted-average discount rate	4.7%	0.6%

At December 31, 2022, the future net minimum lease payments for operating and finance leases and the related present value of the net minimum lease payments were as follows:

		Years Ended December 31,
(USD in thousands)	**Operating Leases**	**Finance Leases**
2023	8,701	353
2024	5,356	300
2025	3,813	249
2026	3,349	169
Thereafter	7,761	49
Total minimum lease payments	**28,980**	**1,120**
Difference between undiscounted cash flows and discounted cash flows	**(1,906)**	**(67)**
Present value of minimum lease payments	**27,074**	**1,053**

Note 11
Goodwill and other intangible assets

At December 31, 2022, the goodwill carrying amount is USD 7,151 thousands and there are no changes to the 2021 amount other than translation effects. Goodwill primarily includes amounts recorded in connection with the acquisition of Tekomar Group AG in 2017 and is assigned to the M&LS segment.

Intangible assets other than goodwill consisted of the following:

						December 31,
(USD in thousands)			**2022**			**2021**
	Gross carrying amount	**Accumulated amortization**	**Net carrying amount**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Capitalized software for internal use	22,133	(18,810)	3,323	20,296	(16,686)	3,610
Other intangible assets	596	(531)	65	633	(481)	152
Total	**22,729**	**(19,341)**	**3,388**	**20,929**	**(17,167)**	**3,762**

Amortization expenses for intangible assets other than goodwill during 2022 and 2021 amounted to USD 1,913 thousands and USD 2,041, respectively.

During the last two years, there were no impairment charges recorded on goodwill and other intangible assets.

Note 12
Inventories

		December 31,
(USD in thousands)	**2022**	**2021**
Raw materials	99,882	81,441
Work in process	18,275	6,619
Finished goods	66,327	64,365
Advances to suppliers	1,803	2,329
Total	**186,287**	**154,754**

Note 13
Receivables, net and contract assets and liabilities

		December 31,
(USD in thousands)	**2022**	**2021**
Trade receivables	185,598	164,137
Non-Trade receivables	17,801	23,588
Allowance	(3,809)	(5,141)
Total	**199,590**	**182,584**

The following table provides information and changes in contract assets and contract liabilities:

(USD in thousands)	**2022**	**2021**
Contract assets January 1,	14,288	14,905
Contract assets December 31,	16,385	14,288
Change in contract assets —Increase/(Decrease)	**2,097**	**(617)**
Contract liabilities January 1,	22,574	22,297
Contract liabilities December 31,	23,599	22,574
Change in contract liabilities —(Increase)/Decrease	**1,025**	**277**

Note 14
Other current assets

		December 31,
(USD in thousands)	**2022**	**2021**
Prepaid expenses and accrued income	5,713	1,719
Other receivables from Former Parent	—	9,094
Other current assets	17,572	1,241
Total	**23,285**	**12,054**

Other receivables from Former Parent have been settled prior to the spin-off transaction. Other current assets as of December 31, 2022 mainly include income tax receivables in the amount of USD 14,914 thousands.

Note 15
Current and non-current provisions

		December 31,
(USD in thousands)	**2022**	**2021**
Provision for warranties	18,833	19,411
Provisions for work due	4,417	2,789
Provisions for loss orders	3,152	996
Other provisions	1,577	3,947
Total current provisions	**27,979**	**27,143**

		December 31,
(USD in thousands)	**2022**	**2021**
Provision for warranties	9,236	9,520
Other provisions	6,980	5,491
Total non-current provisions	**16,216**	**15,011**

Note 16
Accrued liabilities and other current liabilities

		December 31,
(USD in thousands)	**2022**	**2021**
Accrued expenses	30,390	23,900
Employee-related liabilities	25,836	25,621
Total accrued liabilities	**56,226**	**49,521**

		December 31,
(USD in thousands)	**2022**	**2021**
Current tax liability	9,156	28,557
Non-trade payables	27,513	16,733
Other	4,066	2,162
Total other current liabilities	**40,735**	**47,452**

As of December 31, 2022 non-trade payable in the table above mainly consist of value added tax.

Note 17
Accounts payable

		December 31,
(USD in thousands)	**2022**	**2021**
Trade payables	72,417	57,875
Invoices to come, trade	58,310	14,622
Trade payables to the Former Parent	—	4,260
Total	**130,727**	**76,757**

Note 18
Shareholders' equity

Share Capital
As of December 31, 2022, the Company's share capital is CHF 945,000, divided into 94,500,000 fully paid-in registered ordinary shares with a nominal value of CHF 0.01 each.

Treasury Shares
As of December 31, 2022, 748,701 treasury shares originate from a contribution of the Former Parent prior to the first day of trading. As of December 31, 2021, the Company did not own any treasury shares.

Note 19
Financial Instruments and fair value measures

The Company's non-derivative financial instruments primarily include cash and cash equivalents, trade receivables, trade payables and debt which approximate their fair values as of December 31, 2022 and 2021.

Credit and Market Risk
The Company continually monitors the creditworthiness of our customers to which we grant credit terms in the normal course of business. The terms and conditions of the Company's credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer.

Foreign currency contracts are used to hedge receivable and payable transactions and other monetary assets and liabilities denominated in currencies other than the functional currency of the subsidiary.

Currency risk
Due to the global nature of the Company's operations, many of its subsidiaries are exposed to currency risk in their operating activities from entering into transactions in currencies other than their functional currency. To manage such currency risks, the Company's policies require its subsidiaries to hedge their foreign currency exposures from binding sales and purchase contracts denominated in foreign currencies. Forward foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) of contracted and forecasted sales and purchases denominated in foreign currencies. In addition, within its treasury operations, the Company primarily uses forward foreign exchange contracts to manage the currency and timing mismatches arising in its liquidity management activities. Foreign currency contracts are presented at fair value.

Note 20
Current and non-current debt

		December 31,
(USD in thousands)	**2022**	**2021**
Current debt	—	92,136
Non-current debt	322,770	—
Total debt	**322,770**	**92,136**

On September 30, 2022, the Company entered into a CHF 450 million Credit Facility (Facility) with maturity on September 30, 2027 with Credit Suisse Switzerland Ltd. The Facility includes term-loan commitments in the amount of CHF 350 million and a committed multicurrency Revolving Credit Facility (RCF) in the amount of CHF 100 million. The committed lines under the Facility will be available until September 30, 2027. As of December 31, 2022, the Company has, under the Facility, a term-loan outstanding in the amount of CHF 300 million. Interest costs on the drawings under the Facility are SARON plus a predefined margin, while commitment fees (payable on the unused portion of the Facility) amount to 35 percent of the margin. Issuance costs in connection with the Facility are amortized until maturity.

Prior to the spin-off, the Company has been funded with debt obligations from the Former Parent. In general, these obligations were incurred to legally acquire groups of net assets from the Former Parent and were repaid on the spin-off date. As of December 31, 2021, these debt obligations amounted to CHF 92 million and had a weighted average interest rate of 1.90%.

Subsequent events
On March 20, 2023, the Company has drawn a term-loan in the amount of CHF 50 million under the existing Facility.

Note 21
Commitments and contingencies

Regulatory, compliance and legal
In the normal course of business, Accelleron is subject to legal proceedings, lawsuits, and other claims. While the potential financial impact with respect to these ordinary course matters is subject to many factors and uncertainties, management believes that any financial impact to the Company from these matters, individually and in the aggregate, would not have a material adverse effect on the Company's financial position or results of operation.

Contingencies
Guarantees and letter of comfort issued by third parties are reported as contingent liabilities. As of December 31, 2022 and 2021, they amount to USD 5,954 thousands and USD 1,735 thousands, respectively.

Note 22
Related party transactions

The Company conducts business with certain companies where members of the Company's Board of Directors or Executive Committee act, or in recent years have acted, as directors or senior executives. The Company's Board of Directors has determined that the Company's business relationships with those companies do not constitute material business relationships. This determination was made in accordance with the Company's related party transaction policy which was prepared based on the Swiss Code of Best Practice.

Subsequent to the spin-off ABB no longer meets the definition of a related party. Hence all transactions with Former Parent have been reclassified to third party.

During the twelve-month period ended December 31, 2021, the Company sold products in the amount of USD 1,344 thousands to the Former Parent and had current borrowings from the Former Parent in the amount of USD 92,136 thousands.

Note 23
Subsidiaries

Country	Name of subsidiary	Economic interests %[1]
Argentina	Turbo Systems Argentina S.A.	100%
Australia	Turbo Systems Australia PTY LTD	100%
Bangladesh	Turbocharging Bangladesh Limited	100%
Belgium	Turbo Systems The Netherlands - Branch Belgium	100%
Brazil	Turbocharging Brasil Ltda.	100%
Bulgaria	Turbo Systems Italy S.P.A. - Branch Bulgaria	100%
Cameroon	Turbo Systems Cameroon PLC	100%
Canada	Turbo Systems Canada Inc	100%
China	Accelleron Turbo Systems (Chongqing) Limited	61%
China	Accelleron (China) Investment Limited	100%
Colombia	Turbo Systems Colombia SAS	100%
Cyprus	Turbocharging Greece, Single Member - Branch Cyprus	100%
Denmark	Turbo Systems Finland Oy - Branch Denmark	100%
Dominican Rep	Turbo Systems Dominican Republic SRL	100%
Ecuador	Turbo Systems Ecuador SA	100%
Egypt	Turbo Systems Egypt for Turbocharging LLC	100%
Finland	Turbo Systems Finland Oy	100%
France	Turbocharging Systems France SAS	100%
Germany	Turbo Systems Germany GmbH	100%
Greece	Turbocharging Greece, Single Member S.A.	100%
Hongkong	Accelleron Turbo Systems (Hong Kong) Limited	61%
India	Turbocharging Industries and Services India Private Limited	100%
Indonesia	PT Turbo Systems Sakti Indonesia	60%
Italy	Turbo Systems Italy S.P.A.	100%
Japan	Turbo Systems United Co., Ltd.	60%
Korea	Turbo Systems Korea Ltd.	100%
Malta	Turbo Systems Italy S.P.A. - Branch Malta	100%
Mauritius	Turbocharging Systems France SAS - Branch Mauritius	100%
Mexico	Swiss Turbochargers SA DE CV	100%
Myanmar	Turbo Systems Myanmar Limited	100%
Netherlands	Turbo Systems The Netherlands B.V.	100%
Nigeria	Turbosystems Nigeria LTD	100%
Norway	Turbo Systems Finland Oy - Branch Norway	100%
Pakistan	Turbo Systems Pakistan (Private) Limited	100%
Philippines	Turbo Systems South East Asia Pte. Ltd. - Branch Philippines	100%
Poland	Turbo Systems Finland Oy - Branch Poland	100%
Portugal	Turbo Systems Iberia - Sucursal em Portugal	100%
Russia	Turbo Systems Rus LLC	100%
Saudi Arabia	Turbosystems Red Sea Company	65%
Senegal	Turbo Systems Senegal	100%
Singapore	Turbo Systems South East Asia Pte. Ltd.	100%
South Africa	Turbo Systems Middle East FZCO - Branch South Africa	100%
Spain	Turbo Systems Iberia, S.L.	100%
Sri Lanka	Accelleron Lanka (Private) Limited	100%
Sweden	Turbo Systems Finland Oy - Branch Sweden	100%
Switzerland	Turbo Systems Switzerland Ltd	100%
Switzerland	Turbo Systems Verwaltungs Ltd	100%
Taiwan	Turbo Systems South East Asia Pte. Ltd. - Branch Taiwan	100%

Thailand	Turbocharging Systems Co., Ltd.	49%
Turkey	Turbo Systems Turkey Mühendislik Makine Sanayi Ve Ticaret Anonim Sirketi	100%
United Arab Emirates	Turbo Systems Middle East FZCO	100%
United Arab Emirates	Turbo Systems Middle East FZCO - Branch Dubai	100%
United Kingdom	Turbocharging UK Limited	100%
United States	Turbo Systems US Inc.	100%

[1] Economic interests: Voting rights and ownership are equal for each subsidiary with the exception of the Thailand subsidiary (Turbocharging Systems Co., Ltd.), where the ownership and voting rights amount to 49% and 91%, respectively.

Note 24
Subsequent events

The Company has evaluated material subsequent events through March 28, 2023, the date at which the consolidated and combined financial statements were available to be issued and determined none other than disclosed in the respective note.

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Accelleron Statutory Financial Statements

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Statutory Auditor's Report

To the General Meeting of Accelleron Industries AG, Baden

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Accelleron Industries AG (the Company), which comprise the balance sheet as at December 31, 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 70 to 72) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and combined financial statements, the standalone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' 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.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Simon Studer
Licensed Audit Expert
Auditor in Charge

Ekaterina Abramova

Zurich, March 28, 2023

Financial statements 2022

Income Statement

(CHF in thousands)	Note	Year ended December 31, 2022	For the period from May 26, 2021 (inception) through December 31, 2021
Other income	3	188	—
General and administrative expenses	4	(88)	(21)
Net income before taxes		**100**	**(21)**
Income tax expense		(17)	—
Net income		**83**	**(21)**

See accompanying notes to the statutory financial statements

Balance Sheet

			December 31,
(CHF in thousands)	**Note**	**2022**	**2021**
Cash and cash equivalents		922	99
Receivables from investments		187	—
Total current assets		**1,109**	**99**
Investments	5	297,747	—
Total non-current assets		**297,747**	**—**
Total assets		**298,856**	**99**
Accrued expenses and other liabilities		102	20
Total current liabilities		**102**	**20**
Total liabilities		**102**	**20**
Share capital		945	100
Additional paid in capital		301,713	—
Treasury shares		(3,966)	—
Retained earnings/(Accumulated loss)		(21)	—
Net income/(loss)		83	(21)
Total shareholder's equity	**6**	**298,754**	**79**
Total liabilities and shareholder's equity		**298,856**	**99**

See accompanying notes to the statutory financial statements

Notes to Financial Statements

Note 1
General

Accelleron Industries AG is the parent company of Accelleron and is incorporated in Switzerland with registered offices in Baden, Aargau.

Accelleron Industries AG did not have any employees in the financial year ended December 31, 2022 and for the period from May 26, 2021 (inception) through December 31, 2021.

These financial statements were prepared in accordance with the articles 957–963b of the Swiss Code of Obligations (“CO”). Where not prescribed by law, the significant accounting policies applied are described in “Note 2 - Significant accounting policies”.

Note 2
Significant accounting policies

Investments
Investments in subsidiaries are valued at the lower of cost or fair value, using generally accepted valuation principles.

Treasury shares
Treasury shares comprise registered shares of Accelleron Industries AG. Treasury shares are initially recognized at costs and deducted from equity with no subsequent measurement. When treasury shares are disposed of or charged to the respective subsidiary, the resulting gain or loss is recognized in retained earnings.

Note 3
Other income

Other operating income includes mainly guarantee compensation fees from investments in subsidiaries.

Note 4
General and administrative expenses

General and administrative expenses include mainly fees, fees for audit, bank charges and external service charges.

Note 5
Investments

As of December 31, 2022, Accelleron Industries AG. holds the following direct investment in subsidiaries:

Country	Subsidiary's name	Ownership and voting rights	Registered capital
Switzerland	Turbo Systems Switzerland Ltd	100%	CHF 101,000

A comprehensive overview of the subsidiaries that are directly or indirectly controlled by Accelleron Industries AG is provided in Note 23 to the Group’s consolidated and combined financial statements.

Note 6
Shareholder’s equity

Share Capital
As of December 31, 2022, the Company’s share capital is CHF 945,000, divided into 94,500,000 fully paid-in registered ordinary shares with a nominal value of CHF 0.01 each.

Treasury shares
The movement in the number of Treasury shares in the financial year ended December 31, 2022 and for the period from May 26, 2021 (inception) through December 31, 2021 was as follows.

				December 31,
		2022		2021
(CHF in thousands, except share numbers)	Number of shares	Total transaction amount	Number of shares	Total transaction amount
Balance as of January 1	**—**	**—**	**—**	**—**
Contributed by Former Parent, free and clear of any encumbrances	748,701	(3,966)	—	—
Delivery of shares	—	—	—	—
Balance as of December 31	**748,701**	**(3,966)**	**—**	**—**

Treasury shares originate from a contribution of the Former Parent prior to the first day of trading. As of December 31, 2021 the Company did not own any treasury shares.

Note 7
Shareholdings of Board of Directors and Executive Committee

As of December 31, 2022, the members of the Board of Directors held the following number of shares in Accelleron Industries AG:

		December 31, 2022
Name	**Function**	**Number of Accelleron Industries AG's shares held**
Oliver Riemenschneider	Chair	168
Monika Krüsi	Vice-Chair and AC Chair	119
Gabriele Sons	NCC Chair	–
Stefano Pampalone	Member	–
Bo Cerup-Simonsen	Member	–
Detlef Trefzger	Member	–
Total shares		**287**

As of December 31, 2022, members of the Executive Committee held the following number of shares in Accelleron Industries AG and the conditional rights to receive Accelleron Industries AG shares under the long-term incentive plans (LTIPs):

			December 31, 2022	
Name	**Function**	**Number of Accelleron Industries AG's shares held**	**Number of non-vested shares under the long-term incentive plans**	
			LTIP 2021	LTIP 2022
Daniel Bischofberger	CEO	17	12,226	19,774
Adrian Grossenbacher	CFO	–	1,555	9,322
Annika Parkkonen	CHRO	–	–	2,110
Dirk Bergmann	CTO	7	1,400	6,328
Roland Schwarz	Division President Service	100	1,574	9,322
Christoph Rofka	Division President Medium, Low Speed & Rail	162	2,631	9,322
Herbert Müller	Division President High Speed	22	1,555	6,328
Total shares		**308**	**20,941**	**62,506**

Note 8
Significant shareholders

As of December 31, 2022, to the best of Accelleron Industries AG's knowledge, the following shareholders had holdings reaching or exceeding 3% or more of the voting rights in the Company, as notified in accordance with art. 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (the "FMIA"):

		December 31, 2022
Name	**Number of shares**	**Voting rights in %**
Investor AB	13,269,257	14.0%
Lars Foerberg, Christer Gardell, Goeran Casserloev, Paine & Partners Capital Fund III GP Ltd./Cevian Capital II GP Limited	4,845,464	5.1%
Credit Suisse Funds AG	2,882,859	3.1%
UBS Fund Management (Switzerland) AG	2,839,046	3.0%
Swisscanto Fondsleitung AG	2,837,987	3.0%

Note 9
Contingent liabilities

As of December 31, 2022, Accelleron Industries AG has issued guarantees to banking institutions for credit facilities and guarantee limits of subsidiaries in the amount of CHF 455,000 thousands.

Note 10
Subsequent events

At the time when these financial statements were authorized for issue, the Board of Directors was not aware of any events that would materially affect these financial statements.

Appropriation of available earnings

	December 31,
(CHF in thousands)	**2022**
Net income/(loss)	83
Retained earnings/(Accumulated loss)	(21)
Allocation from additional paid in capital	68,985
Total available earnings	69,047
Dividend[1]	(68,985)
Balance to be carried forward	62

1 The total dividend amount covers all registered ordinary shares (including treasury shares).

The Board of Directors proposes to pay a dividend of CHF 0.73 gross per share, resulting in a total dividend amount of CHF 68,985 thousands.

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Supplemental information

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Alternative performance measures

The following are definitions of alternative performance measures used to evaluate Accelleron's operating performance.

These performance measures are referred to in this Annual Report and are not defined under United States generally accepted accounting principles (U.S. GAAP).

Accelleron's management believes that the non-GAAP performance measures herein are useful in evaluating the operating results of Accelleron. This information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with U.S. GAAP.

Performance measure	Definition
Organic revenue growth (on a constant currency basis)	Revenue growth at constant currency and adjusted for M&A-related effects. The organic growth rate measures growth on a constant currency basis.
Operational EBIT	Operational EBIT represents income from operations excluding costs related to acquisition and divestment, one-time items in income statements, non-operational integration costs, special non-operational projects, restructuring costs and temporary unrealized timing differences in the context of foreign exchange transactions (FX).
Operational EBITDA	Operational EBITDA represents Operational EBIT excluding depreciation and amortization
Operational EBITA	Operational EBITA represents Operational EBIT excluding acquisition-related amortization
Operational EBITA margin	Operational EBITA as a percentage of revenues
Free cash flow	Net cash provided by operating activities less net cash used in investing activities
Free cash flow conversion	Free cash flow divided by reported net income, expressed as a percentage
Net leverage	Interest-bearing liabilities (including finance leases) net of cash and cash equivalents, divided by last twelve months operational EBITDA

Accelleron Industries AG

This Annual Report includes statements that are not historical facts, but that are forward-looking in nature. These forward-looking statements reflect our current views with respect to future events and anticipated financial and operational performance. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology or subjective assessments, including words "aim", "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "goals", "targets", "may", "will", "plans", "continue", or "should" or, in each case, their negative or similar expressions. Forward-looking statements are not a guarantee of future performance. Because these statements are based on assumptions or estimates, they are inherently subject to risks and uncertainties, including, but not limited to: future global economic conditions, foreign exchange rates, regulatory rules, market conditions, the actions of competitors, and other factors beyond our control. All of these and additional factors could cause the actual results, performance or achievements to differ materially from the forward-looking statements made herein.

Any forward-looking statements speak only as of the date of this Annual Report. We do not take an obligation to update any prospects or forward-looking statements after the date hereof, even if new information, future events or other circumstances have made them incorrect or misleading.

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