Accelleron

Annual Report 2022

Key figures at a glance

192 USD million Operational EBITA

781 USD million Revenues

24.6% Operational EBITA margin

77% Free cash flow conversion

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Dear Shareholders,

As a leading player in turbocharging with a nearly century-long track record, we accomplished the spin-off from ABB Group with the listing on the SIX Swiss Stock Exchange on October 3. Accelleron started out with a strong performance in its first quarter of independence and can now look back on a successful financial year 2022.

Strong momentum on revenues and cash flow

Accelleron started out as an independent company with a strong momentum: Year-on-year growth was 3.2% (+11.8% in constant currency), and we closed the year with revenues of USD 781 million. Accelleron recorded increased demand for products and service across marine and energy industries in most relevant geographies. Operational EBITA grew by 2.2% to USD 191.8 million with an operational EBITA margin of 24.6%, despite additional costs resulting from the standalone setup. Net income at USD 129.8 million was 10% lower than the previous year due to one-off costs related to the spin-off. At year-end, free cash flow stood at USD 99.3 million and the free cash flow conversion at 76.5% (up from 39% in H1), against headwinds from the challenging global supply chain situation which resulted in higher inventories. Subject to approval by our shareholders, we plan to pay out our first dividend of CHF 0.73 per share in May 2023.

Both reporting segments contribute to the success

In 2022, the High-Speed segment recorded revenues of USD 213.8 million, +3.9% year-on-year. This is primarily linked to a strong demand related to the gas compression business in the United States and price increases, which spurred the top-line. The Medium & Low Speed segment reported USD 566.7 million, +2.9% year-on-year. This increase mainly results from a further strengthening of the demand in merchant marine and the service demand in the cruise business as well as price increases compared to the prior-year period.

Fresh brand on its way to full independence

Our separation journey was kicked-off in 2021 with initiating the buildup of our standalone functions and systems. A first important milestone was reached with the launch of our new brand “Accelleron” in February 2022.

The next key event was our stock listing on October 3, 2022. We started out as an independent company with a newly composed Board of Directors combining extensive governance and industry expertise. We also complemented our Executive Committee, now forming a fully energized team with deep and extensive know-how and an excellent track record, both from the existing Turbocharging core team and experienced new joiners.

A centerpiece in reaching our full independence is the implementation of our new global service enterprise resource planning (ERP) system, expected by the end of 2023. This new platform will replace 21 different ERPs with one, enabling us to optimize business processes and consequently enhancing efficiency.

The investments for the buildup of our standalone functions and operational systems resulted in one off-costs in financial year 2022 which were lower than anticipated, leading to higher one-off costs in financial year 2023.

Our autonomy provides us with new strategic options. As a well-established yet independent standalone business, we can fully leverage our leading market positions, extensive installed base, service capabilities, and vast network of partnerships with our customers.

What will not change during this journey and beyond is our global operation in 50 countries with a team of experts consisting of more than 80 nationalities, enabling an unrivalled customer intimacy.

Enabling our customers’ decarbonization journey – with innovation as a driving force

Supporting the decarbonization journey of marine transportation and energy with products, services and digital solutions will remain our key objective. We are very well prepared for accelerating the energy transition: Ships need engines that can perform better while lowering emissions. We also see potential in our Energy market segment, which is experiencing fundamental shifts in the energy infrastructure, where turbocharged balancing power has become a crucial element. It helps achieve a successful transition towards and stable operation with a higher share of intermittent renewable energy in the grid. We expect these advantages to be increasingly recognized by governments and industrial companies alike.

Accelleron aims to lead the decarbonization journey in our core markets on a long-term base and by that growing faster than our competitors. Already today, Accelleron is highly successful in turbocharging with transitional fuels such as natural gas which has a 30% lower CO_2 emission versus diesel. Clear proof to this is that Accelleron turbochargers were specified on the vast majority (approx. 85%) of LNG carriers contracted in the year 2022.

We will continue to focus on a strong innovation pipeline with approximately 7% of revenues dedicated to research & development. Our test facilities in Baden, Switzerland, have been recently upgraded to provide enhanced testing using biodiesel and hydrogen in turbocharging as well as fuel cells.

In the application of innovative engine technologies, Accelleron is the partner of choice: Wärtsilä's first methanol-fueled newbuild engines are turbocharged by Accelleron. "Green" methanol is among the potential and most promising future fuel candidates.

We remain confident to reach our mid-term guidance

We maintain our mid-term guidance regarding growth, profitability, cash conversion, and dividend policy, as expressed during our Capital Markets Day, August 2022.

On the way to a decarbonized future, we expect demand to be supported by a strong order backlog in shipyards, shift to LNG and green fuels, and green fuels, as well as growing global trade and power demand.

We would like to extend our sincere thanks to our 2,500 employees for their remarkable performance in 2022, and for their willingness and stamina to go the extra mile. We would also like to thank our shareholders for placing their trust in us – a company with a very long track record in business.

Yours sincerely,

Oliver Riemenschneider
Chairman of the Board of Directors

Daniel Bischofberger
Chief Executive Officer

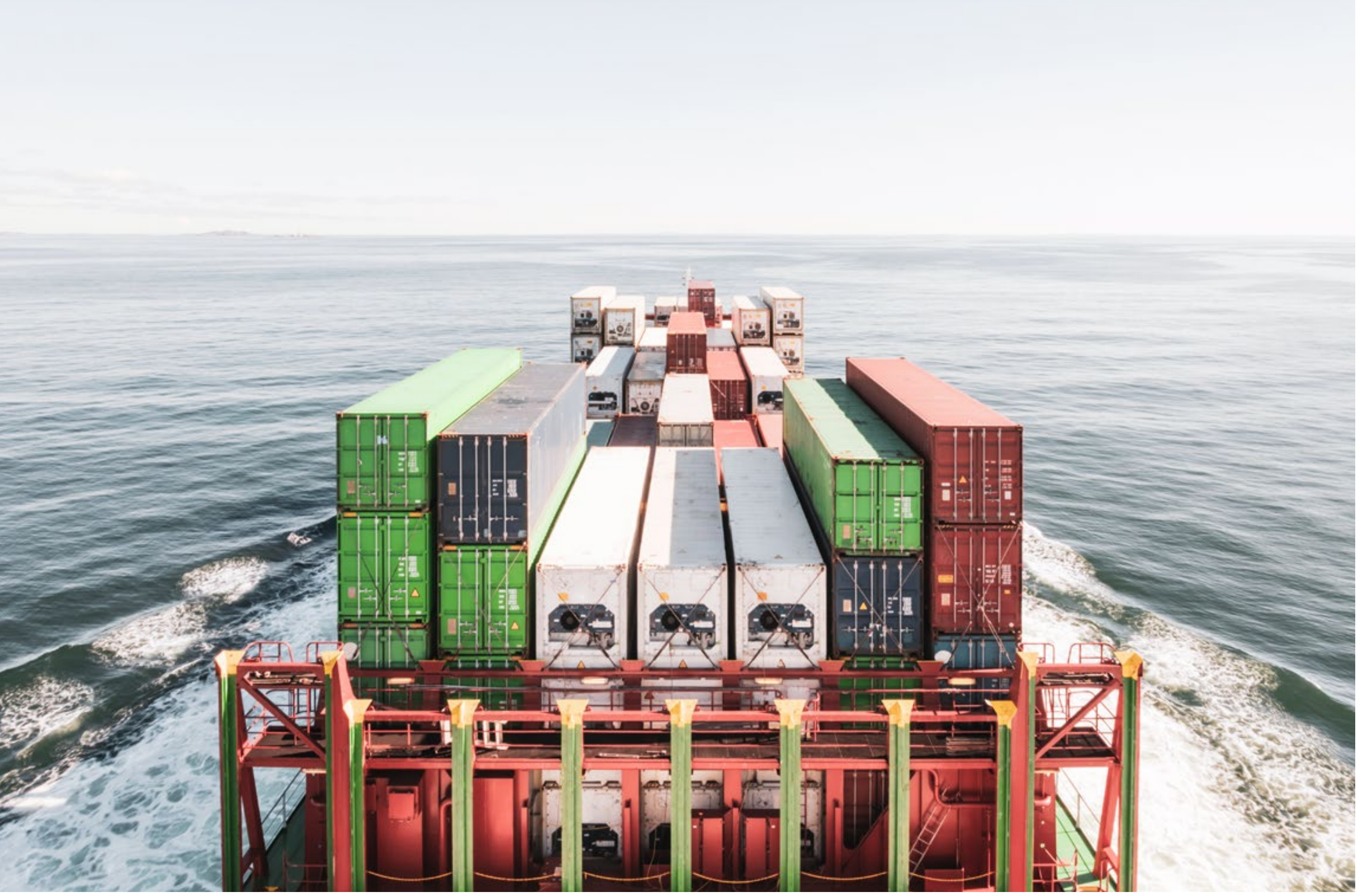
Accelleron at a glance

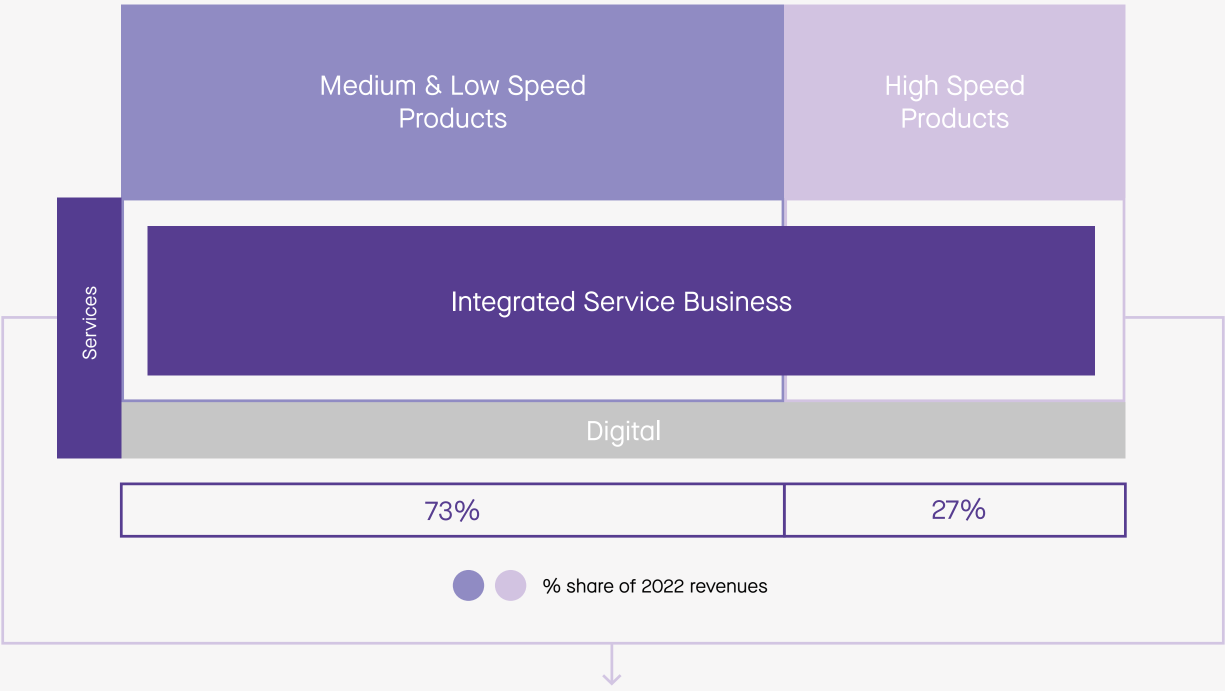
Accelleron's technology gives engines an extra boost in performance with the main purpose of improving their fuel efficiency and thus reducing their environmental impact by generating fewer emissions. The Company designs, manufactures, sells and services highly customized turbochargers for heavy-duty applications.

Accelleron reports its business in two segments: Medium & Low Speed and High Speed. They both cover product business as well as the integrated service business. From an operating perspective, the business is organized in four operating divisions: two product divisions, one service division and one digital customer solutions division.

As a focused specialist with a comprehensive product and service range, Accelleron produces heavy-duty turbochargers varying from 100kg to 10 metric tons, from 500 kW to 30,000 kW. All main markets from Marine and Energy to Off-Highway Vehicles are exposed to the mega-trends of decarbonization and digitalization, both of which provide vast opportunities.

With its products, Accelleron is the undisputed leader in turbocharging mission-critical applications. The Company's operations are based on a foundation of almost a century of making significant and continuous investments in technology, partnerships with original equipment manufacturers (OEMs) and end-users and an unrivalled global service network with a unique service culture that will never let customers down.





Service business is intrinsically linked with the product businesses' value chain, while also making up one large overarching service network.

Highlights

Q1

Daniel Bischofberger took over the helm at Accelleron

On March 1, 2022, Daniel Bischofberger was appointed Division President of Accelleron, a position that was transferred to a CEO role on October 3. He previously served as Member of Sulzer's Executive Committee and Division President for Rotating Equipment Services for just under six years.

Partnership with Sauber generated momentum

Accelleron has become a technology partner of both Sauber Technologies and Alfa Romeo F1 Team ORLEN. This new collaborative relationship sees teams from Sauber (based in Hinwil) and Accelleron's base in nearby Baden work on an initial series of projects under the motto "Get Closer. Move Further." A first in the field of turbocharging, the partnership offers an exciting platform for innovation transfer from one high-performance sector to another and for further research and development (in the likes of simulating and optimizing additive manufacturing processes for Accelleron turbochargers for the marine, power, and oil and gas sectors).

Partnership with Sauber generated momentum

Tekomar XPERT marine

Accelleron has launched Tekomar XPERT marine – a comprehensive digital solution that offers shipowners simplified propulsion efficiency management and emissions reporting. By enabling potential combined emission savings of up to 20%, this product suite can make a significant contribution to the decarbonization of the shipping industry, which is under regulatory pressure to halve its carbon footprint by 2050.

Q2

Brand rollout – Accelleron is fully visible

Accelleron, the new brand, was first revealed on March 1. It refers to the terms "accelerate", "excel", "access", and "on and on". It became fully visible in June, when the new brand design was incorporated on the website, in emails and on buildings.

Posidonia trade fair in Greece

Posidonia is a biennial trade fair held in Athens and is the largest meeting place for the Greek shipping industry and international transportation experts. Accelleron's presence at the show marked the first time it had appeared at an external event with its new branding.

Accelleron: enabling Hyundai and Maersk to use green methanol fuels

Accelleron provided the turbochargers for Hyundai's first-ever methanol-fueled new-build engine, which is installed on Maersk's first-ever green, methanol-fueled container vessel order.

Brand Rollout – Accelleron is fully visible

Capital Markets Day

Q3

Capital Markets Day – Making a hidden champion visible

Accelleron has its first introduction with the global investment community and provides a compelling equity story.

Spin-off approved by shareholders

ABB's shareholders approved the proposed spin-off of its Accelleron Turbocharging division at ABB AG's Extraordinary General Shareholders' Meeting held in Zurich. The Board of Directors' proposal to spin off ABB's market-leading turbocharging business by way of a dividend in kind of Accelleron Industries AG's shares to ABB's shareholders achieved 99.72% support during the vote.

Methanol-fueled wind installation vessel

Accelleron delivered turbochargers for Wärtsilä's first-ever methanol-fueled new-build engine order for a wind installation vessel.

Annika Parkkonen joined the Executive Committee

Annika Parkkonen was appointed Accelleron's Chief Human Resources and Sustainability Officer. Annika has extensive headquarters and business HR experience at Board level in a number of companies, including the Wärtsilä Corporation and the Nordic Morning Group.

Q4

Listed on the Swiss stock exchange

Accelleron completed its successful spin-off from ABB, with its shares admitted for trading on SIX Swiss Exchange.

Global Accelleron Day

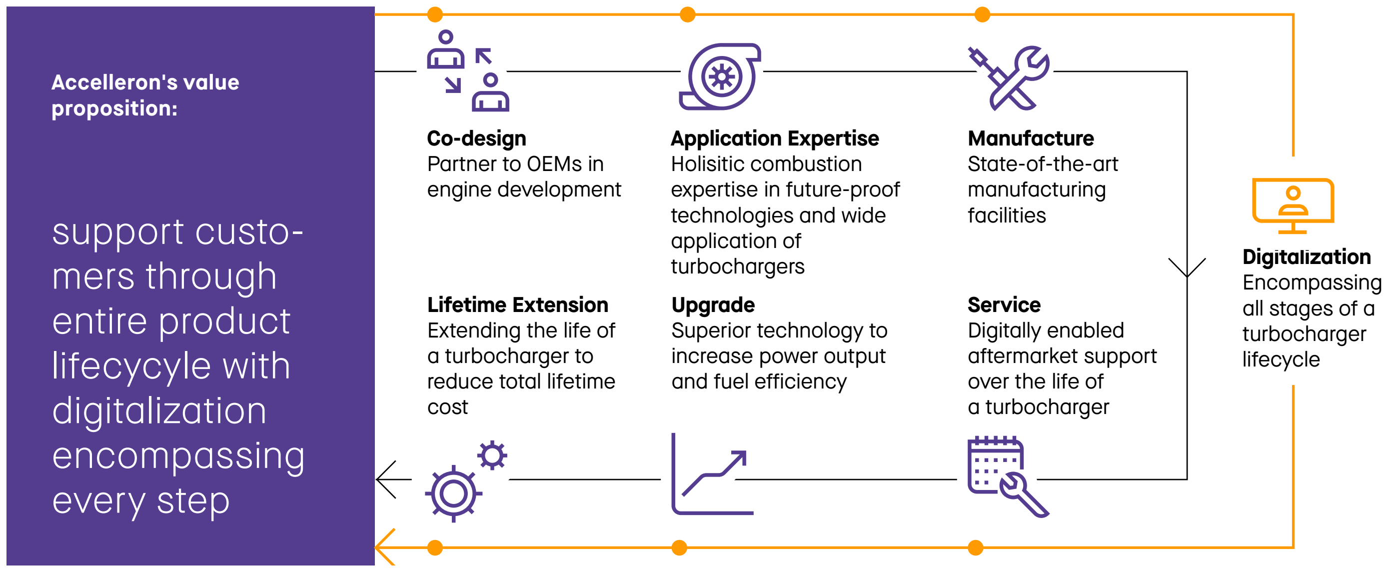
At the Global Accelleron Day, Oliver Riemenschneider (Chairman) and Daniel Bischofberger (CEO) officially introduced the outlook as an independent, listed company to employees. The Alfa Romeo ORLEN Formula 1 Team joined in the celebrations with Frédéric Vasseur (team principal) and drivers Valtteri Bottas and Zhou Guanyu.

Stock listing Day

Higher efficiency, lower emissions and best power density – across the entire life cycle

Accelleron's success is based on two main pillars: The Company's best-in-class technology and its global service footprint, caring for our customers with the optimal solution 24/7 all-around the world.

Through its technological leadership Accelleron is the preferred partner of internal combustion engine original equipment manufacturers (OEMs). The Company helps them achieve world-class power densities, up to 25% higher compared to the closest peers, an up to 2% better efficiency, lower emissions and highest reliability. Superior R&D capabilities are the key driver for this: every year Accelleron invests around USD 50 million, or about 7% of the annual revenues, in R&D - irrespective of the economic cycle.



Accelleron's value proposition

The second main pillar is the Company's global service network. Every year, Accelleron supports more than 5,000 end customers around the globe by providing more than 500 trained service engineers in over 100 locations. With its strong and growing digital capabilities, Accelleron enables remote monitoring, predictive maintenance and digitally enabled business models.

Accelleron is a truly global player. 36.8% of its revenues come from Europe, 40.6% from Asia, the Middle East and Africa (AMEA), where most of the new ships are built and maintained. In the Americas region, which accounts for 22.6% of its revenues, the major markets are cruise ships, gas compression and power. In the power industry, Accelleron's products are operated in a variety of applications, including base load power for remote locations, balancing power (e.g. to compensate for fluctuating electricity supply generated from renewables) and backup power (for the likes of hospitals and data centers).

The Company's over 100 service centers in more than 50 countries are instrumental in setting Accelleron apart in its business, allowing to offer best-in-class service on 5,000 customers' doorsteps year in, year out. The 24/7 service business ensures spare parts availability within 48 hours at any airport worldwide thanks to Accelleron's unique service and spare parts center in Switzerland.

The largest location in Switzerland covers the key functions that benefit from close cooperation: the global service center, R&D and the European sourcing hub (the main manufacturing site). Accelleron has further production and sourcing sites in China and India.

Accelleron cares for its customers

Service is at the very heart of everything the Company does. It starts out by designing turbochargers in close coordination with engine OEMs to develop the best-performing combustion engines. Accelleron's application engineering experts also collaborate closely with OEMs to tailor turbocharger specifications to every single installation. And not only that, they also work to optimize end users' cost of ownership by offering upgrades and lifetime extensions. Digitalization encompasses all steps of a turbocharger's life cycle, improving transparency and effectiveness both for Accelleron as well as for its customers.

In the market-leading service business, the Company operates its own global sales and service network, which plays a huge role in setting Accelleron apart from its peers. The mission is to offer turbocharging services and solutions that help the customers be successful in their businesses. Through its own network, Accelleron can provide turbocharger services and spare parts from a single source. This helps Accelleron develop a "full cover" service model for its customers, which includes lifetime service agreements and digital offerings.

Accelerating innovation

The Company's technology and service excellence are all down to 2,500 highly dedicated, skilled, and passionate employees, all of whom have clear and aligned goals - reinforcing the Company's competitive leadership position. Accelleron's technological leadership is further enhanced due to best-in-class R&D capabilities and a portfolio of about 120 patent families.

Four growth pillars

Accelleron's strategy is to outgrow its markets and competitors, leveraging the Company's superior products and technology as well as leading market position and service network, all the while continuing to deliver best-in-class margins, cash conversion, and capital deployment. The strategy is based on four growth pillars:

1. Increasing the Company's market share in the core markets Marine and Energy.
2. Growing service business by increasing the focus on lifetime service contracts and digital offerings.
3. Enabling and supporting its customers in the transitioning to natural gas and green fuels.
4. Expanding organically and inorganically into adjacent areas, where Accelleron could differentiate thanks to the technical leadership and service network, e.g. software and engine components with high service intensity.

Megatrends creating opportunities for Accelleron

All main markets of Accelleron from Marine to Energy to Off-Highway Vehicles are exposed to the megatrends of decarbonization and digitalization. These megatrends are opening up huge opportunities for Accelleron. Take the Marine sector, for example: If the maritime industry were a country, it would be the world's sixth largest CO_2 emitter, just after Japan and before Germany, generating 1 billion metric tons of CO_2 emissions annually, or 3% of the global CO_2 emissions. Annual fuel consumption is 3 billion barrels of oil equivalent, similar to the aviation industry's annual fuel consumption.

Turbochargers can bring about a mere 10% improvement in large engine efficiency, leading to gains in both marine propulsion and in the energy industry. This is equivalent to taking at least 40 million cars off the road in terms of CO_2 emissions and thereby creating USD 10 to 20 billion in annual fuel savings. In this context, Accelleron turbochargers boost up to 2% better efficiency than the next best competitor.

To achieve net zero targets in the Company's key markets, using green fuels is a must. Since they cost significantly higher price point, Accelleron's key competitive advantage of higher efficiency will be accentuated even further. Even today, Accelleron has a significantly higher market share in natural gas and is a leader in pilot applications in future fuels such as green methanol and hydrogen.

Digital offerings are a continuous requirement. They also have a significant, positive impact on the Company itself and its customers' business, as they increase the efficiency and transparency of internal business processes and ease customers' interaction with the Company.

Accelleron has introduced LOREKA, a customer portal, where clients receive all the relevant information about their installed turbocharger base and can interact with the Company 24/7. Digitalization reduces customers' equipment lifecycle costs, whether they are incurred for turbochargers or combustion engines. Accelleron's user-friendly Tekomar XPERT platform provides simple recommendations for improving performance and emissions not only of engines, but also of hulls and propellers too.

Accelleron is continuously developing digital twins of its turbochargers based on physical modeling and big data. Thanks to the digital twin and sophisticated data analytics capabilities, the Company can offer its customers paid-by-the-hour service agreements with condition-based and predictive maintenance features, all of which cut life-cycle costs and increase uptime.

Being a catalyst for the transition to a carbon-neutral world

Interview with Daniel Bischofberger, Chief Executive Officer

What was the decisive factor in you taking on the position as CEO of Accelleron?
It was a once-in-a-lifetime opportunity. I knew that turbochargers were going to be a fantastic business and that Accelleron would be a market leader in high-performance turbochargers for internal combustion engines. It is great to start a new chapter and become part of the Accelleron family. Also, I can contribute my experience to Accelleron's large service business because of my previous work as head of a gas turbine service business with a multi-billion-turnover and my previous position at Sulzer as a member of the Executive Committee and Division President of the service organization.

How have you settled in so far?
The learning curve was steep, but I felt welcomed and supported right away. That quickly got me to the point where I could support both the company and the people on this exciting journey.

You started your new post in March 2022 amid a geopolitical crisis. How did that affect your start period?
Initially, our focus was on ensuring that our organization was prepared as thoroughly and swiftly as possible for becoming an independent company.

The schedule was quite tight, and the business was and still is performing at a high level. Service is performing strongly overall. Regarding new installations, many ships had been ordered, and power plants were running at full speed, too. Yet we also faced special challenges, such as supply chain issues and the Russian war of aggression against Ukraine.

We decided to withdraw from the Russian market and wind down our business. So, over time, that affected the business, but Russia only accounted for about 1% to 2% of our business. Our presence was minimal, and we had left the market entirely by the end of 2022.

Your predecessor as Division President is now your Chairman. How do the two of you work together?
Especially in the beginning, he helped me get up to speed. A big focus was on visiting our customers. Accelleron has always devoted an impressive amount of time and effort to being close to its customers. Now that our introductory phase is over, my predecessor is clearly focused on his role as Chairman, and I'm focused on the role of CEO. We have an excellent relationship, with clear roles and responsibilities on both sides.

What insights did you gain from these customer visits?
My first impression was how close we are to our customers. We very openly discussed the challenges they face. There is a great deal of uncertainty about what the transition to a carbon-neutral world will look like. We're in a good position to help with our products and our industry know-how.

Does that make us a thought leader?
In this field, we definitely are, but we have to remain humble. The challenge is bigger than just the turbocharger. It starts out with the production of future fuels, transportation, storage, combustion, emissions, and so on. So, it's a broad field, but we definitely have a critical component that will be a huge help.

Accelleron's digital platform Tekomar XPERT, for example, focuses not only on turbochargers but also on engine performance. Aren't you taking over your customers' business?
Not at all. We have a solution that is independent of the engine original equipment manufacturers (OEMs). They have their own proprietary software, which is probably more accurate for their engines. Some customers need a platform that is independent of the OEM – and that is exactly what we offer them. So, there is no competition; it depends on what the customer needs. If they want an OEM-specific solution, they will choose one from the OEM. On the other hand, if they want a single platform for all the different combustion engines, they will opt for our solution instead.

What is the most important outcome for the customer when using Tekomar XPERT?
Tekomar XPERT is a software as a service platform that is evolving. It started with modules with the engine in focus. The customer can use simple information to figure out how to improve efficiency by saving fuel and reducing CO_2 emissions. As regulations have become ever

more stringent, it is important that the customers understand their CO_2 emissions and how they can influence them. Tekomar XPERT provides good guidance and is a helpful planning tool for this purpose. We are now also developing other modules in our platform, including one to determine the ideal moment for hull and propeller cleaning cycles, which enhances efficiency and enables customers to optimize their planning operations. The idea behind Tekomar XPERT is to give the customer a comprehensive tool that they can use to reduce their CO_2 emissions, while also turning operational cost savings into a reality. Naturally, our core business is and remains component manufacturing. But it's about the customer's entire emissions reduction journey. Reducing emissions is very complex.

Speaking of emissions: what direction do you believe the regulatory environment will develop in?
I think the maritime industry will move in the same direction as the power generation industry. Power generation has set itself a goal of being carbon neutral by 2050. The International Maritime Organization (IMO) is aiming to achieve a 50% reduction by 2050, which definitely isn't ambitious enough. It is also clear that the maritime industry must become carbon neutral by 2050. At present, the shipping industry's CO_2 emissions account for about 3% of global CO_2 emissions. Even though we're just talking about 3% – power generation accounts for one third of global CO_2 emissions-, every single percent counts.

How much does Accelleron's turbocharger contribute to CO_2 emissions?
A combustion engine without a turbocharger generates 10% more CO_2 emissions. The maritime industry emits about 1 billion metric tons of CO_2 in total. Ten percent of this is 100 million metric tons of CO_2 emissions. This is equivalent to the emissions generated by approximately 40 million mid-range passenger cars driving an estimated 20,000 km over a full year. And Accelleron's turbochargers have the highest efficiency compared to the competition.

The global economy as a whole is in bad shape, and Accelleron is growing at a considerable pace. How would you categorize this scenario?
There is currently high demand for LNG tankers. Not only are they needed for operating power plants in Europe; they are also vital to industry. The U.S. has a large supply of shale gas, and pipelines and transportation capacity are being expanded, creating further demand. In addition, many emergency diesel generators are needed because of the risk of a temporary power shutdown. It will take years to build a global LNG infrastructure and to make up for Europe's previous reliance on and use of Russian pipeline gas.

What has Accelleron learned from the numerous crises that have emerged since 2020?
That we are quite resilient because of our services, which account for around 3 quarter of our business. Services tend to be much more resilient than products. In past recessions, such as the 2008 financial crisis, the service business fluctuated up to 5%. On the other hand, during the extraordinary 2020 COVID-19 pandemic we saw a decline of almost 10%. It was a very unusual crisis because, during a "normal" recession, ships are still being used and power generation is still running. In 2020, most cruise ships were not operational due to the pandemic, and it was sometimes not possible to service other ships and power plants due to the restrictions and quarantine measures in place, and sometimes customers were reluctant to service their equipment.

Do you feel fully independent as Accelleron?
Yes, absolutely. Since the spin-off, ABB is no longer a shareholder, and the Board is completely independent. That being said, we are still dependent on ABB to some extent, because we still use some of ABB's IT systems. But, by the end of 2023, we will have our own IT infrastructure up and running.

How will you develop your culture in future?
We have around 2,500 employees. We've made the transition from a large, global multi-business company to a mid-sized, specialized company. So, we should develop a mid-sized culture. What that means in practice is that we should rethink and simplify our structures and processes as well as be pragmatic in our approach. It's all about being faster, more agile, and leaner. We also need to shift more decision-making power to local level. In our around 100 service centers, I consider every manager an entrepreneur.

Do you believe there are further opportunities for expansion of the service network?
Our service network is like a living organism. Normally, we set up a service center when there is a need for one in the region in question. For example, when power plants need on-site service to be operating. However, when power plants are taken out of service, we close them. Overall, the number of locations in our service network has been steadily growing over the last decade to over 100.

Accelleron is still a young brand. What can we expect in terms of the brand's further positioning?
We are already in a strong position with our customers, regardless of the name. Probably every customer who owns or operates a ship knows our products, whether that's under the BBC or ABB name. Our goal is for the Accelleron name to become synonymous with high-performance turbochargers in the maritime industry and power generation. As a name, Accelleron fits in well – both with this ambition and with our business. Accelleron stands for acceleration, access and excellence.

How have you approached the investment community so far?
Our customers are well aware of our product portfolio, and for them, the change from ABB to Accelleron was a minor one. Now, what we need to do is turn the hidden champion when part of the ABB family into the visible champion

for the investment community. Since our listing day, I have met with more than 200 investors to tell them about our superior technology and services. And to explain why we are a key element in the energy transition thanks to our knowledge and products. Investors now understand our business model and know why we will be a firm fixture of this industry for at least another century.

What is Accelleron's ESG track record like, and why didn't it publish its Sustainability Report with its first financial report?
ABB is very strong when it comes to ESG. As a result, we already have a good ESG framework that we now need to develop further and adapt to our needs. An undertaking like that takes time. Our first Sustainability Report will be published end of June 2023.

You are operating in a market with relatively low growth expectations of 1% to 2%. Where will Accelleron's future growth come from?
We are well positioned to generate mid-term growth of 2% to 4%. There is already a clear need for our highly efficient turbochargers today because fossil fuels are becoming more and more expensive. But also because of the deregulation to reduce CO_2 emissions of fossil fuels, our turbochargers are a good solution. The internal combustion engine will remain in the long-term because there is no alternative to combustion engines in areas such as maritime and energy. But it is clear that these internal combustion engines are increasingly being powered by synthetic fuel, which is eight times more expensive than fossil fuels today. While these costs will come down through economies of scale and technological improvements, it is estimated that synthetic fuels will still be at least two to three times more expensive than today's fossil fuels. So, even in a carbon-free world, turbocharger efficiency plays a major role because it translates into huge cost savings. With our expected higher market share as a result, we will also be able to drive forward our service business. In addition, we also believe there are opportunities to grow in adjacent markets. We can offer customers more solutions to reduce their CO_2 emissions – both in the digital segment and for products or components in a ship's propulsion system.

Why do you think you have the edge over your competitors in this respect?
Because we already have the most efficient turbochargers. In addition, we are investing in developing our technology. In 2022, we invested around USD 50 million in R&D to further develop our technology and products. This ensures we are always one step ahead of our competitors in terms of performance and reliability.

Why do you invest between 6% and 7% of sales into Research & Development?
We see tremendous technological opportunities in dealing with emission-related challenges. Especially because efficiency is becoming increasingly important, it is worth investing in and exploring possibilities in manufacturing, simulation, and new materials.

Exploring the right energy conversion technology for the future

Interview with Dirk Bergmann, Chief Technology Officer

What was your main motivation in joining Accelleron in November 2020?
I have worked in the maritime and industrial engine industry for most of my professional life. What particularly impresses me with Accelleron is the team spirit. A mere two months after I started at the end of 2020, everyone was put on work from home because of the COVID-19 pandemic. So, I had to get to know my colleagues and settle into my new position from home. I would never have been able to do that without Accelleron's open and supportive culture. People are very open when it comes to sharing information and helping one another. It is even very easy to approach people you don't know. Accessibility and a superb team spirit both form an important part of our culture.

Do you follow a particular process or strategy in terms of implementing innovations?
To some extent, yes. However, it's a different matter when it comes to innovations in a product segment like turbochargers for industrial marine engines. Here, innovation lies more in optimizing details, such as developing a more efficient turbine or improving the flow field inside a turbocharger. On the other hand, if you enter brand-new sectors such as digitalization or turbocharging fuel cells, you can approach innovation in a much more comprehensive way. So different approaches are needed. In this regard, taking part in the introduction of a new management system during my time at an engine OEM helped me a lot. One field that we certainly have room for improvement is entering into collaborative relationships with external partners. Over the past few decades, we have focused more on improving everything relating to our turbocharging portfolio, but nowadays we need to be able to generate new ideas through external partners. Doing so will help us to broaden our view and increase our opportunities to come up with innovative ideas.

You mentioned both turbocharger and the fuel cell. Would you say that, in the world of turbochargers, we only innovate in a linear way, where disruption per se is no longer possible?
Let me flip that around. I think that, now, we will be able to 3D print parts of the turbocharger, for example, so we can innovate in different ways. This will be disruptive in some areas. If we can print the turbine and/or the compressor wheel and reduce the mechanical impact after a burst, it would certainly be disruptive to our turbocharger product. We could produce something lighter and at a far lower cost. But, to do that, we naturally need to see further improvements in printing technology. We are currently working with an external partner to turn these improvements into a reality within the next five to ten years. This could prove disruptive for our established products.

Do you also focus on other digital business models, such as using Tekomar XPERT?
We have developed a variety of simulation models for our internal product development. We use them for containment safety certification, among other things in close cooperation

with our testing facilities. With regards to how our products can support our customers, we also have ACTUS – a very comprehensive tool for gearing our turbochargers' application engineering toward our their individual needs and optimize their performance. Based on the digital model and data generated we develop and improve digital offerings for our customers, in turbocharger service contracts as well as with Tekomar XPERT focusing at optimizing performance and reducing emissions of the entire engine and vessel. engine and vessel.

What are the main drivers of innovation in the industry as a whole? I'm talking specifically about the maritime industry, the power generation industry, and, to some degree, the rail industry.
At the moment – and I think this will also be the case in the next decade or two – it's about making the transition from fossil fuels to sustainable renewable energy sources. In the maritime industry, it's about switching from heavy fuel oil to natural gas and other sustainable liquid fuels like green ammonia and methanol. In power generation, it's more about increasing the use of hydrogen. Over the past three decades, our industry has focused on efficiency and productivity of given technical concepts. Today, we have to switch to an exploratory culture to find out which energy source and which energy conversion technology is the right one for both our society and our industry. We can't research the right and most efficient way because it doesn't exist yet. That is why we must explore all the possible ways in which we can reduce our carbon impact. From my point of view, that is the main driver of innovation, and we are in a superb position to support this openness to technical solutions.

Do you believe the turbocharger is a key technology?
Yes. For international shipping, I don't see any real alternative to the combustion engine. And using an internal combustion engine only makes sense if it's turbocharged. The jury is still out there with respect to what will be used as fuel. As our simulations and experience show, we can handle all the fuel types discussed. Even ammonia doesn't pose us any problems. We can offer our customers specific turbochargers to meet their needs, and our qualified R&D group can help our customers immediately should any issues arise. Combined with our global service network, this provides very good risk mitigation for many of our customers to adopt these new fuels.

Are there any alternatives to the turbocharger in sight, like battery technology?
All the battery technologies I know of have to carry all the chemical components inside them to enable energy storage and conversion. In the internal combustion engine, one component of the reaction – oxygen – is added from the outside and is transported back outside at the end of the reaction. So, in my view, the energy density of chemical energy stored in liquids or gases cannot be achieved with a battery. Batteries have a much lower power density because the reactants have to be kept in the battery. The only thing I can imagine is the fuel cell. And even fuel cells get more efficient when they are turbocharged. Because of this, I do see a need for highly efficient and reliable turbochargers in future.

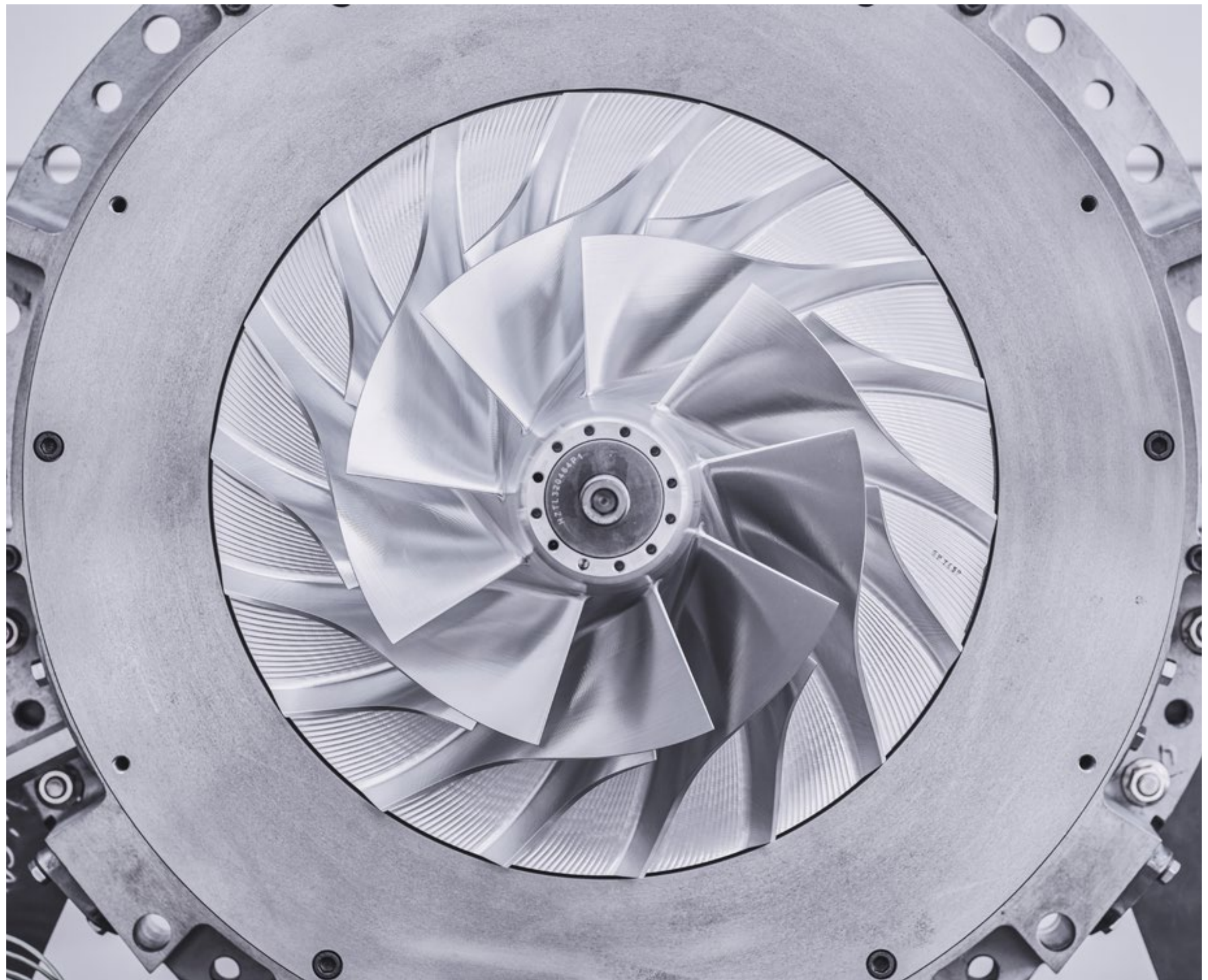
We are a component manufacturer and, usually, it is the engine manufacturer who innovates. Are we really in a position to change the industry?
In some areas, we are the enabler for engine improvements and the transition to other fuel types. Other technologies such as sensors and control systems naturally play a role too, but, in the end, the turbocharger is a key component. If you don't have a turbocharger to make combustion as efficient as possible, you won't be able to make a new engine run on these future sustainable fuels.

How does R&D translate into customer benefits? How long does it take for something that has been researched to be implemented into a product and to find applications and benefits for end users?

Five to ten years. If mechanical components are involved, we need to use digital solutions that require us to apply our modeling skills and theoretical knowledge. Here, we have to do all the product risk mitigations as part of the classification and certification processes. We need to prove the concept and safety precautions and, in the best-case scenario, also gain experience with front-runners or prototypes operating in the field. This normally lasts five to ten years at least. This time frame is, of course, significantly shorter for digital and service-related products and offerings.

We are currently spending 6% to 7% of our turnover on R&D. Do you intend to maintain that pace of investment?
We are currently still spending most of our R&D efforts on further developing our turbocharger portfolio with a view to adapting it to our customers' needs. We are using some portion for our digital product development operations and for exploring new areas using our turbocharging knowledge (for the likes of improving fuel cells' performance). To answer your question, 7% of our revenue is a reasonable maximum value for our business and the changes we can expect to see in our market.

We currently have about about 120 patent families in use. What can you say about intellectual property?
In general, we file new patents in all the areas we conducted research and developed new ideas and new technical solutions in. If these areas are just internal in nature, we go more in the direction of holding them as trade or company secrets. The reason we do this is because, sometimes in these cases when you patent them, you are essentially handing the recipe over to a competitor, then they add a little more salt to it, and you've lost your patent protection. For us, the main thing is protecting our turbocharging know-how and safeguarding our R&D investments.



The energy transition: an outstanding opportunity

Accelleron customers are significant contributors to global warming. Energy and Marine – Accelleron's core sectors – account for 34% and 3%, respectively, of annual global CO_2 emissions. These sectors are currently undergoing a full-scale transition to significantly reduced emission levels, which Accelleron is best placed to facilitate. With turbochargers, and digital solutions, Accelleron offers products and services for its customers and their customers to improve their scope 3 emission footprint. Accelleron is in a position to enable both. As a key enabler of decarbonization across end markets, in the medium term we expect alternative fuels such as methanol or ammonia to be ready for widespread use and drive zero-emission shipping. Hydrogen shows significant potential for land-based, carbon-neutral power generation.

For the foreseeable transition period toward a zero-carbon future, Accelleron allows customers using conventional fossil fuels to lower their CO_2 emissions by up to 10% and reduce NOx emissions by up to 60%, all the while increasing power output by up to 300%. Accelleron is a leader in natural gas turbocharging. Natural gas has a lower CO_2 impact.

Battery electric solutions will not be a viable option for the vast majority of oceangoing vessels due to their comparatively high weight and limited storage capabilities. Accelleron empowers its customers to achieve the lowest exhaust emission levels and transition to a more energy-efficient future.

02

Key data and operational review

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Key data

The positive market momentum continued in 2022 resulting in strong revenues growth of 3.2% (+11.8% on a constant currency basis[1]).

In a challenging inflationary environment Accelleron delivered an attractive operational EBITA margin[1] of 24.6% (2021: 24.8%) despite additional expenses resulting from the standalone setup. The way to independence led to one-off costs (USD 34.8 million) impacting net income, which was USD 129.8 million in 2022 or 10.1% lower than in the previous year. Accelleron's highly cash generative business model is one of the key characteristics in terms of financial performance, reflected in a robust free cash flow conversion[1] of 76.5% on the back of an excellent second half-year conversion being above 100%. Free cash flow generation was USD 99.3 million in 2022, compared to USD 135.5 million in the previous year as a result of one-off costs.

Revenues by operating segment

Key figures

(USD in millions)	2022	2021	Change in %	Organic[1]
Revenues	780.5	756.5	3.2%	11.8%
Gross profit	352.8	355.7	-0.8%	
as % of revenues	45.2%	47.0%	-1.8 ppts	
Income from Operations	157.0	185.6	-15.4%	
Operational EBITA[1]	191.8	187.6	2.2%	
as % of revenues	24.6%	24.8%	-0.2 ppts	
Net income	129.8	144.3	-10.1%	
as % of revenues	16.6%	19.1%	-2.5 ppts	
Cash flow from operating activities	133.4	163.3	-18.3%	
Free cash flow[1]	99.3	135.5	-26.7%	
Free cash flow conversion[1]	76.5%	93.9%	-17.4 ppts	
Basic earnings per share (USD)	1.3	n/a	n/a	
Net leverage[1]	0.6	n/a	n/a	

[1] Certain alternative performance measures are used by the Company to evaluate performance. Refer to "Supplemental information" section of this annual report for a detailed description.

Share information

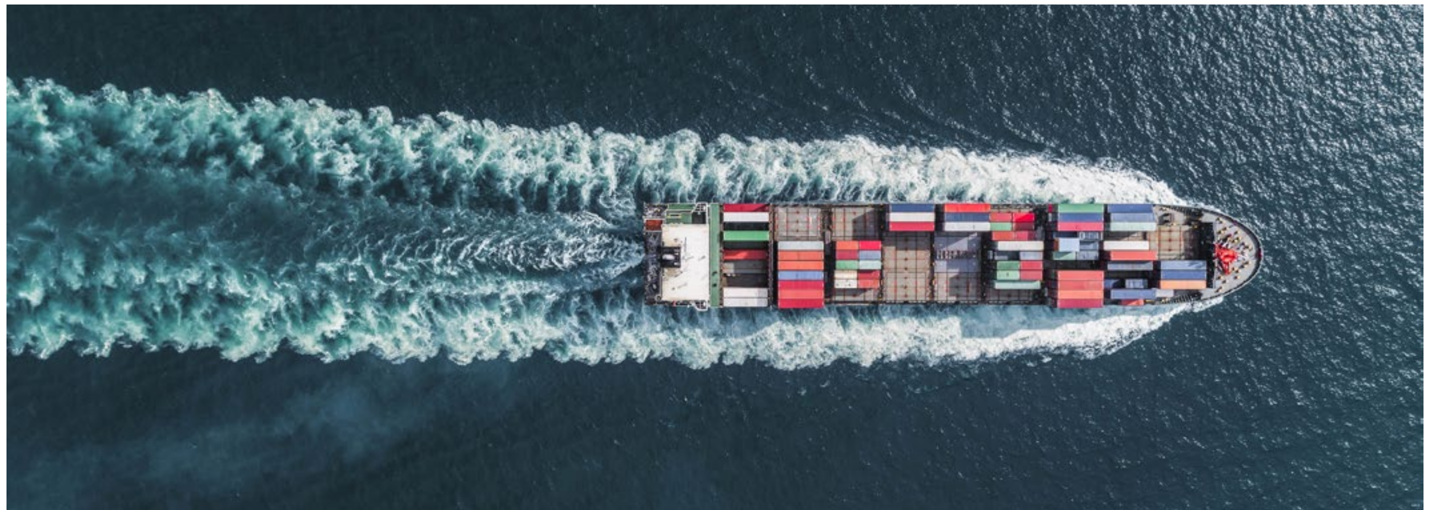
Share price (CHF)	2022
High	19.68
Low	14.20
Year-end	19.15
Market capitalization as of December 31	
Number of shares issued	93,751,299
In millions CHF	1,795
P/E ratio as of December 31[1]	15.8x
Dividend yield as of December 31[2]	3.8%

[1] Share price at year-end (converted to U.S. dollars at year-end exchange rates) divided by basic earnings per share.
[2] Dividend per share (in CHF) divided by share price at year-end (in CHF).

Data per share

	2022
Dividend per share (CHF)[1]	0.73
Basic earnings per share (USD)[2]	1.31
Equity attributable to Accelleron per share (USD)[3]	3.03
Dividend payout ratio (%)[4]	60%

[1] Proposed by the Board of Directors and subject to approval by shareholders at the Annual General Meeting on May 9, 2023.
[2] Calculation based on weighted-average number of shares outstanding undiluted.
[3] Calculation based on the number of shares outstanding at December 31, 2022.
[4] Dividend per share (converted to U.S. dollars at year-end exchange rate) divided by basic earnings per share.



Group financial and business review

The following discussion of the financial condition and results of the operations of Accelleron Industries AG and its subsidiaries (collectively the “Company” or “Accelleron”) should be read in conjunction with the consolidated and combined financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and the related notes thereto. All amounts presented in this section are in USD and may not add up precisely to the totals provided due to rounding.

Overview

Accelleron designs, manufactures, sells and services highly customized turbochargers through the Company’s product business for original equipment manufacturers (OEMs) of engines for heavy-duty applications. These OEMs install Accelleron’s products on the engines they produce for end-users across the world; the maintenance of this installed base forms the foundation of Accelleron’s service business.

Accelleron is a global leader in turbocharging technologies and optimization solutions for internal combustion engines from 0.5 to 80+ megawatt (MW), helping provide sustainable, efficient and reliable power to the marine, energy, rail, and off-highway sectors.

The Company operates the business in the global turbocharger market for heavy duty (500 kilowatts and higher) applications in two operating segments, which align with the product lifecycle:

- **High Speed:** produces and services turbochargers with power outputs ranging from 500 to 5,000 kilowatts. High Speed turbochargers are used mainly in marine, electric power generation, oil & gas onshore and off-highway sites.
- **Medium & Low Speed**: produces and services turbochargers with power outputs from 3,000 to 30,000 kilowatts. Such turbochargers are used mainly in marine and related applications and electric power generation applications In addition, this reporting segment also includes business activities relating to rail, digital and Tekomar because their application is primarily related to Medium & Low Speed segment.

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 (formerly ABB Turbocharging), its market-leading turbocharging division. Prior to the spin-off on October 3, 2022, historical financial statements were prepared on a carve-out combined basis and were derived from the consolidated financial statements and accounting records of ABB. Accordingly, for periods prior to October 3, 2022, financial statements are presented on a combined basis and for the periods subsequent to October 3, 2022 on a consolidated basis. 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.

Results of Operations for the years ended December 31, 2022 and 2021

			December 31
(USD in millions)	**2022**	**2021**	**change in %**
Revenues	780.5	756.5	3.2%
Cost of sales	(427.7)	(400.8)	6.7%
Gross profit	**352.8**	**355.7**	**-0.8%**
Selling, general and administrative expenses	(149.6)	(121.0)	23.6%
Research and development expenses	(51.1)	(51.6)	-1.0%
Other income (expense), net	4.9	2.6	88.6%
Income from operations	**157.0**	**185.6**	**-15.4%**
Interest and other finance income/(expense), net	(0.6)	(1.4)	-59.7%
Income from operations before income taxes	**156.5**	**184.2**	**-15.0%**
Income tax expense	(26.7)	(39.9)	-33.1%
Net income	**129.8**	**144.3**	**-10.1%**
Operational EBITA[1]	191.8	187.6	2.2%
Operational EBITA margin[1]	24.6%	24.8%	-0.2ppts

Revenues

Revenues increased by USD 24.0 million, or 3.2% (+11.8% on a constant currency basis) to USD 780.5 million in 2022 compared to the prior fiscal year, resulting from a continued strong demand across most of the relevant industries and to a lesser extend from price increases in 2022. The increase in volumes was predominantly driven by a further strengthening demand for the gas compression business in the United States, the global merchant marine and the cruise service businesses. A detailed discussion of the factors contributing to the changes in segment revenues is included in the "Operating segments financial review" section of this annual report.

Gross profit

Gross profit decreased by USD 2.9 million, or 0.8% to USD 352.8 million in 2022 compared to the prior fiscal year. The gross profit margin decreased by 1.8 percentage points, to 45.2% primarily driven by non-operational one-off expenses relating to the build-up of IT infrastructure, applications and services, and an adverse product mix. The ongoing cost inflation (namely material, transport and labor) was largely offset by price increases.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by USD 28.6 million, or 23.6% to USD 149.6 million in 2022 compared to the prior fiscal year. The increase is mainly the result of non-operational one-off expenses relating to the build-up of group functions following the spin-off and additional operational expenses resulting from the standalone setup.

Research and development expenses

Research and development expenses decreased by USD 0.5 million, or 1.0% to USD 51.1 million in 2022 compared to the prior fiscal year. Research and development expenses as a percentage of revenues, remained largely stable year over year.

Income tax expense

Income tax expense decreased by USD 13.2 million, or 33.1% to USD 26.7 million in 2022 compared to the prior fiscal year, mainly driven by lower pre-tax income from operations. The effective tax rate decreased to 17.1% in 2022, from 21.7% in 2021 due to some one-time effects as a result of the separation from the Former Parent as well as a change in profit mix.

Net income

Net income decreased by USD 14.5 million, or 10.1% to USD 129.8 million in 2022 compared to the prior fiscal year, largely as a result of the factors set out in the previous paragraphs and partly offset by a lower income tax expense. Net income included USD 34.8 million of one-off and other non-operational costs in the financial year ended December 31, 2022, resulting from the separation and build-up activities.

Operational EBITA

Operational EBITA increased by USD 4.2 million, or 2.2% to USD 191.8 million in 2022 resulting from operating leverage. The operational EBITA margin slightly decreased by 0.2 percentage points to 24.6% in 2022 namely as a consequence of the additional expenses resulting from the standalone setup. The ongoing cost inflation (namely material, transport and labor) was largely offset by price increases.

[1] Operational EBITA and operational EBITA margin are alternative performance measures used by the Company to evaluate performance. Refer to "Supplemental information" section of this annual report for a detailed description and to "Note 4 - Operating Segment" within the consolidated and combined financial statement section for a reconciliation to the nearest GAAP measure.

Liquidity and Capital Resources

(USD in millions)	2022	2021	December 31 change in %
Net cash provided by/(used in) operating activities	133.4	163.3	-18.3%
Net cash provided by/(used in) investing activities	(34.1)	(27.8)	22.8%
Net cash provided by/(used in) financing activities	28.9	(66.2)	-143.6%
Effects of exchange rate changes on cash and cash equivalents	(12.0)	(0.5)	2,410.0%
Cash and cash equivalents, beginning of period	**73.2**	**4.4**	**1,575.4%**
Cash and cash equivalents, end of period	**189.4**	**73.2**	**158.7%**

Net cash provided by operating activities decreased by USD 29.9 million, or 18.3% to USD 133.4 million in 2022 compared to the prior fiscal year, primarily due to cash payments for separation and build-up activities. In addition the challenging global supply chain situation resulted in higher inventories and accordingly a longer cash conversion cycle.

Net cash used in investing activities increased by USD 6.3 million, or 22.8% to USD 34.1 million compared to the prior fiscal year, primarily due to key investments made into equipment for the Swiss factory and office facility.

Net cash used in financing activities increased by USD 95.1 million, or 143.6% to USD 28.9 million compared to the prior fiscal year and primarily represents net transfer to Former Parent and net receipts on debt.

Net Debt and Indebtedness

(USD in millions)	2022	2021	December 31 change in %
Cash and cash equivalents	(189.4)	(73.2)	158.7%
Current debt	—	92.1	-100.0%
Non-current debt	322.8	—	100.0%
Net debt	**133.4**	**18.9**	**605.9%**

Net debt increased by USD 114.5 million, or 605.9% to USD 133.4 million in 2022 compared to the prior fiscal year. The higher net debt level is mainly the result of a term-loan in the amount of CHF 300 million that forms part of a CHF 450 million credit facility that Accelleron entered into in connection with the spin-off. As of December 31, 2021, current debt obligations amounted to USD 92.1 million which were incurred to legally acquire groups of net assets from the Former Parent and were refinanced on the spin-off date.

Operating segments financial review

High Speed segment

The financial results of the Company's High Speed segment for the years ended December 31, 2022 compared to December 31, 2021 are as follows:

			December 31
(USD in millions)	**2022**	**2021**	**change in %**
Revenues	213.8	205.9	3.9%
Operational EBITA	41.0	49.6	-17.5%
Operational EBITA margin	19.2%	24.1%	-4.9%

Revenues

Revenues in the High Speed segment increased by USD 7.9 million, or 3.9% (+7.9% on a constant currency basis) to USD 213.8 million in 2022 compared to the prior fiscal year. This is primarily linked to a strong demand related to the gas compression business in the United States and price increases.

Operational EBITA

Operational EBITA in the High Speed segment decreased by USD 8.6 million, or 17.5% to USD 41.0 million in 2022 compared to the prior fiscal year. The decline is the result of an adverse product mix and warranty charges. Consequently operational EBITA margin decreased by 4.9 percentage points, to 19.2% in 2022.

Medium & Low Speed segment

The financial results of the Company's Medium & Low Speed segment for the years ended December 31, 2022 compared to December 31, 2021 are as follows:

			December 31
(USD in millions)	**2022**	**2021**	**change in %**
Revenues	566.7	550.6	2.9%
Operational EBITA	150.8	138.0	9.3%
Operational EBITA margin	26.6%	25.1%	1.5%

Revenues

Revenues in the Medium & Low Speed segment increased by USD 16.1 million, or 2.9% (+13.3% on a constant currency basis) to USD 566.7 million in 2022 compared to the prior fiscal year. This increase mainly results from a further strengthening of the demand in merchant marine and the service demand in the cruise business as well as price increases compared to the prior-year period.

Operational EBITA

Operational EBITA in the Medium & Low Speed segment increased by USD 12.8 million, or 9.3% to USD 150.8 million in 2022 compared to the prior fiscal year. The increase in operational EBITA is mainly the result of operating leverage. Operational EBITA margin increased by 1.5 percentage points to 26.6% in 2022.

03

Sustainability

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Accelleron moves sustainability further

As global leader in high-power turbochargers for mission-critical applications Accelleron's offering and technologies enable its customers to accelerate sustainable transportation and the energy transition in relevant markets.

Sustainability is a true driving force for both Accelleron and its customers, and it sets a priority for further improvement of its social and environmental impacts. As a stand-alone company since October 2022, Accelleron, based on the ABB's well recognized sustainability framework, further tailors its approach to sustainability as integrated part of business strategy. Accelleron thereby ensures that Environmental, Social and Governance (ESG) aspects are recognized and controlled. Accelleron is inspired to build a culture where all employees collaborate and drive sustainability further as an integrated part of the business.

As Accelleron is further refining its long-term strategy, the sustainability strategy and targets are in the process of finalization. On June 30, 2023, the first Sustainability Report will be published with more detailed information on where Accelleron stands and what it strives for.

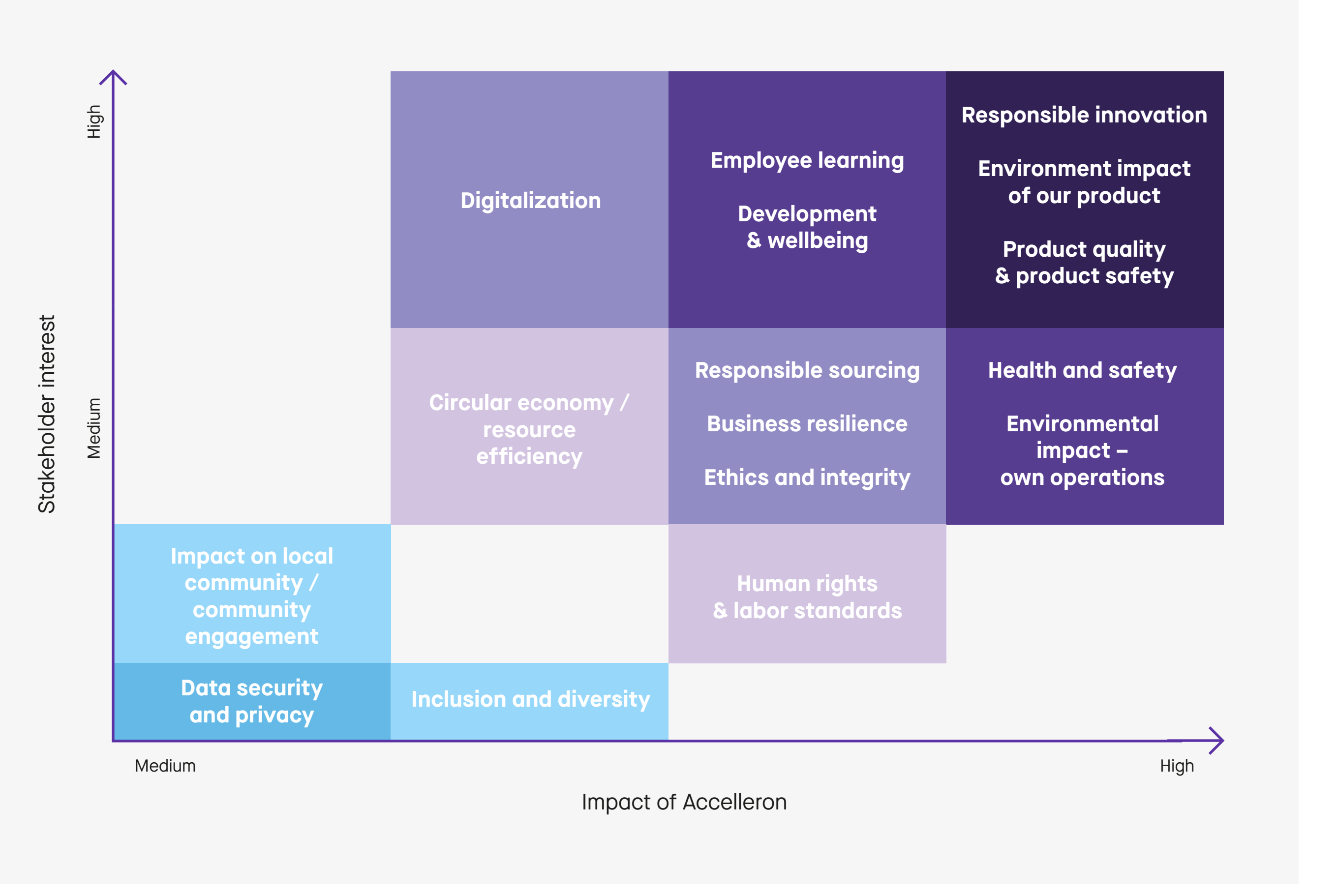
Materiality assessment

As a starting point for developing the sustainability strategy, Accelleron conducted an analysis of material topics involving the most important internal and external stakeholders. The Company used a methodology inspired by the Global Reporting Initiative (GRI) to help identify the key material topics most relevant to Accelleron as a business and its stakeholders through engaging interviews.

As a result, Accelleron established its first materiality matrix in 2022, which reflects stakeholders' interests and serves as a foundation for developing the sustainability strategy. The results have been reviewed and validated by a third-party sustainability expert to ensure their credibility and objectiveness.

Accelleron strives to proactively address top priority topics such as responsible innovation, environmental impact of the products and product quality & safety in the strategy to improve value creation for its stakeholders.

Materiality matrix



Governance

Sustainability covers all levels of the Accelleron organization starting with the Executive Committee and the Board of Directors. It is represented in the Executive Committee by the Chief Human Resources and Sustainability Officer. The Executive Committee together with the Nomination and Compensation Committee and the Board of Directors work united to lead and develop Accelleron's sustainability strategy. Under the coordination and consistent drive of the Global HSE and Sustainability team, the department heads and operational managers execute sustainability projects and support sustainability strategy implementation.

At Accelleron the aim is to have sustainability integrated in the business strategy and to have all employees contributing to sustainability improvements through personal target setting.

Introducing the Company's sustainability roadmap, transparency and disclosure will safeguard that Accelleron will report on the progress and deliverables in a credible way.

Environment: Accelleron aims to further reduce its carbon emissions

The environmental impacts of the products and operations are top priorities in Accelleron's materiality matrix. Carbon emission is the first environmental aspect prioritized as the response to the global climate crisis. The Company is aware that the scope 3 is substantially larger than the scope 1 and 2. Accelleron is now taking the next steps in the sustainability planning to develop ambitious targets along with action plans to further reduce its impact.

Accelleron strives to lower the scope 1 and 2 CO_2 emissions by 80% in 2030 vs. 2019. Between 2019 and 2021, the Company achieved a reduction of 50% of the scope 2 CO_2 emissions, mainly through supply of renewable electricity in its Chinese factory. In relation to the scope 1 CO_2 emission reduction, Accelleron started to use lower carbon emission fuel in the Swiss product test center with significant improvement on emissions. The carbon footprint of its manufactured products is part of the scope 3 of its OEM customers. By reducing carbon emission related to the product testing phase, Accelleron will directly impact its customers' scope 3 emission in a positive way.

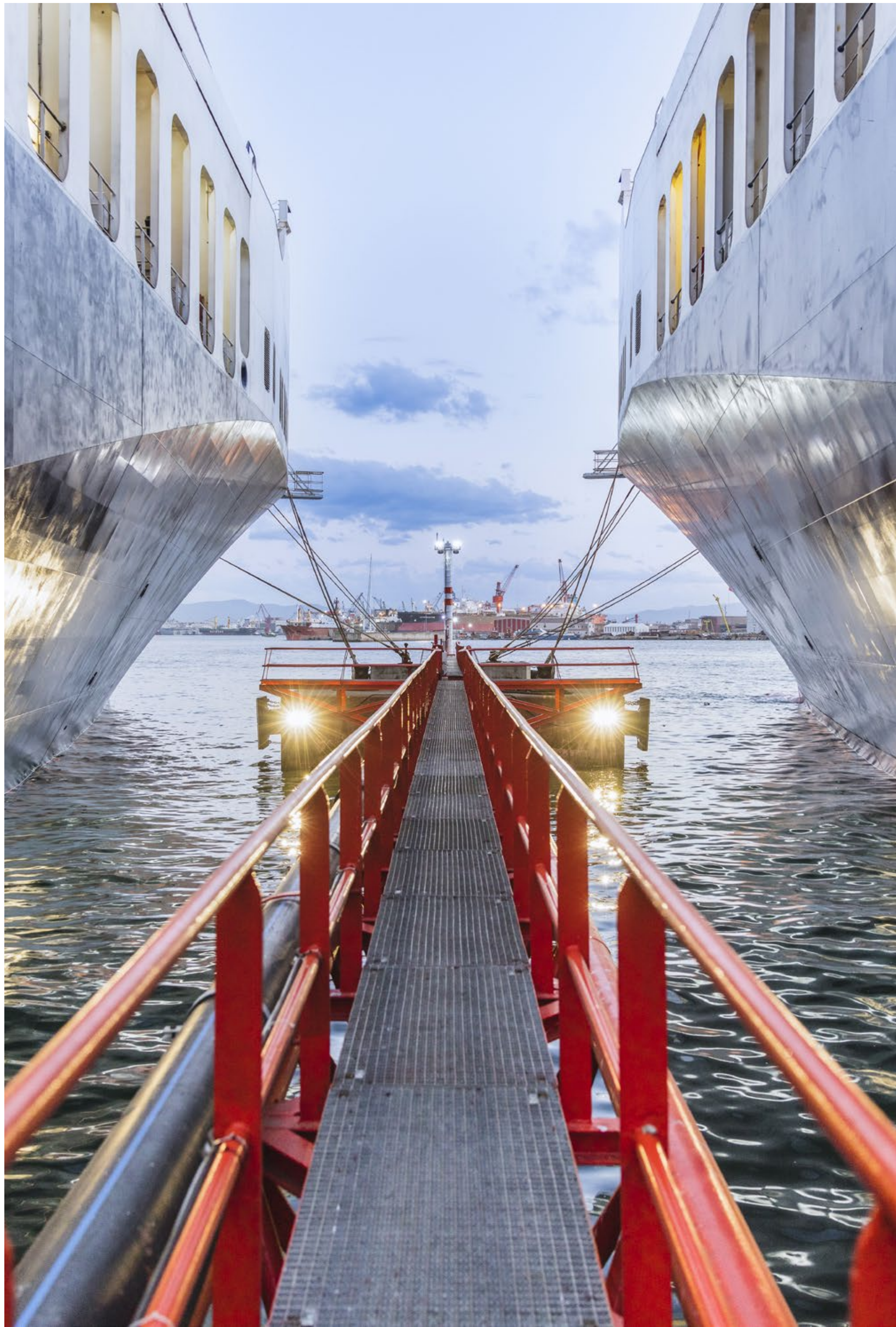
Social: Accelleron contributes to collective social progress

Health and Safety is Accelleron's top priority, and the Company values the progress made so far as it continues the effort to improve employee and site safety and commits to reduce the lost time incident frequency rate to 0.2 by 2025[1].

The employees and their competences are key for Accelleron's success. Accelleron operates in more than 50 countries and over 100 locations. More than 95% of the country managing directors and service station managers come from the local communities.

Accelleron is already a diverse workplace through its international presence and over 80 nationalities and demonstrates the ability to empower local people. Accelleron will further invest in employee learning and development to excel the capability in capturing current and future business opportunities.

To continue driving innovation and attracting and retaining talents, the Company wants to increase the shares of senior female leaders from 21% in 2022 to 25% by 2025[2].



[1] LTIFR: The lost time incident frequency rate is calculated per 200,000 wroking hours (Accelleron employees only).
[2] Senior leader is someone reporting directly to the Executive Committee, to other direct reports of the CEO or is in charge of a local unit.

04

Corporate governance

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Group structure and shareholders

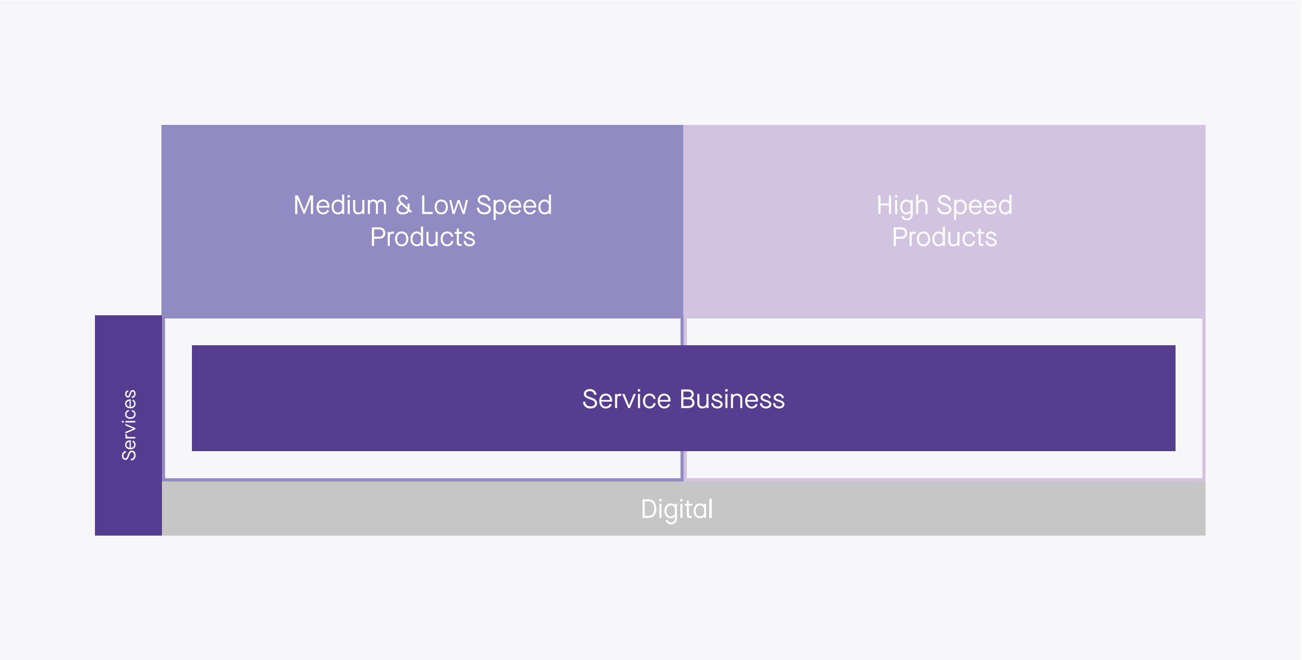
Group structure

Information on Accelleron's corporate structure can be found in note 23 of the Consolidated and Combined Financial Statements of Accelleron.

Accelleron Industries AG, the parent company of the Accelleron Group, headquartered in Baden, Aargau (CH), is the only listed Group company. Accelleron's shares are traded on the SIX Swiss Exchange under the symbol ACLN (security number 116936091; ISIN Code CH1169360919). The market capitalization as per December 31, 2022 amounted to CHF 1,795,337,375.85 (excluding treasury shares).

The Group has subsidiaries and branches in more than 50 countries. The Group's consolidated subsidiaries are listed under note 23 to the Consolidated and Combined Financial Statements, stating the company name and equity interest held by the Group.

The Accelleron Group's operating business is organized as follows:



Significant shareholders

According to the disclosure notification to the SIX Swiss Exchange, the shareholders listed in the below table reported shareholdings of at least 3% of the voting rights as per 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, St. Helier, Jersey, Channel Islands	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%

Disclosure notifications reported to Accelleron Industries AG and SIX Swiss Exchange during 2022 can be viewed at www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/.

Cross-Shareholdings

There are no cross-shareholdings between Accelleron Industries AG and other companies.

TPR56 turbocharger

Capital structure

Share capital

As per December 31, 2022, the issued ordinary share capital amounts to CHF 945,000. Accelleron Industries AG has conditional capital and authorized capital, each of CHF 94,500, both unissued. Shares issued from authorized and from conditional share capital are subject to the registration and transfer restrictions of Art. 8 of the Articles of Association.

Authorized share capital

The Board of Directors is authorized to increase the share capital, at any time until September 20, 2024, by a maximum amount of CHF 94,500, which equates to 10% of the existing share capital, by issuing a maximum of 9,450,000 fully paid-up shares with a nominal value of CHF 0.01 each (Art. 6 (1) of the Articles of Association). It is permissible to increase the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions, or third parties, followed by an offer to the then-existing shareholders of the Company, and (ii) in partial amounts.

The Board of Directors determines the date of issue, the issue price, the type of contribution, the beginning date for dividend entitlement, the conditions for the exercise of preemptive rights, and the allocation of preemptive rights that have not been exercised. For further details, see Art. 6 (2) of the Articles of Association.

Within the limits set out in Art. 6 (3) of the Articles of Association, the Board of Directors may withdraw or limit the preemptive rights of the shareholders with respect to new shares issued from authorized share capital and may allot them otherwise. For further details, see Art. 6 (3) of the Articles of Association.

Conditional share capital

The total conditional share capital of CHF 94,500, which equates to 10% of the existing share capital, is not limited in time and consists of:

Conditional share capital for equity-linked financial instruments
The share capital may be increased in an amount not to exceed CHF 66,150 through the issuance of up to 6,615,000 fully paid registered shares with a par value of CHF 0.01 per share through the voluntary or mandatory exercise of conversion rights and/or warrants granted in connection with the newly or already issued bonds or other financial instruments, including loans, by the Company or one of its Group companies (Art. 4 of the Articles of Association). The preemptive rights of the shareholders shall be excluded in connection with the issuance of convertible or warrant-bearing bonds or other financial instruments or the grant of warrant rights. The then current owners of conversion rights and/or warrants shall be entitled to subscribe for the new shares. The conditions of the conversion rights and/or warrants shall be determined by the Board of Directors.

Under specific circumstances and subject to certain conditions, the Board of Directors is authorized to restrict or deny the advance subscription rights of shareholders. The advance subscription rights of the shareholders may be granted indirectly. For further details, see Art. 4 (3) of the Articles of Association.

Conditional share capital for employees
The share capital may be increased in an amount not to exceed CHF 28,350 through the issuance of up to 2,835,000 fully paid registered shares with a par value of CHF 0.01 per share by the issuance of new shares to employees of the Company and Group companies (Art. 5 (1) of the Articles of Association). The preemptive and advance subscription rights of the shareholders of the Company are excluded. The shares or rights to subscribe for shares shall be issued to employees pursuant to one or more regulations to be issued by the Board of Directors, taking into account performance, functions, levels of responsibility and profitability criteria. Shares or subscription rights may be issued to employees at a price lower than that quoted on the stock exchange.

Changes in capital

The Company was incorporated on May 26, 2021 with an initial share capital of CHF 100,000, divided into 100,000 registered shares with a nominal value of CHF 1.00 each.

On September 20, 2022 the Company's extraordinary shareholders' meeting resolved, among other things, on (i) a share split according to which the then-existing 100,000 registered shares with a nominal value of CHF 1.00 each were split into 10,000,000 registered shares with a nominal value of CHF 0.01 each, (ii) the introduction of an authorized share capital, (iii) the introduction of a conditional share capital, and (iv) an ordinary share capital increase in

the amount of CHF 845,000 through the issuance of 84,500,000 registered shares with a nominal value of CHF 0.01 each resulting in a new share capital of CHF 945,000, divided into 94,500,000 fully paid-in registered shares with a nominal value of CHF 0.01 each. All of these changes were registered with the commercial register of the Canton of Aargau on September 20, 2022.

Shares and voting rights

The share capital of Accelleron Industries AG is fully paid in and amounts to CHF 945,000. It is divided into 94,500,000 registered shares with a par value of CHF 0.01 each. All shares of Accelleron Industries AG are listed on the SIX Swiss Exchange.

With the exception of the treasury shares held by the Company, each share registered with voting rights in the share register of the Company carries one vote at the General Meeting. Each share carries a dividend entitlement.

As of December 31, 2022, the Company has neither participation certificates nor profit sharing certificates outstanding.

Restrictions on transferability and nominee registrations

Acquirers of shares are, upon request, registered as shareholders with voting rights in the share register if they explicitly declare that they hold the shares in their own name and for their own account; they are recognized accordingly in relation to the Company only once registered (Art. 8 of the Articles of Association).

Persons who do not expressly declare in the registration application that they hold the shares for their own account (Nominees) are registered as shareholders with voting rights in the share register up to a maximum of 3% of the share capital. For any shares in excess of this registration threshold, Nominees are registered as shareholders with voting rights in the share register if the Nominee concerned declares the names, addresses, nationalities, and shareholdings of such beneficial owners for whose account it holds 0.5% or more of the share capital. The Board of Directors may enter into agreements with Nominees about their duties of notification and grant exemptions from this Nominee regulation in individual cases. No such agreements were entered into and no exceptions were granted in 2022.

Entries in the share register may be cancelled retroactively if the registration has been made based on false or misleading information (Art. 8 (6) of the Articles of Association).

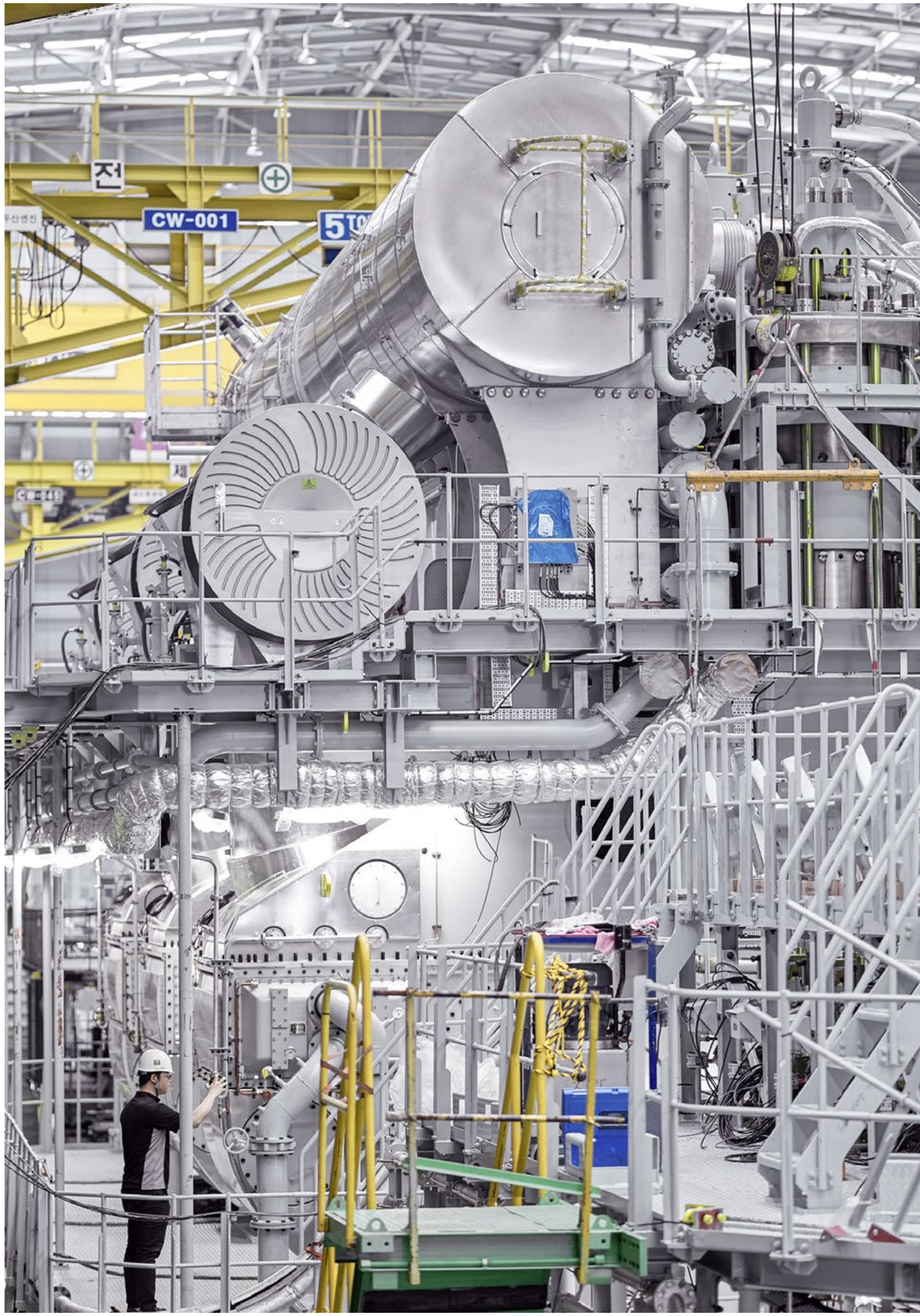
Furthermore, the Articles of Association do not contain any restrictions in terms of registration or voting rights.

The Board of Directors did not have to delete any entries in the share register retroactively as of the date of entry in the 2022 reporting year.

Amendments to the provisions regarding the restriction of the transferability of registered shares require a resolution of the General Meeting passed by at least two-thirds of the votes represented (Art. 15 of the Articles of Association).

Convertible bonds and options

Accelleron has no outstanding convertible bonds and no outstanding share options.



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Board of Directors

The Articles of Association provide that the Company's Board of Directors be composed of at least three members including the Chair of the Board of Directors. As of December 31, 2022, the Board of Directors consists of the following six non-executive members, representing solid competence in governance, sustainability and strategic views on end markets:

	O. Riemenschneider	M. Krüsi	G. Sons	B. Cerup-Simonsen	D. Trefzger	S. Pampalone
Role	Chairman	Vice-Chair	Member	Member	Member	Member
Committees	none	Chair of AC - Member of NCC	Chair of NCC	Member of NCC	Member of AC	Member of AC
Citizenship	Switzerland	Switzerland & Italy	Germany	Denmark	Germany	Italy
Gender	M	F	F	M	M	M
Year of birth	1962	1962	1960	1968	1962	1967
Year of appointment	2022	2022	2022	2022	2022	2022
Independence	no	yes	yes	yes	yes	yes

Oliver Riemenschneider

Chairman of the Board of Directors, elected in July 2022, is a Swiss citizen born in 1962.

Binding interests[1]: chairman of the board of directors of V-Zug AG, senior consultant at Consenec.

Oliver Riemenschneider was previously a senior vice president at ABB, where he led ABB's Turbocharging division for 11 years, including the transition to an independent entity, Accelleron Industries AG. He began his career at ABB in Switzerland in 1991 and since then has held several different management positions within ABB, predominantly in its Turbocharging division. He holds a master's degree in Mechanical Engineering from ETH Zurich and a Master of Business Administration degree from the City University, Bellevue, Washington, USA.

Monika Krüsi

Vice-Chair of the Board of Directors, Chair of the Audit Committee, member of the Nomination and Compensation Committee, elected in July 2022, is a Swiss and Italian citizen born in 1962.

Binding interests: chair of the board of directors of the Repower group and of Oskar Rüegg Holding AG, member of the board of directors of Burckhardt Compression and Energie 360°, partner at MKP Consulting.
Monika Krüsi began her career at McKinsey & Co., where she worked for nine years before becoming a partner at Venture Incubator Partners in 2001. Monika Krüsi holds a PhD in Business Informatics and an MBA degree from the University of Zurich, Switzerland.

[1] "Binding interests" describes activities on management and supervisory bodies of major organizations and/or permanent management or advisory functions for important interest groups, in accordance with the SIX Directive on information relating to corporate governance.

Gabriele Sons

Member of the Board of Directors, Chair of the Nomination and Compensation Committee, elected in July 2022, is a German citizen born in 1960.

Binding interests: member of the supervisory board of ElringKlinger, member of the supervisory board of Grammer.

Gabriele Sons began her career in 1991 as an advisor on collective bargaining and employment law at Deutsche Lufthansa. Since then, she has served as managing director or executive board member of several international businesses including Compass Group, Schindler Elevator, the German Employers Association Gesamtmetall and Thyssenkrupp Elevator. Gabriele Sons studied law in Munich and Heidelberg and has been an independent lawyer and consultant since 2018.

Stefano Pampalone

Member of the Board of Directors, member of the Audit Committee, elected in July 2022, is an Italian citizen born in 1967.

Binding interest: President of the Construction Equipment segment at CNH Industrial.

Stefano Pampalone joined CNH in 1999, and has held a variety of managerial roles including country manager of India from 2011 to 2013, before becoming COO of Asia Pacific based in Switzerland. Stefano Pampalone holds a Master of Business Administration degree from Profingest Management School (now Bologna Business School) and a bachelor's degree in Engineering from the University of Trieste.

Bo Cerup-Simonsen

Member of the Board of Directors, member of the Nomination and Compensation Committee, elected in July 2022, is a Danish citizen born in 1968.

Binding interest: chief executive officer of Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping.

Bo Cerup-Simonsen has previously held a number of positions within shipping technology and innovation including vice president head of newbuilding strategy and portfolio at Royal Caribbean Cruises (RCL), director of the Danish Hydrocarbon Research and Technology Centre at the Technical University of Denmark and vice president and head of Maersk Maritime Technology (MMT), where he was responsible for a large number of engineering and newbuild projects including the world's most energy efficient containership series, the Triple-E. Bo Cerup-Simonsen holds a PhD in Mechanical Engineering from the Technical University of Denmark and an Executive MBA degree from Copenhagen Business School.

Detlef Trefzger

Member of the Board of Directors, member of the Audit Committee, elected in July 2022, is a German citizen born in 1962.

Binding interests: member of the Maritime International Advisory Panel of Singapore, member of the Board of Directors of the Swiss-American Chamber of Commerce in Zurich, Switzerland, member of the Board of Directors of easyJet plc (since September 2022).

Detlef Trefzger has been the CEO of Kuehne + Nagel International AG from August 2013 to July 2022. He previously spent 15 years at Schenker AG in various senior management positions, including as Executive Vice President of global contract logistics and supply chain management. Detlef began his career as a senior project manager at Siemens AG in the Industrial and Building Systems Division followed by a five years term at Roland Berger & Partner as principal in the competence center transportation & logistics. Detlef holds a PhD from Vienna University of Business Administration & Economics.

Elections and term of office

Members of the Board of Directors, the Chair, and the members of the Nomination and Compensation Committee (NCC) are elected individually by the General Meeting for a one-year term ending upon completion of the next Annual General Meeting. Re-election is possible, and there is no limitation on the number of terms a member can serve. According to Art. 3.3 of Accelleron's Board Governance Rules (Governance Rules), after the year in which an individual reaches the age of 70, he or she will not be proposed for election to the Board of Directors.

Independence

No member of the Board of Directors has any significant business relations with the Accelleron Group. Other than Oliver Riemenschneider, who led the ABB Turbocharging division, i.e. the organizational unit that operated the Accelleron business prior to the separation from ABB, all members of the Board of Directors, including Accelleron's Vice-Chair Monika Krüsi, are independent.

Definition of areas of responsibility

The Board of Directors is responsible for the ultimate direction of the Company. Such direction and responsibility include the duty to select carefully, to instruct properly and to supervise diligently the CEO and the other members of the Executive Committee.

The Board of Directors has the non-transferable and inalienable duties as provided for by Swiss corporate law and the Articles of Association. In particular and in accordance with Art. 21 of the Articles of Association in conjunction with Art. 6.1 of the Governance Rules, the Board of Directors has delegated the operational management of the Company, within the limits permitted by and subject to the powers and duties remaining with the Board of Directors, to the CEO. The Board of Directors remains entitled to resolve on any matters that are not delegated to or reserved for the General Meeting of Shareholders or another executive body of the Company by law, the Articles of Association or the Governance Rules.

The regulation and distribution of authority between the Board of Directors and the Executive Committee are set forth in the Governance Rules, in particular in Art. 2 and Art. 6.1.

Additional mandates

All members of the Board of Directors comply with the requirements regarding additional mandates as laid down in Art. 32 of the Articles of Association, and no exceptions were granted in the reporting year.

Internal organizational structure

The Board of Directors constitutes itself, except for the Chair and the members of the NCC, who are elected by the General Meeting. The Board of Directors appoints from among its members its Vice-Chair, the Chair of the NCC and the Chair and members of the Audit Committee (AC). In addition, the Board of Directors appoints a secretary, who does not need to be a member of the Board. Art. 17 to 19 of the Articles of Association and Art. 4 of the Governance Rules describe the Board procedures.

The Board of Directors meets whenever the need arises. During 2022[1], six meetings took place, with participation of all Board members at all meetings (participation rate of 100%). The meetings had an average duration of 3.2 hours. The General Counsel holding a degree in law attends the Board meetings in his capacity as Company Secretary.

The CEO and the CFO attended these Board meetings or parts thereof. The meetings were conducted either physically, remotely by online conference, or in hybrid mode (i.e., participation is in person or remote).

Neither internal auditors, external auditors nor external consultants took part in any meetings of the Board of Directors.

In addition to the above meetings, members of the Board of Directors participated in working groups, workshops, and discussion panels on various topics with senior and other management of the Group.

Committees

The Board of Directors has two permanent committees: the Nomination and Compensation Committee and the Audit Committee. The Board Chair has the right to attend the committee meetings.

Audit Committee
The Audit Committee (AC) is composed of at least two members of the Board of Directors appointed annually by the Board of Directors. The Board of Directors shall appoint non-executive and independent (within the meaning of the Swiss Code of Best Practice) members of the Board of Directors who have a thorough understanding of finance, accounting, and auditing, including the ability to read and understand corporate accounts and financial statements. The term of office of the AC members ends at the closing of the next Annual General Meeting. Re-appointment is possible.

The AC meets at least three times each year or more frequently if deemed necessary or appropriate. During 2022[2], three meetings took place, with participation of all AC members at all meetings (participation rate of 100%). The meetings had an average duration of 2.3 hours. The Board Chair, the CEO and the CFO participated in all the meetings.

The AC supports the Board of Directors in overseeing (i) the integrity of the financial statements, (ii) the Company's compliance with legal, tax and regulatory requirements, (iii) the external auditor's qualifications and independence, (iv) the performance and role of the Company's internal controls system, the internal audit function, and the external auditors, (v) the Company's capital structure, funding requirements, and financial and risk policies, and (vi) the Company's implementation and maintenance of an integrity program and internal controls designed to mitigate integrity risk.

Nomination and Compensation Committee
The Nomination and Compensation Committee (NCC) is composed of at least two non-executive members of the Board of Directors, who are each elected annually and individually by the General Meeting of the Shareholders (Art. 23 and Art. 24 of the Articles of Association and Art. 3.5 of the Governance Rules). Their term of office ends at the close of the next Annual General Meeting; re-election is possible.

The NCC meets at least two times each year, or more frequently if deemed necessary or appropriate. During 2022[3], five meetings took

[1] The current Board of Directors has been elected and subsequently constituted itself (and its committees) only in July 2022, following ABB's decision to carve-out the Accelleron Group and to have it operate as a stand-alone business. Prior to the carve-out, the Company and its management were integrated in the overall group structure of ABB. Therefore, the meetings prior to July 2022 are not considered to be material within the meaning of Art. 5 of the SIX Directive on Information relating to Corporate Governance and are not considered in this report. Consequently, the above disclosed number of meetings represents only those meetings held by the Board of Directors since July 2022.

[2] See preceding footnote. Prior to the carve-out, the Company and its management were integrated in the overall group structure of ABB, and no Audit Committee was established.

[3] See preceding footnote. Prior to the carve-out, the Company and its management were integrated in the overall group structure of ABB, and no Nomination and Compensation Committee was established.

place, with participation of all NCC members at all meetings (participation rate of 100%). The meetings had an average duration of 2 hours. The Board Chair and the CEO participated in all but one of the meetings. The CHRO participated in three of the meetings.

The NCC has the powers and duties of a compensation committee as provided for by Swiss law and, in particular, the Ordinance against Excessive Compensation in Public Companies of November 20, 2013 (Compensation Ordinance) as well as the powers and duties as provided for in Art. 26 of the Articles of Association and in the Governance Rules and the NCC Charter appended thereto, in particular in Art. 2 and Art. 5 of the NCC Charter. These include, among others, (i) overseeing corporate governance practices and ESG/sustainability practices, (ii) nominating candidates for the Board of Directors and for the role of the CEO, (iii) reviewing the CEO's proposal for candidates for the Executive Committee and issuing recommendations to the Board of Directors, and (iv) succession planning, employment, and compensation matters relating to the Board of Directors and the Executive Committee.

Information and control instruments vis-à-vis the Executive Committee

The Governance Rules in Art. 5 describe information rights of the members of the Board of Directors concerning the Company's business and affairs, briefing of the Board members at each meeting and further information rights of the Chair, the Vice-Chair, and committee chairs.

The CEO's responsibilities – as laid down in Art. 6.1 of the Governance Rules – include ensuring that the Chair and the members of the Board of Directors are informed in a timely and appropriate manner, including about the current operational performance and major projects and risks. The CEO regularly, and whenever extraordinary circumstances so require, reports to the Board of Directors about the Company's overall business and affairs and about any important extraordinary events that may arise. Reporting by the CEO to the Board of Directors is further detailed in Art. 6.4 of the Governance Rules.

Each year, the Board of Directors conducts an evaluation of the CEO's performance during the prior year.

The AC and the NCC Charters appended to the Governance Rules provide that the AC and the NCC will regularly invite the CEO and may invite other members of management to their meetings as they may deem desirable or appropriate, and that the AC and the NCC regularly report to the Board on their activities and on matters that are within their responsibilities. The report includes recommendations to the Board as the respective committee deems appropriate and may take the form of an oral report by the committee chair or any committee member.

The responsibilities of the AC include review and, where appropriate, recommendation to the Board of Directors on various aspects of finance, financial statements, processes and reporting (including Internal Controls over Financial Reporting), risk management, external auditors, internal audit, and integrity (Art. 5 of the AC Charter appended to the Governance Rules).

The responsibilities of the NCC include review and, where appropriate, recommendation to the Board of Directors on various matters of nomination and compensation of the members of the Board of Directors, the CEO, members of the Executive Committee and the General Counsel, corporate governance, and ESG/sustainability (Art. 5 of the NCC Charter appended to the Governance Rules).

Executive Committee

Operational management of the Group

The Board of Directors has delegated the operational management of the Company and the Group entirely to the CEO within the limits permitted by law and the Articles of Association, and subject to the powers and duties remaining with the Board of Directors pursuant to the Governance Rules.

The CEO is responsible for the Company's and the Group's overall business operations and affairs within the framework of the Company strategy, medium- and long-term plans, and annual budgets. The CEO represents the Company and the Group in these matters in line with the strategies, policies, and guidelines set by the Board of Directors. The CEO is responsible for the implementation of resolutions of the Board of Directors and the supervision of all management levels at the Company. The CEO is leading the other members of the Executive Committee, who are individually responsible towards the CEO for the business divisions and/or functions assigned to them.

The CEO is the primary contact person for the Chair and the other members of the Board of Directors. The CEO regularly, and whenever extraordinary circumstances so require, reports to the Board of Directors about the Company's overall business and affairs and about any important extraordinary events.

The Board of Directors appoints and dismisses the CEO, taking into consideration the recommendations of the Nomination and Compensation Committee (NCC). As for the other members of the Executive Committee and the General Counsel, the CEO shall discuss appointments and dismissals with the NCC, and the NCC ensures a proper process in collaboration with the CEO. The NCC issues recommendations for the Board of Directors' approval of any appointments or dismissals of members of the Executive Committee or the General Counsel.

Composition of the Group Executive Committee

As of the end of 2022, the Group Executive Committee was composed of seven members.

Daniel Bischofberger

Chief Executive Officer, is a Swiss citizen born in 1966.
Binding interests: none.

Daniel was appointed Division President of Accelleron on March 1, 2022, having served as Member of Sulzer's Executive Committee and Division President for Rotating Equipment Services for close to six years. He previously spent a combined period of over 14 years in various managerial roles at ABB, most recently as Head of High Voltage Products for Central and Southern Europe. He has also held senior positions at Alstom and Datwyler. Daniel holds a master's degree in Industrial Engineering and a BA in Mechanical Engineering from the Swiss Federal Institute of Technology (ETH) Zurich and an MBA from INSEAD.

Christoph Rofka

President of the Medium, Low Speed & Rail Division, is a German citizen born in 1967.
Binding interest: Vice President Communication of CIMAC.

Christoph remained with Accelleron following the spin-off of what was formerly ABB Turbocharging from ABB, where he was appointed Head of the Medium & Low Speed product group in 2020. Christoph held a number of positions within ABB's Turbocharging Division from 1995 onward, including as Technology Manager and manager of various product lines. Christoph holds a master's degree in Mechanical Engineering from Leibniz University Hannover.

Adrian Grossenbacher

Chief Financial Officer, is a Swiss citizen born in 1980.
Binding interests: none.

Adrian remained with Accelleron following the spin-off of what was formerly ABB Turbocharging from ABB, where he was CFO and Global Division Controller of ABB Turbocharging from 2017. Adrian was previously Global Product Group Controller and Commercial Manager for products in Medium Speed & Low Speed. Prior to joining ABB, Adrian held various leadership positions at Alstom and SQS. Adrian holds a master's degree in Finance & Management from the University of Bern.

Herbert Müller

President of the High Speed Division, is a Swiss citizen born in 1968.
Binding interests: none.

Herbert remained with Accelleron following the spin-off of what was formerly ABB Turbocharging from ABB, where he was appointed Head of the High Speed product group in 2019. Herbert held a number of positions within ABB Turbocharging from 1996 onward, including as Head of Turbocharging Service, as well as other roles in Business Development, Operations and Sales. Herbert holds a master's degree in Integrating Management and Technology from the Swiss Federal Institute of Technology (ETH) Zurich.

Roland Schwarz

President of the Service Division, is a Swiss citizen born in 1969.
Binding interests: none.

Roland remained with Accelleron following the spin-off of what was formerly ABB Turbocharging from ABB, where he was appointed Head of Turbocharging Service in 2019. Roland held a number of positions within ABB's Turbocharging Division from 1997 onward across managerial roles in Switzerland, China, and Japan. Previously, Roland worked at ABB Enertech as a project controller. Roland graduated from AKAD University in Finance & Accounting.

Annika Parkkonen

Chief Human Resources and Sustainability Officer, is a Finnish citizen born in 1971.
Binding interests: none.

Annika joined Accelleron in September 2022. Prior to joining the Company, Annika worked for Dynatos Oy, where she was an executive coach and managing director. From 2017 to 2022, Annika worked as vice president HR and internal communication of the Marine Power business of the publicly listed Wärtsilä Corporation. In addition, from 2017 to 2019, Annika was a member of the board of directors of Suomen Lauttaliikenne Oy (Finnferries), a mid-sized ferry company. Annika holds a master's degree in Political Science from the Åbo Akademi University in Turku.

Dirk Bergmann

Chief Technology Officer, is a German citizen born in 1968.
Binding interests: none.

Dirk remained with Accelleron following the spin-off of what was formerly ABB Turbocharging from ABB, where he was appointed Chief Technology Officer of the Turbocharging Division in 2020. Prior to joining ABB, Dirk served as CTO of Kolben-Seeger, VP of Commercial Powertrains at FEV Europe, CEO of FPT Motorenforschung and Director of MTU (now Rolls-Royce Power Systems). Dirk holds a PhD in Production Engineering from the University of Bremen.

Additional mandates of members of the Executive Committee outside the Accelleron Group

All members of the Executive Committee comply with the requirements regarding additional mandates as laid down in Art. 32 of the Articles of Association, and no exceptions were granted in the reporting year.

Management contracts

Accelleron has not entered into any management contracts with companies (or natural persons) outside the Accelleron Group.

Compensation, shareholdings, and loans

All details regarding compensation, shareholdings, and loans are set forth in the compensation report. Art. 27 of the Articles of Association contains the principles of performance-based remuneration as well as remunerations in the form of shares, option rights, and similar instruments. Art. 28 f. of the Articles of Association includes provisions regarding approval at the General Meeting of the maximum aggregate remunerations for the members of the Board of Directors and the Group Executive Committee and also regarding the additional amount for changes in the Group Executive Committee. According to Art. 31 of the Articles of Association no credits shall be granted to members of the Board of Directors or the Group Executive Committee.

Shareholder participation rights

Voting rights may be exercised only if the shareholder is recorded as a voting shareholder in the share register.

Restrictions and representation of voting rights

Treasury shares held by the Company do not entitle the holder to vote. The restrictions on nominee registrations are set forth above in the corporate governance report under Restrictions on transferability and nominee registration.

According to Art. 13 of the Articles of Association, a shareholder may be represented at a General Meeting by its legal representative, by the independent proxy, or, by means of a written proxy, by a third party, who does not need to be a shareholder. Only one person may represent all shares held by a shareholder. On September 20, 2022, Zehnder Bolliger & Partner, Baden, was elected as the independent proxy of Accelleron Industries AG for a term of office extending until completion of the next Annual General Meeting. The Articles of Association do not contain rules on the granting of instructions to the independent proxy, that deviate from the default Swiss law.

Statutory quorum

The Company's Articles of Association do not stipulate any resolutions of the General Meeting that can be passed only by a larger majority than that envisaged by law.

Convocation of General Meetings and submission of agenda items

Pursuant to Art. 11 of the Articles of Association, the notice of the shareholders' meetings shall be given by publication in the Swiss Official Gazette of Commerce (SOGC) at least 20 calendar days before the date of the meeting. The notice may also be sent by letter or electronic data transmission (incl. email) to the shareholders, usufructuaries, and nominees registered in the share register. The notice shall be made by the Board of Directors or, if necessary, by the auditors.

Art. 11 (3) and (4) of the Articles of Association describe the conditions and thresholds pursuant to which shareholders may request to convene a General Meeting and, respectively, items to be put on the agenda. The Articles of Association do not prescribe that a particular quorum of shareholders is required for General Meetings to be validly held.

No resolutions may be passed on motions concerning agenda items that have not been duly announced, except for motions to convene an extraordinary General Meeting, to initiate a special audit or to elect auditors upon a shareholder's request. No prior notice is required to submit motions relating to items already on the agenda or to discuss matters on which no resolution is to be taken.

Entry in the share register

In the invitation to the shareholders' meeting, the Board of Directors announces the cut-off date for registration in the share register that is authoritative with respect to the right to participate and vote.

Takeover and defense measures

Duty to make an offer

There are no provisions in the Articles of Association with respect to opting-up or opting-out.

Clauses on change of control

No specific clauses covering change of control are included in the respective agreements with the members of the Board of Directors, the CEO, or the members of the Executive Committee. The LTI Rules applicable to the CEO and the members of the Executive Committee provide that in case of a change of control event, the terms and conditions of the conditional LTI grant remain unchanged, subject to the authority of the Board of Directors to overrule and decide otherwise.

Auditors

Duration of the mandate and term of office of the lead auditor

The statutory auditor is elected at the Annual General Meeting for a one-year term of office. KPMG AG, Zurich (CH), has been the auditor of Accelleron Industries AG since its incorporation on May 26, 2021. Since 2018, KPMG had conducted the audit of the Accelleron business in its capacity as the auditor of ABB.

Lead auditor Simon Studer has been in charge of the auditing mandate for the Company since its incorporation on May 26, 2021. The external auditor-in-charge is replaced latest every seven years.

Auditing fees

The total audit fee for the Group audit of Accelleron and for the statutory audits of the Company's subsidiaries for the financial year 2022 amounted to USD 2.3 million.

Additional fees

No additional fees were paid by the Accelleron Group to KPMG in 2022.

In support of the carve-out of the Turbocharging division from the ABB Group and the stock listing of Accelleron, KPMG audited combined carve-out financial statements and reviewed condensed combined interim carve-out financial statements and provided further services. These services have been mandated and paid for by the ABB Group.

Information instruments pertaining to the external audit

The AC meets separately and on a regular basis with the CFO, the General Counsel, Internal Audit, and the external auditors. In the reporting year, the external auditors did not participate in any of the meetings of the AC.

The AC reviews the performance, fees, and independence of the auditors. It annually reviews the auditor's engagement letter, key audit areas and the audit plan. It determines the compensation payable to the auditors. The AC has full access to the external auditors.

Information policy

Announcements of Accelleron Industries AG are published in the Swiss Official Gazette of Commerce (Art. 36 (1) of the Articles of Association).

The Company releases its annual financial results in the form of an annual report. Its annual report is published in electronic form within four months of the December 31 balance sheet date. In addition, results for the first half of each financial year are released in electronic form within three months of the June 30 balance sheet date. The Company's annual report and half-year results will be announced via press releases and media and investor conferences in person or via telephone.

Accelleron discloses price-sensitive information in accordance with the ad hoc disclosure requirements of SIX Swiss Exchange, in particular the SIX Directive on Ad hoc Publicity. All press releases, electronic copies of information, and documents pertaining to media conferences, investor updates, and presentations at analyst and investor conferences can be downloaded from the Company's website at accelleron-industries.com or obtained from the Company upon request at its headquarters.

Headquarters:
Accelleron Industries AG
Investor Relations
Bruggerstrasse 71a
5400 Baden, Switzerland

investors@accelleron-industries.com

Accelleron Industries AG's corporate calendar is available at accelleron-industries.com/investors/corporate-calendar. You can subscribe to media releases sent (via email) on accelleron-industries.com/investors/subscribe. Further information is available on accelleron-industries.com/investors/investor-relations or by contacting Investor Relations at investors@accelleron-industries.com.

Quiet periods

The Company maintains a list of individuals who are subject to the following blackout periods for trading in Accelleron shares and other related financial instruments:

- December 15 to the trading day after the publication of the annual financial statements;
- June 15 to the trading day after the publication of the half-year financial statements.

In addition to members of the Board of Directors and Executive Committee, the list contains employees who, based on their responsibilities, have access to inside information on a regular basis, in particular regarding preparation of financial statements and M&A projects.

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Compensation report

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Introduction by Chair of the Nomination and Compensation Committee

Dear Shareholders,

On behalf of the Board of Directors and the Nomination and Compensation Committee (NCC), I am pleased to introduce Accelleron's 2022 compensation report, which covers the financial year 2022 from the spin-off date of October 3 to December 31, 2022.

It was an exciting year, because on October 3, 2022, Accelleron was spun off from ABB as an independent company with a listing on SIX Swiss Exchange. This inaugural report outlines Accelleron's overall forward-looking compensation framework and philosophy for the members of the Board of Directors as well as for the members of the Executive Committee of Accelleron.

We believe in a strong pay-for-performance compensation philosophy that motivates our senior executives to create value for the Company and its shareholders. During 2022, we evaluated our overall compensation structure and selected a peer group for executive compensation benchmarking. The 2022 compensation report provides additional insights into our 2023 compensation plans.

Following the spin-off, the NCC and the Board of Directors focused their efforts on creating executive compensation principles that consider Accelleron's position as a newly independent company with ambitious growth and business objectives and the realities of the competitive global market for executive talent.

In addition, the NCC followed a comprehensive approach in selecting a peer group of companies for external compensation benchmarking. The peer group companies selected are a blend of Swiss and European companies and provide a good balance of company size, industry focus, and geographies. The NCC believes that benchmarking against a consistent and relevant set of peer companies will assist the Company in maintaining appropriate pay levels that will attract and retain key individuals who have the experience and deep expertise needed to lead the Company.

In line with the Articles of Association, we will ask our shareholders to cast a binding vote on the maximum aggregate amount of compensation for members of the Board of Directors for their term of office from the 2023 Annual General Meeting to the 2024 Annual General Meeting.

We will also ask our shareholders to cast a binding vote on the maximum aggregate amount of compensation for members of the Executive Committee for the 2024 financial year. In addition, we will ask our shareholders to endorse this 2022 compensation report in an advisory vote.

On behalf of the Nomination and Compensation Committee, we thank you for your trust in Accelleron and for your feedback.

Sincerely,

Gabriele Sons
Chair of the Nomination and Compensation Committee

2022 compensation

2022 compensation overview

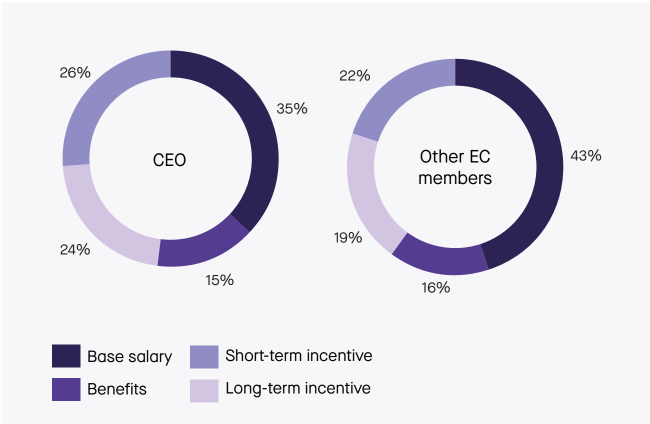
The financial year 2022 represented a transition year when Accelleron became an independent, stand-alone company following the spin-off from ABB on October 3, 2022. From the moment the organization was established, the Board of Directors and the NCC started to review the existing executive compensation program of the former parent company and more closely align it to the new Accelleron culture, values, and strategy.

The compensation program consisted of a balanced set of fixed and variable elements rewarding short-term and long-term performance through the delivery of cash payments and equity awards.

- Fixed elements included the annual base salary and benefits such as retirement savings and insurances in line with local market practices and benefits associated with global mobility.
- Variable elements included both a short-term incentive plan (STIP) and a long-term incentive plan (LTIP). The short-term incentive (STI) was measured over a one-year performance period with payout in cash. The performance goals were aligned to the strategy of the former parent company including financial and non-financial metrics with a payout range of 0% to 150% of the individual target award. The LTIP with focus on rewarding long-term value creation consisted of restricted share units (RSUs) that vested after a three-year period.

Based on the compensation disclosed in Exhibit 3 that Executive Committee members received over the period from October 3, 2022, to December 31, 2022, the mix of fixed and variable compensation is as follows:

Executive Committee compensation mix[1]
Exhibit 1



[1] Compensation mix ignores cash buyout, cash retention payments, share buyouts and share replacements.

The Board of Directors' fee levels and structure have been benchmarked against listed Swiss companies of similar size and industry with the support of market information provided by independent external consulting firms. The Chair and all the members of the Board of Directors receive fixed compensation for the period from the Annual General Meeting to the following year's Annual General Meeting in the form of cash and shares, to ensure their independence in the performance of their supervisory function. They receive 50% of their total fees paid in cash and 50% paid in Accelleron shares. The shares are blocked for three years. The compensation system does not contain any performance-related components.

Board of Directors fees schedule
Exhibit 2 (audited)

Position	Total fees (CHF)[1,2]	In cash (CHF)	In shares (CHF)
Chair	330,000	165,000	165,000
Vice-Chair	150,000	75,000	75,000
Board member	120,000	60,000	60,000
Committee Chair	30,000	15,000	15,000
Committee member	10,000	5,000	5,000

[1] Chair and Vice-Chair receive no further committee chair and committee member fees.
[2] Fees do not include social security.

2022 Executive Committee compensation

From October 3, 2022 to December 31, 2022, the Company awarded the Executive Committee members the amounts set out below:

CEO and aggregated EC total compensation per pay element
Exhibit 3 (audited)

	Fixed compensation		Variable compensation		Total compensation
	Base salary	**Benefits[1]**	**Short-term incentive[2,3]**	**Long-term incentive[4,5]**	
	CHF	CHF	CHF	CHF	CHF
Daniel Bischofberger, CEO	150,000	66,635	152,770	160,964	530,369
Other EC members	457,500	174,592	314,157	247,397	1,193,645
Total	**607,500**	**241,227**	**466,927**	**408,360**	**1,724,014**

[1] Include payments for social security, mandatory insurance, expense allowance, and pension benefits.
[2] Represents short-term variable compensation for the respective period from October to December 2022, which is paid in 2023 after the publication of Accelleron's 2022 financial results.
[3] Includes the pro-rated cash buyout for the CEO for an unvested share award from former employer of CHF 40,270, the pro-rated cash retention payment to some EC members of CHF 58,880 and the pro-rated cash payment to some EC members for a forfeited portion of ABB shares at the time of spin-off of CHF 13,609.
[4] For the respective time period from October to December 2022, the estimated value of the 2022 long-term incentive (LTI) is based on the price of the Accelleron share on the grant date.
[5] Includes the pro-rated share buyout for the CEO for an unvested share award from the former employer of CHF 56,148 and the pro-rated share replacement for some EC members for a forfeited portion of ABB shares at the time of spin-off of CHF 40,011.

Outcome of STI performance awards 2022
The targets for the STI performance awards 2022 were set by the former parent company. In summary, the average award for the Executive Committee members under the STIP for 2022 ranges from 115% to 117% and for the CEO 125% (out of a maximum 150%).

The outcomes were substantially influenced by financial measures accounting for 50% (CEO: 70%) and strategic business and individual measures accounting for 50% (CEO: 30%). The weighted achievement related to the financial measures was 114% for the CEO and 99% for the other Executive Committee members.

2022 Board of Directors compensation

Accelleron will pay the directors a fixed pro-rated fee for 7 months of services based on the Board of Directors fees schedule in Exhibit 2 covering their term of office from the date of spin-off on October 3, 2022, to the 2023 Annual General Meeting of CHF 595,000. As the compensation disclosed in the compensation report always includes the respective calendar year, the figures disclosed in Exhibit 4 refer to the period from the spin-off on October 3 to December 2022 (3 months). In this period, the members of the Board of Directors will receive total fees of CHF 0.255 million, of which CHF 0.128 million in the form of cash, CHF 0.128 million in the form of shares, and mandatory social security contributions and mandatory foreign health insurance payments of CHF 0.018 million.

Board of Directors fees from October 3, 2022 to December 31, 2022
Exhibit 4 (audited)

Members of the Board of Directors	Function	Total fees 2022[1]	Payment in cash	Payment in shares
		CHF	CHF	CHF
Oliver Riemenschneider	Chair	82,500	41,250	41,250
Monika Krüsi	Vice-Chair and AC Chair	37,500	18,750	18,750
Gabriele Sons	NCC Chair	37,500	18,750	18,750
Stefano Pampalone	Member	32,500	16,250	16,250
Bo Cerup-Simonsen	Member	32,500	16,250	16,250
Detlef Trefzger	Member	32,500	16,250	16,250
Total fees		**255,000**	**127,500**	**127,500**

[1] In addition to the Board fees stated, an amount of CHF 17,736 will be paid in relation to mandatory social security and mandatory foreign health insurance payments.

Shareholdings of the Board of Directors and the Executive Committee

As of December 31, 2022, the members of the Board of Directors and of the Executive Committee held the following shares in the Company:

Shareholdings of the Board of Directors and the Executive Committee
Exhibit 5 (audited as part of the financial statement stand-alone audit)

Name	Function	Number of shares	Number of unvested shares (RSUs)
Members of the Board of Directors			
Oliver Riemenschneider	Chair	168	n/a
Monika Krüsi	Vice-Chair and AC Chair	119	n/a
Gabriele Sons	NCC Chair	0	n/a
Stefano Pampalone	Member	0	n/a
Bo Cerup-Simonsen	Member	0	n/a
Detlef Trefzger	Member	0	n/a
Total		**287**	
Members of Executive Committee			
Daniel Bischofberger	CEO	17	32,000
Adrian Grossenbacher	CFO	0	10,877
Annika Parkkonen	CHRO	0	2,110
Dirk Bergmann	CTO	7	7,728
Roland Schwarz	Division President Service	100	10,896
Christoph Rofka	Division President Medium, Low Speed & Rail	162	11,953
Herbert Müller	Division President High Speed	22	7,883
Total		**308**	**83,447**

2023 compensation outlook

Executive Committee compensation

The general principles for the Executive Committee (EC) compensation are defined in Art. 27 of our Articles of Association. The Executive Committee's compensation comprises fixed and variable elements. Fixed elements include an annual base salary and benefits. Variable compensation consists of elements from short-term and long-term incentive plans, which are subject to performance measures and caps.

The Nomination and Compensation Committee (NCC) and the Board of Directors are committed to a pay-for-performance framework to align executive performance with shareholder interests. Following a thorough review of Accelleron's compensation structures during 2022, the NCC and Board of Directors have made refinements to the overall compensation structures to better reflect Accelleron's status as an independent, stand-alone company.

Headquartered in Switzerland, Accelleron operates on a truly global basis. Consequently, the new executive compensation framework has been benchmarked with the support of market data provided by an independent consulting firm, Willis Towers Watson, against a carefully selected peer group, consisting of Swiss and European companies with a blend of similar size, industry, and geographic characteristics to Accelleron. The inclusion of European companies reflects Accelleron's global footprint and business mix.

In addition, the following key features of executive compensation were adopted for 2023:

- Substantially the same overall structure of executive compensation as compared to 2022 (annual base salary, short-term incentive (STI), long-term incentive (LTI), and benefits)
- STI to be delivered in cash with performance measures limited to three financial KPIs such as EBITA %, revenues and operational free cash flow and in addition a maximum of three individual KPIs, of which one must be ESG related
- Introduction of a new LTI plan with a performance period of three years in the form of performance share units (PSU) with two KPIs such as relative total shareholder return (rTSR) and earnings per share (EPS), both with a 50% weight
- STI and LTI payout range from 0% to 200% additive for each performance measure
- Introduction of robust share ownership guidelines (SoG) and clawback rules
- No material changes to benefits provisions

Board of Directors compensation

The Board of Directors compensation framework as per Exhibit 2 will remain broadly unchanged for the upcoming term of office from the 2023 Annual General Meeting to the 2024 Annual General Meeting.

Corporate governance

The NCC reviews and proposes to the Board of Directors, and the Board of Directors decides on compensation matters, except for the maximum aggregate compensation amounts of the Board of Directors and of the Executive Committee, which are subject to the approval of shareholders at the Annual General Meeting. The authority levels of the different bodies on compensation matters are detailed in Exhibit 6. In line with the Articles of Association, shareholders also have a non-binding advisory vote on the prior year's compensation report at the Annual General Meeting and a binding vote on the maximum aggregate amount of compensation for the Board of Directors for the following term and for the Executive Committee for the following financial year.

Authority levels in compensation matters
Exhibit 6

	CEO	NCC	BoD	AGM
Compensation policy including incentive plans	Proposal	Recommendation	Approval	
Maximum aggregate compensation amount for the EC		Proposal	Recommendation	Approval
CEO compensation		Recommendation	Approval	
Individual compensation of other EC members	Proposal	Recommendation	Approval	
Performance target setting and assessment of the CEO		Recommendation	Approval	
Performance target setting and assessment of other EC members	Proposal	Recommendation	Approval	
Shareholding requirements for CEO and other EC members		Recommendation	Approval	
Maximum aggregate compensation amount for the BoD		Proposal	Recommendation	Approval
Individual compensation of BoD members		Recommendation	Approval	
Compensation report		Recommendation	Approval	Advisory vote

● Proposal ● Recommendation ● Approval

Shareholder vote at the 2023 Annual General Meeting

In accordance with Art. 28 of the Articles of Association the Board of Directors will ask shareholders at the 2023 Annual General Meeting meeting to cast a binding vote on:

- The aggregate amount of compensation payable to the members of the Board of Directors for their term of office from the 2023 Annual General Meeting to the 2024 Annual General Meeting
- The aggregate amount of compensation payable to the CEO and Executive Committee members in the financial year 2024

In addition, the Board of Directors will ask shareholders to cast an advisory vote on the 2022 compensation report. The procedures of voting on the compensation of Executive Committee members and the Board of Directors are defined in our Articles of Association.

Report of the Statutory Auditor

To the General Meeting of Accelleron Industries AG, Baden

Report on the Audit of the Compensation Report

Opinion

We have audited the compensation report of Accelleron Industries AG (the Company) for the period from October 3 to December 31, 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked “audited” on pages 44 and 45 of the compensation report.

In our opinion, the information on compensation, loans and advances in the attached compensation report complies with Swiss law and Art. 14-16 VegüV.

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 compensation report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and 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.

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 tables marked “audited” in the compensation report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

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

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report 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 Compensation Report

The Board of Directors is responsible for the preparation of a compensation report 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 a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor’s Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to Art. 14-16 VegüV is 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 this compensation report.

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

- Identify and assess the risks of material misstatement in the compensation report, 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.

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 to 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.

KPMG AG

Simon Studer
Licensed Audit Expert
Auditor in Charge

Ekaterina Abramova

Zurich, March 28, 2023

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Consolidated and Combined Financial Statements of Accelleron

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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.

KPMG

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	Our response
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.	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.

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

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

	Years Ended December 31,	
(USD in thousands)	**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

		December 31,	
(USD in thousands)	**Note**	**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:

	Years Ended December 31,	
(USD in thousands)	**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.

	Years Ended December 31,	
(USD in thousands)	**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:

		December 31,
(USD in thousands)	**2022**	**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:

(USD in thousands)	**December 31, 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:

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

Components of net periodic benefit cost
Net periodic benefit cost consisted of the following:

(USD in thousands)	**Year Ended December 31, 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:

(USD in thousands)			**2022**			**December 31, 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

(USD in thousands)	**2022**	**December 31, 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

(USD in thousands)	**2022**	**December 31, 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

(USD in thousands)	**2022**	**December 31, 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

(USD in thousands)	**2022**	**December 31, 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**

(USD in thousands)	**2022**	**December 31, 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.

KPMG

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.

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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

(CHF in thousands)	December 31, 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.

The full Annual Report is published only in English and is available on the internet under accelleron-industries.com/investors/financial-reports.