Accelleron

Annual Report 2023

Key figures at a glance

223 USD million
Operational EBITA[1]

915 USD million
Revenues

24.4%
Operational EBITA margin[1]

99.2%
Free cash flow conversion[1]

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

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Company overview

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Dear Shareholders,

In the financial year 2023, Accelleron performed strongly and laid a new foundation for our future prospects: we completed our spin-off to become a standalone business and further improved our resilience and operational robustness. With the acquisition of OMT (Officine Meccaniche Torino) and targeted action to introduce innovations, we strengthened our market position, significantly contributing to the decarbonization journey of the marine and energy industries.

Oliver Riemenschneider
Chairman of the Board of Directors

Daniel Bischofberger
Chief Executive Officer

Strong financial performance and one-off costs in line with guidance

Our financial performance for the first full year as an independent company was strong. Our revenue growth (including OMT) to USD 914.9 million, up 17.2% over the reported prior year and up 15.5% organic[1], demonstrates that we are well positioned to capitalize on market opportunities.

In 2023, we saw a strong operational EBITA margin of 24.4%, and our operating cash flow grew by 8.8%. At the same time, lower net income due to one-off costs related to the build-up activities and higher net debt due to the OMT acquisition were well in line with our expectations.

Actions taken to address supply chain challenges and operational efficiencies were successful, resulting in improved top-line growth and profitability. We also continued to adjust our inventory levels during this period and, thanks to a strong cash collection in the second half of the year, we significantly improved net working capital and consequently free cash flow conversion to 99.2%.

Our net income decreased by USD 19.8 million, or 15.3%, to USD 110.0 million compared to the prior year. This decrease was driven by significantly higher costs, mainly by USD 75.0 million of one-time and other non-operating costs related to the build-up activities.

The separation from ABB was completed fully on schedule. Already in July, the last group of our entities completed their onboarding to Accelleron's Enterprise Resource Planning (ERP) systems.

Seizing the positive momentum in our markets

Looking at our markets, the marine industry has continued to perform well, with a strong pipeline of shipbuilding orders driving increased demand for dual-fuel installations. This trend is a direct response to the new regulations of IMO, the UN International Maritime Organization, which updated the Green House Gas Strategy at the Marine Environmental Committee meeting in July (MEPC80). Zero-carbon emissions are now to be achieved by around 2050, up from the previous target of halving emissions by that date. Additionally, by 2030 emissions need to be 20% lower than in 2008. The updated environmental targets are a positive step for both the industry and Accelleron, supporting trends in new shipbuilding for more dual-fuel engines as well as service retrofits and upgrades for the existing fleet, while also having positive effects on the world's decarbonization efforts.

For the time being, uncertainties about the future impact of these targets on the modernization of the large global active fleet still remain.

The global energy sector is also developing positively, with strong demand for Accelleron products and services specifically from gas-compression facilities in the US. Demand for Accelleron's products and services increased in high-speed power applications, while the service business grew in medium-speed power applications, but without recovery in the product business.

Progress in strategic focus areas

Our corporate purpose of "accelerating sustainability in marine and energy" provides us with clear long-term direction. The decarbonization journey is fundamental to our strategy and future, and in 2023 we intensified our efforts to reduce carbon emissions both for our customers and across our own operations in line with global sustainability goals.

Our continued investment in research and development, particularly also for our turbochargers, has kept us at the forefront of the industry, allowing us to expand fuel capabilities for engine platforms. Accelleron remains the clear technology leader in this area, delivering the highest levels of efficiency across the operating spectrum.

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The acquisition of OMT, the market leader in two-stroke fuel injection, was another major milestone for our company. This transaction reinforces our position as the partner of choice for the OEM engine builders and leading innovator in the development of large marine engines and other heavy-duty applications using alternative fuels such as hydrogen, methanol, and ammonia. It also expands our technology and services offering, enabling us to deliver advanced solutions for decarbonization and adaptation to new fuels.

We also expanded our service and digital offerings to ensure efficient engine operation and asset value protection in the context of the IMO Carbon Intensity Indicator (CII) rating for ships. Our focus on emerging business and technology opportunities, particularly in digital solutions, has led to valuable collaborations and investments that will fuel our growth and innovation pipeline.

With this strong role as an enabler of decarbonization, we are also fully committed to reducing our own environmental impacts. To underline our commitment, we have not only linked executive incentives to scope 1 and scope 2 emissions targets, we have also extended them to include indirect emissions across our value chain. By integrating scope 3 emissions into our executive incentive program, we are reinforcing environmental accountability at every level of Accelleron. Our recent commitments to the Science Based Targets initiative and the UN Global Compact underscore this ambition.

Continued investor support

Accelleron's rapid progress has allowed us to propose an increased dividend for 2023 and to review our capital allocation framework for the coming years. We aim to maintain an attractive, stable-to-growing dividend, returning excess cash also through share buybacks. Overall, we are focused on delivering attractive total shareholder returns, have a clear R&D focus on efficiency improvements and decarbonization and remain open to pursuing M&A opportunities, should they create long-term value.

The year under review saw significant changes in our shareholder structure. Large initial shareholders, Investor AB and Cevian, each reduced their shareholdings below the 3% reporting threshold, leading to an even broader shareholder base.

Looking into the future

Overall, we have achieved strategic progress, improved operational excellence and sustainable growth. None of this would have been possible without our talented and dedicated colleagues, who redefined what is possible and have set us up for the future. Thank you!

Looking forward, we are excited about what lies ahead. 2024 is a proud year for both our industry and Accelleron, marking the 100-year anniversary of when Alfred Büchi and Brown, Boveri & Cie (the predecessor to our company) produced and delivered the world's first turbocharger.

While a lot has changed in the past century, our focus on quality, innovation, sustainability and market expansion remains and will drive our success in the years to come.

Enjoy reading our financial and sustainability report and thank you for your continued support and confidence in Accelleron!

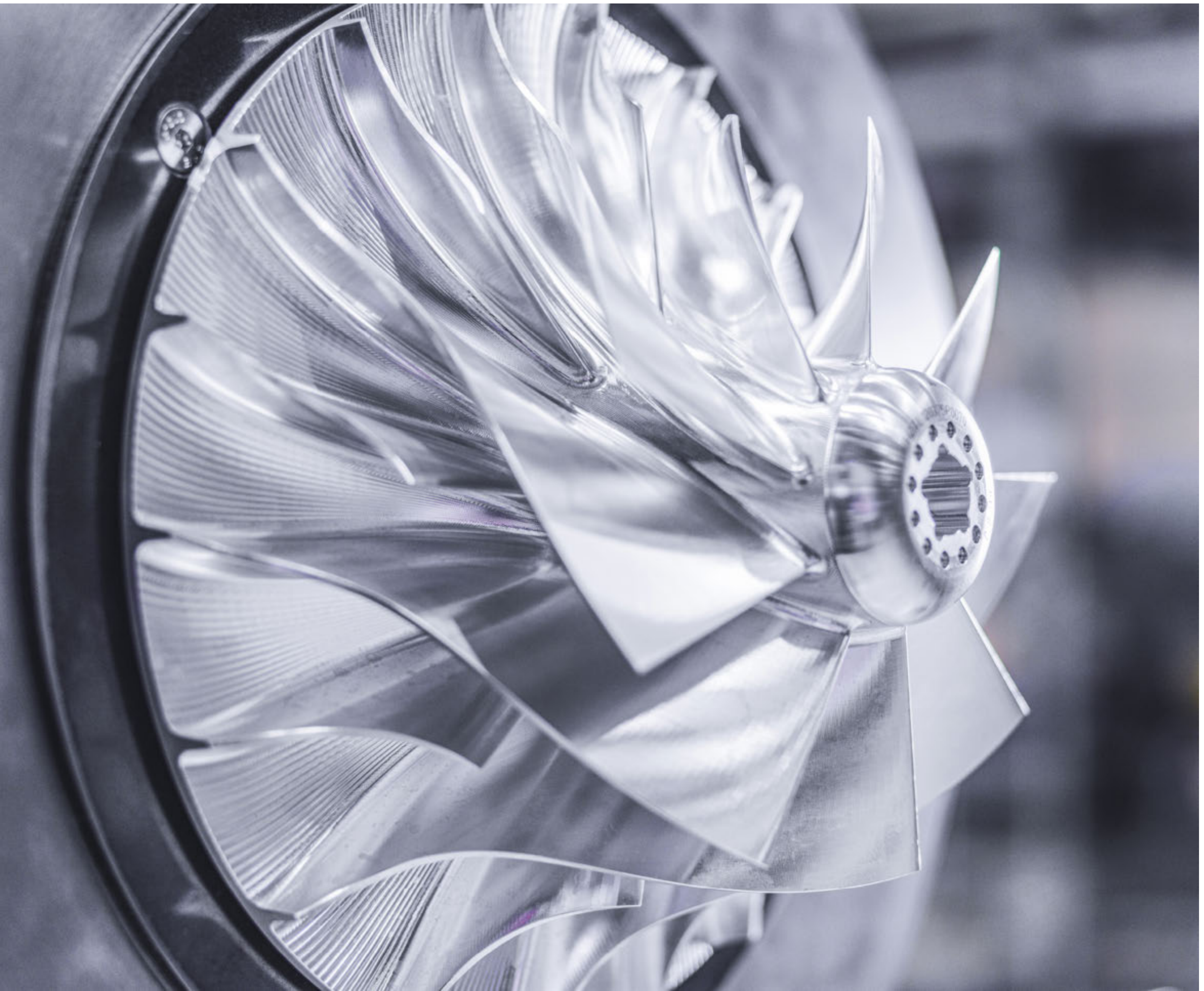
Yours sincerely,

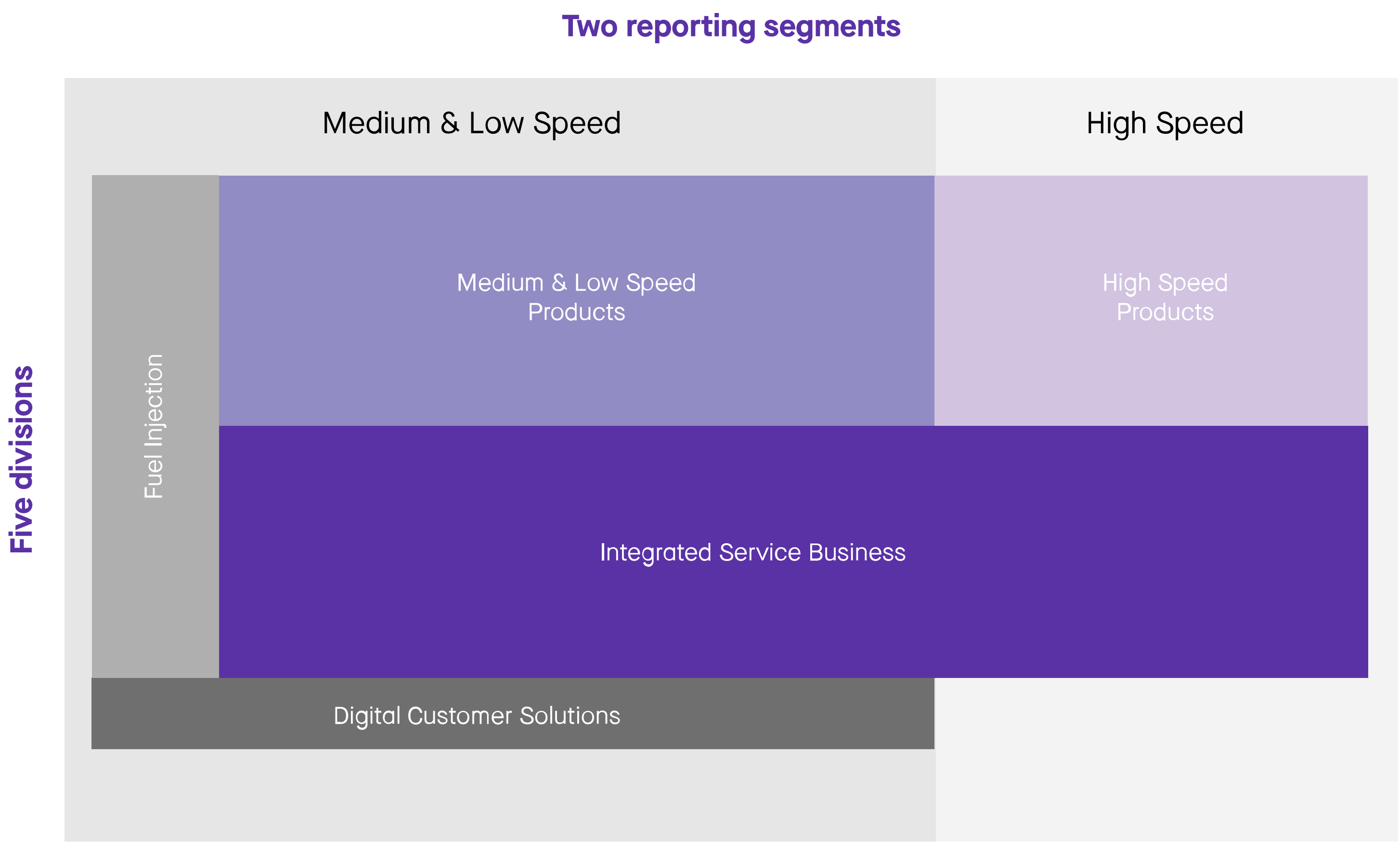
Oliver Riemenschneider
Chairman of the Board of Directors

Daniel Bischofberger
Chief Executive Officer

Accelleron at a glance

Accelleron's technology gives engines an extra boost in performance to improve their fuel efficiency and thus reduce their environmental impact by generating fewer emissions. The Company designs, manufactures, sells and services highly customized turbochargers and fuel injection equipment for heavy-duty applications.





Accelleron reports its business into two segments: Medium & Low Speed and High Speed. They both cover product business as well as the integrated service business.The service business relies on the value chain of the respective segment's product business, while operating as an overarching global service network. From an operating perspective, the business is organized in five operating divisions: two product divisions, one service division, one Digital Customer Solutions division and the latest addition, Fuel Injection. Digital Customer Solutions and Fuel Injection report into the Medium & Low Speed Segment as their application is primarily related to the Medium & Low Speed segment.

As a focused specialist with a comprehensive product and service range, Accelleron produces heavy-duty turbochargers ranging from 100 kg to 10 metric tons and from 500 kW to 30,000 kW as well as fuel injection equipment for large medium- and low-speed engines. All main markets from marine and energy to off-highway vehicles are exposed to the megatrends 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, partnering with original equipment manufacturers (OEMs), end-users and an unrivalled global service network, and a unique service culture that will never let customers down.

Highlights

Q1

100 days on the stock exchange (Baden, Switzerland)
January 16. Accelleron celebrated 100 days on the SIX Swiss Stock Exchange with an event attended by representatives from local government, associations, media, research, education, technology partners, and investors.

Vadodara inauguration (India)
March 24. The Company inaugurated its new facilities in Vadodara with over 100 distinguished guests. This inauguration underlined Accelleron's clear commitment to continue to invest and grow its presence and impact in India.

Annual Report (Baden, Switzerland)
March 29. Accelleron announced its first full year results as a listed company, with revenues and operating profit exceeding expectations.

Q2

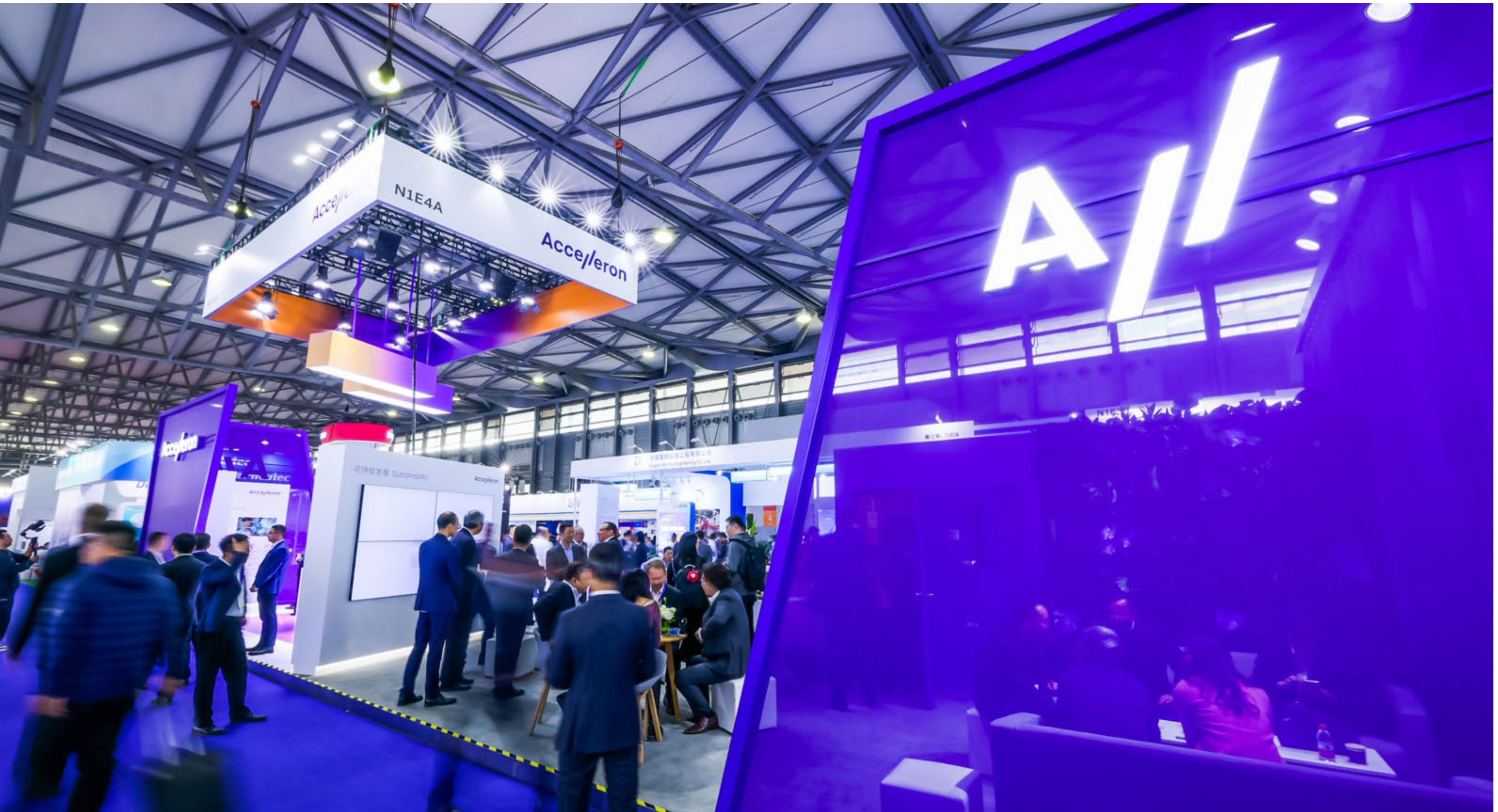
Annual General Meeting (Baden, Switzerland)
May 9. Accelleron welcomed over 350 shareholders to its first Annual General Meeting. The shareholders approved all the Board's proposals by a large majority and unanimously approved and elected the Board members.

CIMAC Congress and ACCX300-L product launch (Busan, Korea)
June 12 to 16. As a Platinum Sponsor, Accelleron was well represented during the CIMAC Congress in terms of thought leadership, hospitality, and innovation. The Company launched its next-generation low-speed turbocharger, the ACCX300-L, with the theme "Turbocharging reimagined".

Sustainability Report (Baden, Switzerland)
June 30. The Company's first sustainability report emphasized Accelleron's commitment, and accelerating sustainability in Marine & Energy has become the Company's corporate purpose.

Q3

OMT acquisition completed (Turin, Italy)
July 20. Accelleron completed the acquisition of OMT, the world leader in two-stroke fuel injection systems. This consolidated the Company's commitment to growth and innovative solutions for its customers in their transition to zero-carbon fuel technologies.



Q4

Partnership agreements (Germany and Greece)
Early October. Accelleron signed agreements with M.A.C. and Metis Cyberspace to maximize customer value in the use of data in the maritime industry.

1-year-anniversary (worldwide)
Accelleron celebrated its 1-year-anniversary around the world.

E-fuel survey (Baden, Switzerland)
October 12. In a survey among 200 maritime decision-makers, commissioned by Accelleron, high expectations of the introduction of e-fuels were revealed: 92 percent expect a significant contribution in reducing greenhouse gas emissions and 68 percent expect a competitive advantage through using e-fuels.

Marintec and cooperation agreements (Shanghai, China)
December 5 to 7. At Marintec, Accelleron signed a strategic agreement on decarbonization and low carbon fuels with the China Classification Society and a letter of intent with CCS and CPGC for engine optimization projects.

Higher efficiency, lower emissions and best power density – with today's and tomorrow's fuels

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 for 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, and up to 2% better efficiency, lower emissions and optimal reliability. The recent acquisition of OMT further puts Accelleron at the forefront of development with new zero-carbon fuels. Superior R&D capabilities are the key driver for this: every year Accelleron invests about 6-7% of its annual revenues in R&D – irrespective of the economic cycle.

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. They are supported 24 hours per day 365 days per year from the global spare parts center in Switzerland enabling deliveries in 48 hours at every airport in the world. With its strong and growing digital capabilities, Accelleron enables remote monitoring, predictive maintenance and digitally enabled business models.

Accelleron is a truly global player. 35.4% of its revenues comes from Europe and 40.9% 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 23.7% 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 back-up power (for the likes of hospitals and data centers).

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. The OMT factory in Torino, Italy with 260 employees has become the third largest site in the group.

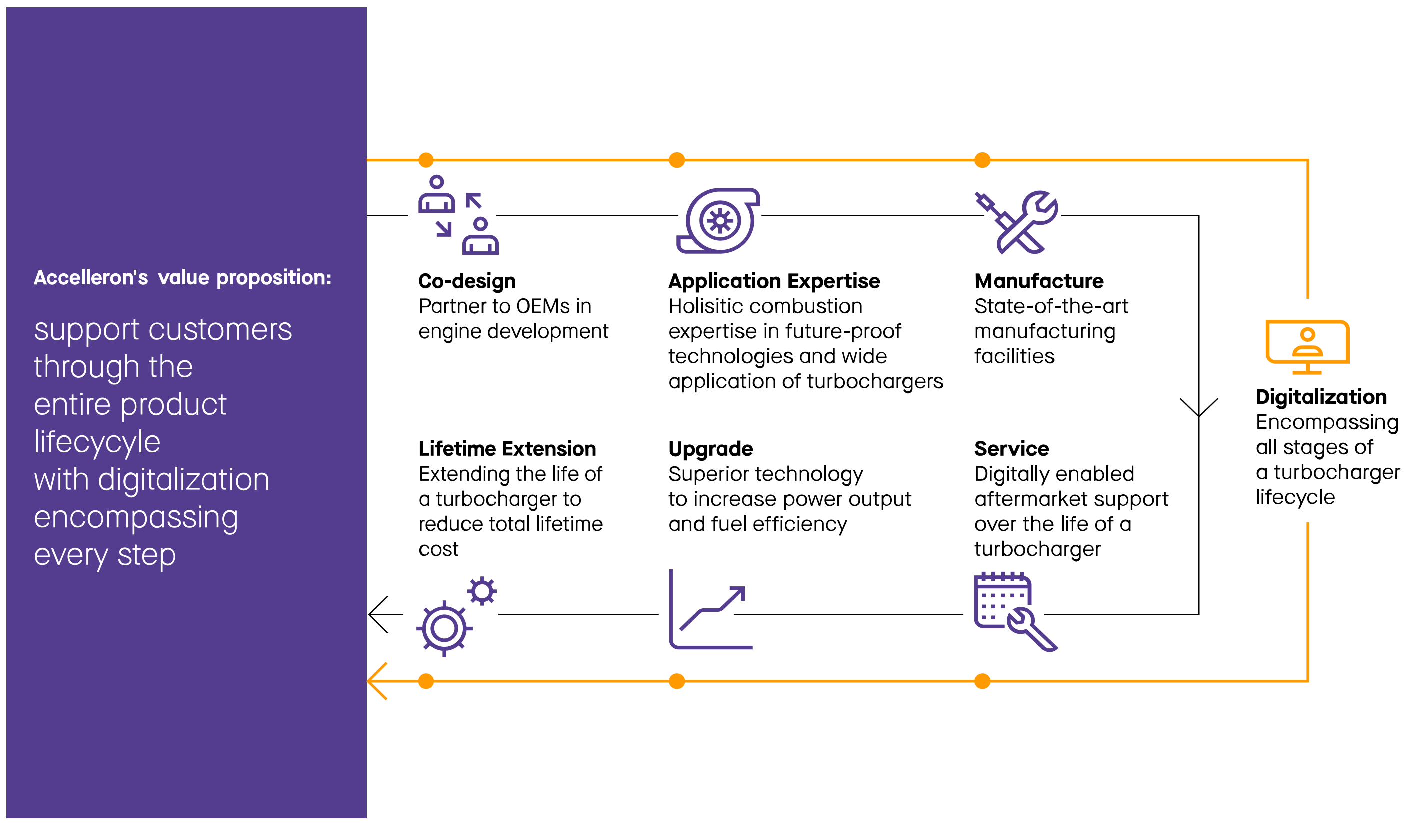
Accelleron cares for its customers

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 lifecycle, improving transparency and effectiveness both for Accelleron and 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 2,800 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. The latest example, announced in 2023 is the ACCX300, that reimagines turbocharging for large engines, providing the end-user with higher flexibility in operations, in fuels and in service.



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, with the best turbocharging system and the best fuel injection solutions for single fuel engines as well as the growing market of dual fuel applications, e.g. running on diesel and LNG, methanol or ammonia
4. Expanding organically and inorganically into adjacent areas, where Accelleron could stand out 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 was a country, it would be the world's sixth largest CO_2 emitter, just after Japan and before Germany, generating one billion metric tons of CO_2 emissions annually, or 3% of the global CO_2 emissions. Annual fuel consumption is three billion barrels of oil equivalent, similar to the aviation industry's annual fuel consumption.

Turbochargers can bring about a 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 efficiency by up to 2% in comparison to 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 more, Accelleron's key competitive advantage of higher efficiency turbochargers will be accentuated even further. Already today, Accelleron has a significantly higher market share in turbochargers for natural gas and is a leader in pilot applications in future fuels such as green methanol and hydrogen. For fuel injection equipment dual fuel engines represent a big opportunity as the delivery scope per engine is significantly increasing.

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 facilitate customers' interactions 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 around the clock. 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 the 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 lifecycle costs and increase uptime.

"Our growth opportunities are closely linked with the global energy transition."

Accelleron CEO Daniel Bischofberger discusses the achievements and challenges of the financial year 2023 and shares insights on the transformational changes ahead in Marine & Energy.

What is your perspective on 2023?
We made significant progress and performed well as an independent mid-size company, achieving impressive revenues growth of 17.2% (15.5% organic[1]). Despite the challenges posed by our separation from ABB, we maintained our non-operational cost for separation and build-up activities within our guidance at USD 81.8 million (excluding OMT USD 75.0 million) and concluded all transitional service agreements with ABB by the end of July.

One clear highlight was the acquisition of OMT in July 2023, which not only strengthens our core and market position, but also underscores our commitment to accelerating decarbonization in marine and energy.

Reflecting on the year, what surprised you most compared to your initial expectations, and what went exactly as you anticipated?
Embarking on this journey for the first time, every carve-out is unique and our experience has been no exception. We defined our purpose and developed our company strategy, but also made significant operational progress. I'm grateful to our employees for their outstanding work in a challenging year. Our initial expectations, based on no prior experience, naturally differed from reality. The team's flexibility in adapting to these changes, which often involved extra work, has been commendable. A good example of our success on this journey was the record rollout of our new ERP system across 50 countries within 15 months. While the system isn't perfect, we deliberately chose to terminate all transitional service agreements as early as possible. We're now focused on streamlining processes, aiming for a lean approach suitable for a mid-sized company, with a lot of freedom to build our business. We're currently working to reduce overreliance on service providers and suppliers, further improving on-time delivery, handling more tasks internally and simplifying processes.

And financially?
We exceeded expectations. Our strong revenue growth to USD 914.9 million, up +17.2% vs. reported last year, proves that we are on the right track with our market positioning and are well prepared to take advantage of market opportunities. Operational EBITA increased by an impressive +16.3% and our cash flow from operating activities was up by +8.8%. At the same time, we expected lower net income due to one-off costs related to the spin-off and higher net debt due to the OMT acquisition.

What innovations were seen in 2023 and what can we expect in the near future?
Our growth opportunities are closely linked with the global energy transition, driven by technologies that promote decarbonization. This requires a robust R&D effort, with investments that drive innovation critical to meeting the growing demand for more sustainable technologies and propulsion systems. Current areas of focus include the wider use of low-carbon fuels, the introduction of "green ammonia" in engines, partnering with engine OEMs on full hydrogen combustion, the development of fuel cell charging systems and the advancement of additive manufacturing (3D printing).

Complementing these efforts is the launch of our new ACCX300-L, a next-generation turbocharger line designed for large 2-stroke main propulsion combustion engines. It addresses new challenges in fuel flexibility, offering high efficiency across load ranges and improved service adaptability. Our approach now allows low-speed turbochargers to be serviced not only in dry dock, but also while in port, thanks to our comprehensive coverage concept. In addition, the ACCX300-L's digital capabilities enable remote monitoring, flexible service contracts and optimization of turbocharger performance to improve vessel efficiency. The launch of this new product is planned for the end of 2024.

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We also continue to enhance our existing offerings to ensure they are in line with our commitment to a sustainable and efficient future.

What does the OMT acquisition mean for Accelleron?
OMT shares many similarities, including serving the same OEM engine builders in the marine and engine-building sectors. Two elements are key to engine performance: air, managed by turbochargers, and fuel, managed by injection. Injection is of increasing importance in the decarbonization era, as adapting to new fuels poses greater challenges for fuel injection than for turbocharging. In addition, this business has added value and significant market growth potential due to new fuels that make fuel injection more complex and essential for engines. We expect this market to grow significantly faster than turbocharging, as the proportion of ships ordered with dual-fuel engines (vs. single-fuel engines), which require two independent fuel injection systems per engine, will increase significantly over the next 10 years due to the new IMO target of achieving net-zero by 2050. Recognizing this trend and the resulting potential shortage in industry capacity, we are investing in OMT's capacities to meet the growing demand.

What was the market reaction to the changes at Accelleron in 2023?
There is a lot of uncertainty in the market about the path forward for the energy transition. That is why our customers have had a very positive response to the flexibility of the ACCX300-L, as well as to OMT's fuel injection expertise. We are seeing a significant shift both in the engine and turbocharger sectors, where the primary focus is now on preparing vessels for the adoption of new net-zero fuels like methanol and ammonia. Similarly, in the energy sector, there is a concerted effort to align our strategies with the emergence of hydrogen. All in all, our flexibility and the options we provide have been very well received by customers.

Is the energy transition being driven solely by regulators?
No, all stakeholders are involved. It is the collective responsibility of shipbuilders, engine manufacturers, the fuel industry and their suppliers to meet new regulatory requirements. Recently, the IMO and member countries agreed to an updated IMO Green House Gas Strategy. The next step is to identify the regulatory measures that will enable the industry to reach the targets. These measures will drive energy efficiency and adoption of new fuels – where Accelleron is well positioned to provide solutions to both areas. At Accelleron, we are working to further strengthen ties with key stakeholders in the decarbonization journey.

Were you surprised that the IMO adopted more ambitious decarbonization targets?
Given that the shipping industry contributes 3% of global carbon emissions, there is a clear need to commit to net zero. While the industry previously targeted a 50% reduction, this is no longer acceptable. Despite the challenges, this shift was expected and necessary. It's encouraging that all member states have agreed. Now it's important to establish clear rules and regulations that ensure a level playing field without loopholes so that we can move forward effectively.

Given that ships have a lifespan of 25 to 30 years, does the 2050 deadline seem too soon?
Any realistic approach to this challenge highlights the fact that battery-electric solutions are not deemed suitable for most of merchant marine fleet, especially deep-sea, long-range voyage. The development of new e-fuel or synthetic fuel ecosystems, starting with renewable electricity for electrolysis, is crucial for achieving the 2050 environmental targets. This challenge extends beyond shipping to aviation, fertilizer and steel production, industrial heat and power generation, all of which rely on large-scale green electricity and hydrogen production. With less than 30 years to implement these changes, rapid and decisive action is essential to achieve the 2050 targets, underscoring the need for immediate cross-sector collaboration.

A survey of more than 200 decision-makers that we conducted in the second half of 2023 confirms that the shipping industry, acknowledging the viability of e-fuels, is planning to invest mainly in retrofitting existing vessels as a medium-term strategy. The key challenge is to scale up the production, transport and storage of e-fuels, which will require significant investment in infrastructure. Success in this endeavor requires not only optimizing the regulatory framework and preparing the infrastructure, but also creating a favorable investment climate. Collaboration across industries, governments and international organizations is critical to this complex task.

What stages do you see in the decarbonization process?
We must recognize that transitioning to zero carbon by 2050 is a gradual process, not an immediate transformation. Currently, around 50,000 ships need to be adapted to meet carbon reduction targets, requiring investments in efficiency and biofuel readiness. We can't wait for green e-fuels to become widely available; transitional fuels such as natural gas or blue ammonia, which uses carbon capture technologies to convert fossil ammonia, may be necessary to gradually reduce our carbon footprint. We also need to find solutions for existing ships, given the merchant marine's crucial role in global trade and the impracticality of replacing 50,000 ships quickly. Both short- and long-term solutions are required, considering the current infrastructure.

What steps is Accelleron taking?
Efficiency is becoming increasingly important. This includes adapting to new fuel injection systems that require significant investment. Following our acquisition of OMT, we're investing in a new test center, R&D capabilities and capacity for these injection systems. We're also educating others about the energy transition, emphasizing the importance of understanding the challenges and taking action, not just talking. Our message is clear: it's time to act, and we are committed to meeting these challenges.

How do you view the future in power generation in the coming years?
In power generation, renewables like wind and hydro play a leading role, but the intermittency of their nature requires storage solutions, such as batteries and pumped storage, particularly in places like Switzerland. However, these solutions can't meet the entire demand for power, making a range of balancing strategies essentials, with thermal balancing being the most important. Looking ahead, fuels like hydrogen are promising, but there's still much that is up for debate and a lack of clarity about the path forward. This uncertainty hinders investment, so it's crucial for the industry and policymakers to reach an agreement on the way forward.

What role do oil and gas play?
The outlook for gas compression has evolved significantly. Today, it is recognized that we can't abruptly transition from fossil fuels to renewables. Fossil fuels clearly have a role to play. They remain necessary, with gas being a better option than liquid diesel or coal. Investment in gas infrastructure, particularly LNG, is crucial. The limitations of pipelines, highlighted by recent events involving Russia, have shown the need for more flexible gas transportation methods. LNG, which can be transported efficiently, is a solution that should have been adopted 20 years ago. The demand for LNG in sectors like power generation and marine will certainly grow, and it will remain relevant for the next two decades.

How is Accelleron developing in the digital field?
As a mechanical engineering company, we've successfully integrated digital aspects into our products. This includes adding digital features to turbochargers, such as remote monitoring and service contracts based on usage data. We also offer software as a service to help customers optimize ship performance and comply with carbon emission standards, especially for the 50,000 ships that need end-of-life compliance solutions. We're expanding our software suite to become a more comprehensive partner in the discussion of ship performance, focusing not just on turbochargers and engines but on broader aspects of the ship. This strategic expansion strengthens our position as a key partner for our customers to help them meet the challenges ahead.

Injecting new energy

The fuel injection specialist Officine Meccaniche Torino S.p.A. (OMT) joined the Accelleron Group in the summer of 2023. The Company's new CEO, Klaus Heim, explains the business and the prospects it offers to Accelleron.

Can you begin by telling us the size of OMT's business, in terms of people and assets?
OMT was a fairly small, family-run business in Italy until the acquisition in 2023. We have around 260 employees, and around 160 of those work on the shop floor of our 40,000-foot factory premises in the industrial zone of Turin, Italy.

A further 80 staff based at the premises, perform all the normal office roles required by a technology developer and manufacturer with an international sales footprint. The remaining employees are in three sales offices – in China, Japan and South Korea.

In 2025, we are planning to build a new technology center a short distance from the Turin factory. We will move the R&D activities and most of our offices into that new building, which will free up space in our existing premises for much-needed extra production space.

What is the business model?
We are one of the leading suppliers of fuel injection systems to the maritime industry, with a particular focus on low and medium-speed engines. Our business model is to develop and supply injection systems for engine OEMs.

In the low-speed segment, leading engine designers like MAN and WinGD largely design their own engines and fuel injection systems, and sometimes involve us as a partner in development. We are hen certified as a supplier to manufacture the components or systems, either directly for these companies or for their licensed engine manufacturers in South Korea, China and Japan.

Another important group of customers are the medium-speed engine OEMs for whom we also provide manufacturing and development services as their first equipment supplier.

Just as for Accelleron, an important segment of OMT's business is aftersales. We manufacture spare parts for the OEMs who have their own spare parts networks or work with appointed distributors. Injection nozzles need to be replaced regularly to maintain performance, meaning the volume of spare parts manufactured is much higher than for new builds. Unlike Accelleron's turbocharger business, we don't need a direct service network – the parts supplied through OEM distribution can be fitted easily enough by the crews onboard.

How will OMT be able to take advantage of Accelleron's presence in service centers across the world?
While there is no need for us to have a service presence across the world, it is useful for us to be able to offer local customer support for our engine OEM customers and their licensees. They sometimes need support during shop tests or sea trials of their engines, so having a customer support engineer from OMT on the ground is very helpful. Historically, we had to send support personnel from Italy, but now we can team up with Accelleron and utilize the global network to provide local support in countries where our customers build their engines.

How else will OMT be able to improve efficiency thanks to being part of Accelleron?
A good example is shared services. OMT was historically a small, family-run business. A lot of the back office services that are typical in larger organizations – departments such as HR, Communications, Legal and IT – were very stretched or weren't really covered by the existing organization. Being able to take on board all those functions at a best-in-class level from Accelleron both improves operations at OMT and very much lightens the administrative load on the managers at the company, freeing them up to spend more time managing, leading and planning for the future.

How will Accelleron's involvement boost innovation?
We are already looking at how OMT's digital injector technology can be leveraged and combined with Accelleron's digital offering, like for instance Tekomar XPERT. The target of the collaboration between our technical team and Accelleron's Digital Division is to utilize Accelleron's experience and the existing digital platform to accelerate our own progress in digital products and help us overcome some of the barriers to bringing digital products to market.

Can you describe how digital technology might enhance fuel injection?
In the field of fuel injection systems, the injector is the part that offers clear opportunities for improvement through digital technology. We have developed a micro-sensor placed inside the control valve of the injector to measure the actual pressure. This can be used to monitor and evaluate the combustion process in that the back pressure generated in the injector from the combustion chamber allows us to measure and calculate combustion characteristics.

We can then use this sensor to understand the condition of the atomizer and the needle seat, the injection components most likely to wear. This is the basis for condition-based maintenance. Instead of dictating that a component needs to be replaced based on a certain operating time, the actual condition of the injector or nozzle tip can be calculated from the sensor signals, and it can be replaced at the exact time this is needed before it causes any problems. There can be dozens of injectors in a ship's engine, so checking them manually is tedious and time-consuming. If we can automate and digitalize these checks, this adds real value by reducing costs for the ship operator.

At the moment, the overwhelming demand from engine OEMs is around decarbonization and the need to provide fuel injection systems for alternative fuels such as ammonia and methanol. It is a new generation of products which can also be enhanced by digital technologies.

OMT will continue to operate independently under its own brand name. What is the thinking behind that?
The mention of "brand name" in your question goes to the heart of the answer: OMT is a well-established name within the marine sector. It has been operating continuously as a fuel injection specialist since 1930, so for 94 years. Everyone in the industry knows who we are, what we do, and about our expertise and heritage in our segment. The OMT brand therefore carries considerable weight.

In addition, many of our customers prefer our independence as they appreciate not being locked into one supplier at multiple levels. It therefore gives our customers the flexibility they require to make separate decisions when it comes to choosing turbochargers and fuel injection systems. It makes sense to maintain our well-established sales channels and relationships.

At the same time, though, where we do have shared customers, we can leverage our relationship with them as a strategic supplier while we continue operating separately in the market as Accelleron and OMT.

"Our sustainability efforts fully align with our purpose"

Chief Human Resources & Sustainability Officer Annika Parkkonen shares her perspectives on the year 2023 and how sustainability and the people strategy contribute to shaping Accelleron's future.

What milestones in 2023 would you consider to be the most important from the people perspective?
We started 2023 with a common vision and a common purpose and having that North Star was extremely important. We implemented a sustainability strategy to guide our contribution to ensuring a better future and launched a people strategy with 12 strategic initiatives. Additionally, we achieved full independence from ABB, taking over all processes previously supported by ABB. The transition has been challenging, particularly due to the constant change, but we are adapting and moving forward.

Have people viewed the constant change as an opportunity so far?
Absolutely. A good example is our strong ownership, as we created our own corporate values and had different activities around those values. That gives people a deep understanding of who we want to be and how we want to behave as a company. We also launched our new leadership training, which ensures that we live up to our values. On top of this, we ran a lot of events on the health and safety side, such as a full safety month in November with a strong focus on resilience and mental health. We made it a top priority for our management, who all contributed to our activities and received very positive feedback from all levels of the company.

How was the safety month organized?
We ran activities around six different themes, with members of the Executive Committee and extended management team then hosting or running these sessions. We had good turnout, and one of the takeaways is that people feel committed to safety. It also shows that management is committed to discussing these issues. We received positive feedback about the dialog being very open and honest and about the fact that we have a culture where people can speak up.

What does speak-up culture look like in practice at Accelleron?
The resilience and well-being training and the leadership training are focused on psychological safety – creating a work environment where people feel safe to be who they are and to speak up about issues that are important to them. However, it is, of course, also very much the responsibility of each leader to create an open and honest environment for their teams to be able speak up. In the event of suspected cases of misconduct, we also have our ethics reporting channels in place, which ensure anonymity. The channels are sometimes used. It shows that people are willing to raise the issues that concern them. Our integrity team continuously raises awareness of these topics, including through internal communication activities.

How do you generally communicate with employees?
We use various communications channels. For example, in Switzerland we have continued a practice of having an employee breakfast where employees can meet with management. Of course, we also have global and local town halls. Having the opportunity to really interact with colleagues is key. We have also enhanced our information pipeline with more content – from strategic initiatives to local events – on the intranet, our internal social media channel and our bulletin boards.

Did lots of new employees join the company in 2023?
This process of having lots of new employees join began in 2022, but we had a lot of new starters in 2023 as well. Since the spin-off we have welcomed 220 new employees on board, meaning that every 10th role at our company previously didn't exist or is now filled with a new colleague. We have an average tenure of over 11 years within the company. As part of the change, we also saw colleagues leaving; however the attrition rate has now gone back down to lower levels.

What progress did you see in terms of employer branding, and reaching out to job candidates in 2023?
Our employer brand is now much better established in the market compared to 2022. We have, for example, seen very active social media campaigns and have held several events at different universities and schools. We have started our cooperation with Unitech, a consortium between different universities. There are several high-quality technical universities in Europe from which we now recruit trainees, meaning that we have therefore raised our profile.

The overall results of our employer branding show that we have an average of 30 applications per vacancy, with some of them reaching well over 100 applications, which shows that there is a lot of interest in working for Accelleron.

What are the key elements of Accelleron's employer value proposition?
Our business has played a role in reducing emissions by increasing the efficiency of turbochargers for more than 100 years. The fact that people can contribute to making the planet a better place to live is an important attraction and retention factor. In addition, our continuous progress in using digital technology and AI offers attractive opportunities. On top of that, our company culture is based on trust, empowerment, quick decision-making processes and internal development opportunities. In 2023, we facilitated internally over 10,000 learning hours, which is something that really sets us apart, I think.

What about other factors?
Recently we have seen some companies dropping remote working and returning to the office. We are keeping our numerous local remote working policies, as one of our key values is trust. We trust that our employees are fully committed to their work. Of course, we recognize that not all jobs can be done remotely, but we are happy to offer the opportunity to those who can in accordance with local legislation. Remote working is a trust-based solution that is working well for us. Communication has also become more important, as colleagues are not close by and do not often simply meet for coffee anymore.

What progress did Accelleron make on sustainability in 2023?
Our sustainability efforts are in the process of being fully aligned with our purpose, meaning defining and communicating our purpose was an important milestone. This year, we integrated sustainability into our company bonus scheme, making it a mandatory part of our short-term incentive program with a strong focus on mitigating climate change through decarbonization, as reflected in our materiality matrix. We are enhancing employee engagement in sustainability, demonstrated by about 20 global "giving back to community" events, exceeding the target of 15. These events, driven locally and guided globally, not only contribute to communities but also serve as an engagement and retention tool. We focus on highlighting these initiatives to showcase their impact.

What do the sustainability targets look like?
We have defined 13 targets to which we are committed. Further targets are in the process of being defined. When it comes to walking the talk, we are now introducing a sustainability target also to the long-term incentive plan. This target relates to reducing GHG emissions. These emissions are also reflected in our materiality matrix, as we consider climate change a key risk to humanity. Emissions reduction has a weighting of 20%, meaning it is a significant part of the long-term incentive. Looking at scope 3 emissions, particularly in terms of the supply chain, there is still more to be done. However, our team is fully committed to sustainability, and we are making good progress.

Accelleron's employees are international and diverse. How do you manage this diversity or how do you guide this diversity?
Our headquarters boast remarkable diversity, with 46 nationalities represented, including 45% of people from Switzerland and 55% from other places. Our presence in over 50 countries further enriches this diversity, which is an integral part of our DNA. This global environment naturally attracts those seeking diverse workplaces. However, gender diversity remains a challenge, particularly in technology, where women are less represented. We are committed to increasing women's roles, especially in leadership, by 2025. We also established a women's network in Switzerland in 2023 to foster this growth. Our diversity initiatives are primarily local, yet we are looking into expanding female collaboration internationally. In India, our focus shifted from female representation in 2022 to LGBTQ issues in 2023 – a significant step. This involved organizing training sessions and workshops to highlight the topic. We are very happy to see this good work by our Indian team.

What is the outlook in terms of sustainability over the coming years?
Sustainability is an integral part of our business strategy and core product offering, and its importance is expected to grow as stakeholder needs and regulatory demands increase. We want to make continuous progress in our sustainability efforts in line with the regulations, and transparently track and report that progress in a systematic way. Our commitment to the SBTi and the United Nations Global Compact underline our aim. Finally, our customers appreciate our expertise in sustainability, such as our capability to provide the necessary carbon emissions data for our customers. While we are progressing in our own sustainability efforts as a company, sustainability remains as an integral part of our core business offering.

02

Key data and operational review

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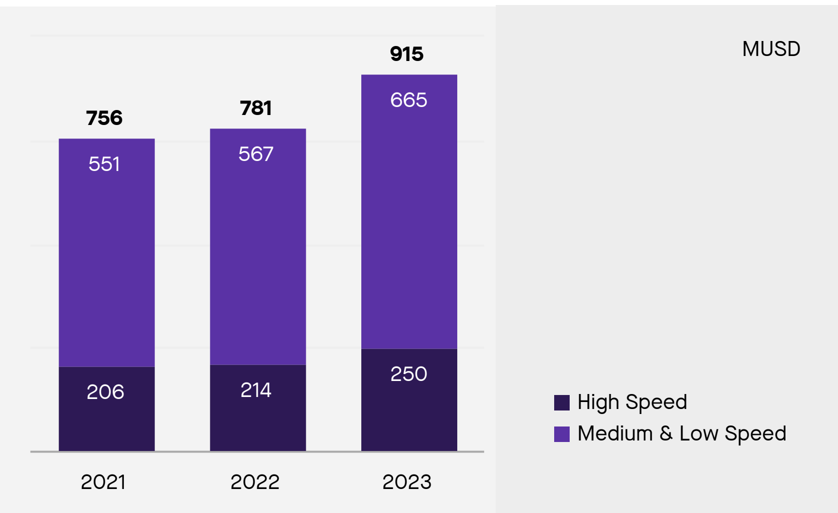
Key data

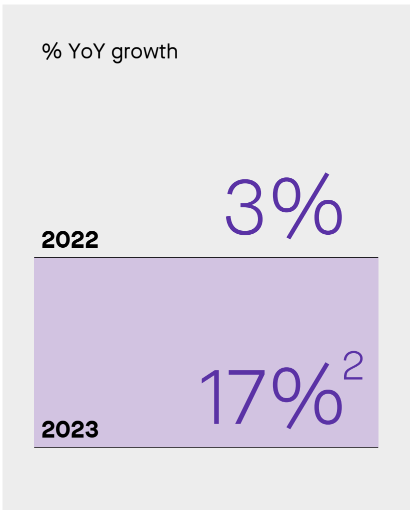
Strong market momentum in 2023 contributed to further organic[1] revenue growth of 15.5% with an attractive operational EBITA margin of 24.4%.

The strong revenue growth was predominantly driven by a further strengthening global demand for the merchant marine and gas compression business in the United States resulting in total revenues of USD 914.9 million. The attractive operational EBITA margin[1] of 24.4% (2022: 24.6%) was delivered in a challenging inflationary environment and despite additional expenses resulting from the standalone setup impacting the entire year. The build-up of independent processes and systems led to one-off costs USD 81.8 million (thereof USD 6.7 million OMT) with a significant impact on net income, which was USD 110.0 million in 2023 or 15.3% 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 healthy free cash flow conversion[1] of 99.2%, slightly impacted by inventories build-up due to supply chain inefficiencies. Free cash flow generation was USD 109.1 million in 2023, compared to USD 99.3 million in the previous year as a result of one-off costs.

Share of revenue by market segment





Key figures

(USD in millions)	2023	2022	Change in +/- %	Organic[1]
		Twelve-month period ended December 31,		
Revenues	914.9	780.5	17.2%	15.5%
Gross profit	385.9	352.8	9.4%	
as % of revenues	42.2%	45.2%	(3.0) ppts	
Income from operations	141.3	157.0	(10.0%)	
Operational EBITA[1]	223.1	191.8	16.3%	
as % of revenues	24.4%	24.6%	(0.2) ppts	
Net income	110.0	129.8	(15.3%)	
as % of revenues	12.0%	16.6%	(4.6) ppts	
Cash flow from operating activities	145.2	133.4	8.8%	
Free cash flow[1]	109.1	99.3	9.9%	
Free cash flow conversion[1]	99.2%	76.5%	22.7 ppts	
Basic earnings per share (USD)	1.08	1.31	(23.0%)	
Net leverage[1]	1.0	0.6	40.0%	

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

2 Thereof 3.0 ppts related to the acquisition of OMT

Share information

Share[1] price (CHF)	2023
High	26.80
Low	19.00
Year-end	26.26
Market capitalization as of December 31, 2023	
Number of shares issued (excluding treasury shares)	93,763,143
In millions CHF	2,462
P/E ratio as of December 31[2]	28.8x
Dividend yield as of December 31[3]	**3.2%**

1 ISIN CH1169360919
2 Share price at year-end (converted to U.S. dollars at year-end exchange rates) divided by basic earnings per share.
3 Dividend per share (in CHF) divided by share price at year-end (in CHF).

Data per share

	2023
Dividend per share (CHF)[1]	0.85
Basic earnings per share (USD)[2]	1.08
Equity attributable to Accelleron per share (USD)[3]	3.06
Dividend payout ratio (%)[4]	93.4

1 Proposed by the Board of Directors and subject to approval by shareholders at the Annual General Meeting on May 7, 2024.
2 Calculation based on weighted-average number of shares outstanding undiluted.
3 Calculation based on the number of shares outstanding at December 31, 2023.
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 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 millions and may not add up or recalculate 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. Further, through the acquisition of OMT, Accelleron provides fuel injection equipment for engines in heavy-duty applications.

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, for the use of one to four turbos per engine. High Speed turbochargers are used mainly in marine applications, electric power generation, oil & gas onshore and off-highway sites.
- Medium & Low Speed: produces and services turbochargers with power output from 3,000 to 30,000 kilowatts, for the use of one to two turbos per engine. Such turbochargers are used mainly in marine applications and electric power generation applications. In addition, this reporting segment includes business activities relating to Rail and Fuel Injection (i.e. OMT) and Digital Customer Solutions because their application is primarily related to Medium & Low Speed segment.

Basis of preparation

On October 3, 2022, the Company became a standalone publicly traded company, and its financial statements are now presented on a consolidated basis. Prior to the spin-off, the Company's historical combined financial statements were prepared on a standalone basis and were derived from ABB's Consolidated Financial Statements and accounting records. The financial statements for all periods presented, including the historical results of the Company prior to October 3, 2022, are now referred to as "Consolidated Financial Statements", and have been prepared and are presented in United States dollars ($ or USD) and in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). For further details, please refer to "Note 2 – Basis of preparation" of this report.

Results of Operations

	Twelve-month period ended December 31,		
(USD in millions)	**2023**	**2022**	**change in %**
Revenues	914.9	780.5	17.2%
Cost of sales	(528.9)	(427.7)	23.7%
Gross profit	**385.9**	**352.8**	**9.4%**
Selling, general and administrative expenses	(192.5)	(149.6)	28.7%
Research and development expenses	(57.4)	(51.1)	12.3%
Other income, net	5.3	4.9	8.2%
Income from operations	141.3	157.0	(10.0%)
Interest and other finance expense, net	(4.1)	(0.6)	583.3%
Income from operations before income taxes	**137.2**	**156.5**	**(12.3%)**
Income tax expense	(27.2)	(26.7)	1.9%
Net income	**110.0**	**129.8**	**(15.3%)**
Operational EBITA[1]	**223.1**	**191.8**	**16.3%**
Operational EBITA margin[1]	**24.4%**	**24.6%**	**(0.2) ppts**

Revenues

Revenues increased by USD 134.4 million, or 17.2% (15.5% organic[1]), to USD 914.9 million compared to the previous year, resulting from both a continued strong demand across most of the relevant industries and from price increases in 2023. The increase in volume was predominantly driven by a further strengthening global demand for the merchant marine and the gas compression business in the United States. Further, revenue growth was also fueled by inorganic growth following the completion of the OMT acquisition on July 20, 2023. A detailed discussion of the factors contributing to the changes in segment revenues is included in the "Operating segments financial review" section of this report.

Gross profit

Gross profit increased by USD 33.1 million, or 9.4%, to USD 385.9 million compared to the previous year. The gross profit margin decreased by 3.0 percentage points, to 42.2% primarily driven by higher non-operational one-off expenses relating to the build-up of IT infrastructure, applications and services.The ongoing cost inflation (namely material and labor) was largely offset by price increases.

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

Liquidity and capital resources

(USD in millions)	December 31, 2023	December 31, 2022	change in %
Net cash provided by/(used in) operating activities	145.2	133.4	8.8%
Net cash provided by/(used in) investing activities	(129.0)	(34.1)	278.3%
Net cash provided by/(used in) financing activities	19.6	28.9	(32.2%)
Effects of exchange rate changes on cash and cash equivalents	8.9	(12.0)	(174.2%)
Cash and cash equivalents, beginning of period	189.4	73.2	158.7%
Cash and cash equivalents, end of period	**234.1**	**189.4**	**23.6%**

Selling, general and administrative expenses

Selling, general and administrative expenses increased by USD 42.9 million, or 28.7%, to USD 192.5 million compared to the previous 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 increased by USD 6.3 million, or 12.3%, to USD 57.4 million compared to the previous year, driven by the appreciation of the CHF versus USD during 2023. Research and development expenses as a percentage of revenues, remained largely stable on a year-on-year basis.

Income tax expense

Income tax expense increased by USD 0.5 million, or 1.9%, to USD 27.2 million in 2023 compared to the previous fiscal year. The effective tax rate increased to 19.8% in 2023, from 17.1% in 2022. The effects are driven mainly due to a change in jurisdictional profit mix of earnings as well as the one-time effects resulting from the spin-off from ABB in 2022.

Net income

Net income decreased by USD 19.8 million, or 15.3% to USD 110.0 million compared to the previous year, largely as a result of the factors set out in the previous paragraphs. Net income included USD 81.8 million one-off and other non-operational costs in 2023, resulting from the build-up activities.

Operational EBITA

Operational EBITA increased by USD 31.3 million, or 16.3%, to USD 223.1 million resulting from operating leverage. The operational EBITA margin slightly decreased by -0.2 percentage points to 24.4% in 2023, namely a consequence of the additional expenses resulting from the standalone setup.

Net cash provided by operating activities increased by USD 11.8 million, or 8.8%, to USD 145.2 million compared to the previous year, mainly driven by the strong volume growth which was to a large extent offset by cash payments for build-up activities.

Net cash used in investing activities increased by USD 94.9 million, or 278.3%, to USD 129.0 million compared to the previous year, primarily due to the acquisition of OMT.

Further, the Company continued key investments into the Swiss and Chinese factories.

Net cash provided by financing activities decreased by USD 9.3 million, or 32.2%, to USD 19.6 million.

Net debt and indebtedness

(USD in millions)	December 31, 2023	December 31, 2022	change in %
Cash and cash equivalents	(234.1)	(189.4)	23.6%
Current debt	1.8	—	100.0%
Non-current debt	475.8	322.8	47.4%
Net debt	**243.5**	**133.4**	**82.5%**
Indebtedness	**475.8**	**322.8**	**47.4%**

Net debt increased by USD 110.1 million, or 82.5% to USD 243.5 million in 2023.The higher net debt level is mainly the result of the OMT acquisition.

M&A activity

On July 20, 2023 Accelleron completed the acquisition of Officine Meccaniche Torino S.p.A. (OMT) located near Turin, Italy.

Accelleron acquired the shares of OMT with cash. The resulting cash outflows amounted to EUR 91 million (net of cash acquired), which was partially financed by drawing an additional CHF 100 million under the current Credit Facility. Not included in the cash outflow is a cash distribution of EUR 6 million after the finalization of the integration.

OMT is a leading provider of fuel injection solutions for large low- and medium speed engines; its main focus is in the marine sector. In 2022, OMT achieved revenues of about EUR 52 million. OMT and Accelleron, both have a similar customer base of engine builders, more than 70% of the revenues were generated through service-related demand. OMT currently employs approximately 260 employees, the large majority of which are in the factory in Turin.

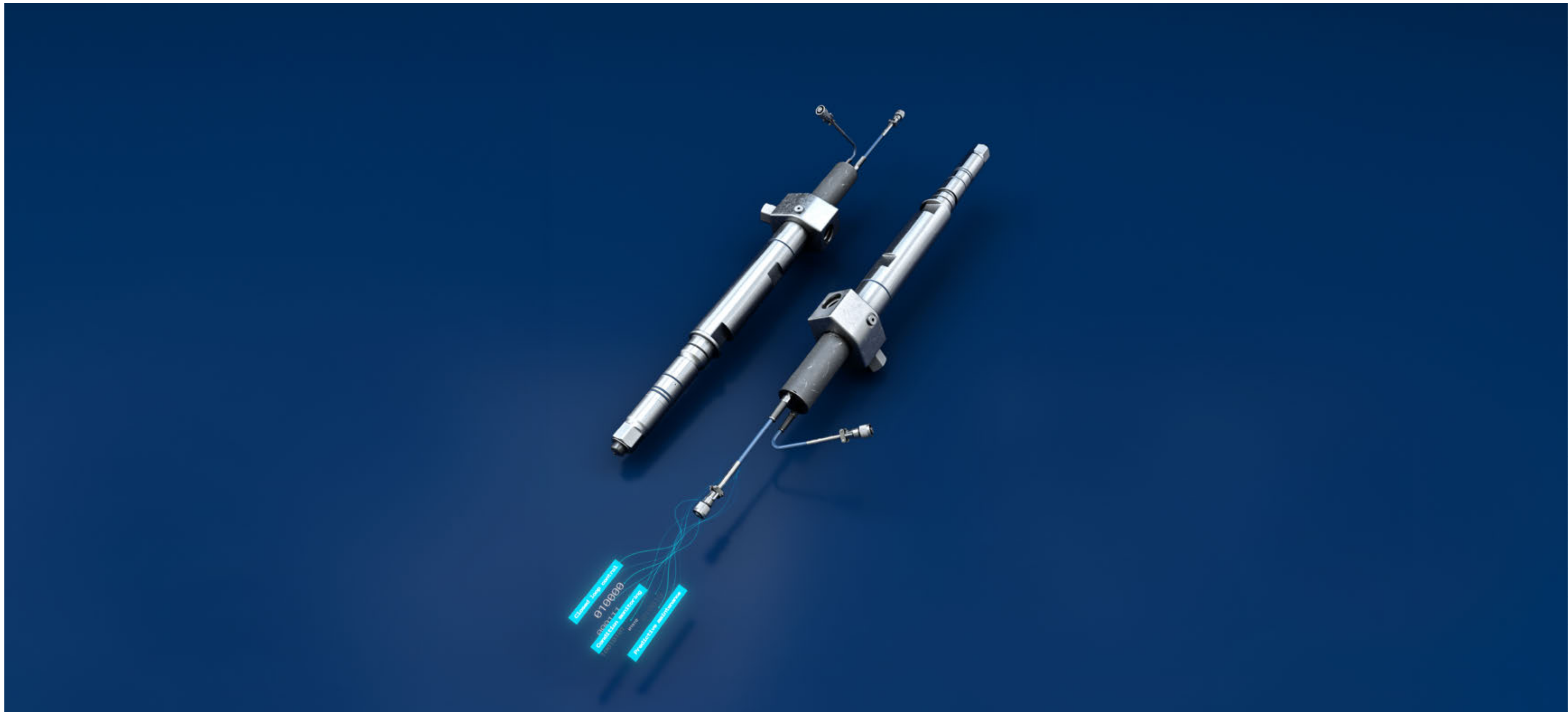
A key strategic objective of this acquisition is to reinforce Accelleron’s leading position in the development of solutions for the application of low- and zero-carbon fuels.

Further, the demand for fuel injection equipment is expected to outgrow the engine market as dual-fuel engines, which are becoming more and more frequent, require more injectors per engine. Priorities for the development of OMT include the investment in a new test facility for green fuels and expansion of production and R&D capacity to support growth and the energy transition.

(USD in millions)	**2023**
Purchase price for acquisitions (net of cash acquired)	99.0
Net Cash flow effect	92.8
Aggregate excess of purchase price over fair value of net assets acquired	31.6

For details of purchase price allocation and result of the acquisition, see Note 25.

OMT has generated USD 23.5 million in revenue since the date of the acquisition. Furthermore, the total non-operational cost amounted to USD 6.7 million, primarily related to amortization of intangible assets and step-up of inventory following the acquisition.



Operating segments financial review

High Speed segment

The financial results of the Company's High Speed (HS) segment for December 31, 2023 compared to December 31, 2022 are as follows:

	Twelve-month period ended December 31,		
(USD in millions)	**2023**	**2022**	**change in %**
Revenues	249.9	213.8	16.9%
Operational EBITA	59.3	41.0	44.6%
Operational EBITA margin	23.7%	19.2%	+4.5 ppts

Revenues

Revenues in the HS segment increased by USD 36.1 million, or 16.9% (+17.8% organic[1]), to USD 249.9 million compared to the previous year. This is primarily linked to a further strengthening demand related to the gas compression business in the United States and price increases.

Operational EBITA

Operational EBITA in the HS segment increased by USD 18.3 million, or 44.6%, to USD 59.3 million compared to the previous year. The increase results from the strong operating leverage, pricing measures and a significantly lower level of warranty cost. These effects more than offset the additional expenses arising from the standalone setup and cost inflation. Consequently, operational EBITA margin increased by 4.5 percentage points, to 23.7% in 2023.

Medium & Low Speed segment

The financial results of the Company's Medium & Low Speed (M&LS) segment for December 31, 2023 compared to December 31, 2022 are as follows:

	Twelve-month period ended December 31,		
(USD in millions)	**2023**	**2022**	**change in %**
Revenues	664.9	566.7	17.3%
Operational EBITA	163.8	150.9	8.5%
Operational EBITA margin	24.6%	26.6%	(2.0 ppts)

Revenues

Revenues in the M&LS segment increased by USD 98.2 million, or 17.3% (+14.6% organic[1]), to USD 664.9 million compared to the previous year. This increase mainly results from a further strengthening of the demand in merchant marine as well as price increases compared to the previous year. USD 23.5 million was generated through the acquisition of OMT.

Operational EBITA

Operational EBITA in the M&LS segment increased by USD 12.9 million, or 8.5%, to USD 163.8 million compared to the previous year. Operational EBITA margin decreased by 2.0 percentage points to 24.6% in 2023 due to additional expenses arising from the standalone setup, inefficiencies resulting from supply chain challenges and the ongoing cost inflation which was largely offset by price increases. The acquisition of OMT did not have any material impact on the profitability of the segment.

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

03

Sustainability report

Back to main menu

About Accelleron

Acquisition of OMT

In July 2023, Accelleron completed its acquisition of Officine Meccaniche Torino S.p.A. (OMT) located near Turin, Italy. OMT is a leading provider of fuel injection solutions for large low- and medium- speed engines; its main focus is in the marine sector. A key strategic objective of this acquisition was to reinforce Accelleron's leading position in the development of solutions for the application of low- and zero- carbon fuels. Accelleron carried out due diligence on OMT's sustainability performance with no material adverse findings. Since OMT was only fully acquired as of July 2023, it was not part of Accelleron for the entire reporting period. Considering the limited time between the acquisition and the publication of this report, facts and figures in this section do not include OMT in their scope unless explicitly mentioned. We aim to include OMT within the scope of our future reports.

Accelleron is a global leader in turbocharging technologies and optimization solutions for 0.5 to 80+ MW engines, helping to provide efficient and reliable power to the marine, energy, rail, and off-highway sectors. We design, manufacture, sell and service highly customized turbochargers for original equipment manufacturers (OEM) of engines for heavy-duty applications. Our products give the engines an extra performance boost. This enhances their fuel efficiency and reduces their environmental impact by decreasing emissions. Through the recent acquisition of OMT, Accelleron develops and sells state-of-the-art injection solutions for current and future fuels to OEMs.

2,800 skilled Accelleron employees contribute to the decarbonization of the industry we serve around the world[1]. With an installed base of approximately 180,000 turbochargers and a network of more than 100 service stations worldwide, Accelleron's innovative technologies and digital solutions give its customers the power to move further.

Accelleron reports its business in two segments: High Speed and Medium & Low Speed.

High Speed:

The High-Speed segment produces and services turbochargers with power outputs ranging from 500 to 5,000 kilowatt. Accelleron's High Speed turbochargers are used mainly in electric power generation (gas-fired engines for base load power, combined heat and power, balancing power, and back-up power mostly running on liquid fuels) and onshore oil and gas (mostly gas-fired engines driving compressor stations for gas pipelines), as well as in marine and off-highway applications, to a limited extent.

Medium & Low Speed:

The Medium & Low Speed segment produces and services turbochargers with power outputs ranging from 3,000 to 30,000 kilowatts. These turbochargers are used mainly in marine and related applications (e.g. merchant vessels such as container ships, bulk carriers and tankers, and passenger vessels), electric power generation applications and, to a smaller extent, in railway applications. In addition, this reporting segment includes the business activities related to digital customer solutions (e.g. the Company's Tekomar XPERT software offering) and the fuel injection business from OMT because these applications are primarily related to the Medium & Low Speed segment.

Accelleron is organized into five divisions consisting of the two product business divisions High-Speed and Medium & Low Speed, an integrated Service division, Digital Customer Solutions and a newly created division for Fuel Injection.

The Service division is an important contributor to Accelleron's success in providing spare parts and services for both High Speed and Medium & Low Speed turbochargers. Accelleron turbochargers are typically operated for up to 8,000 hours per year and can have a service life of more than 30 years. Every year, Accelleron supports more than 5,000 end customers around the globe, employing more than 500 trained service engineers at over 100 locations. They are supported 24/7 from the global spare parts center in Switzerland, which can deliver parts to any airport in the world within 48 hours.

The Digital Customer Solutions division supports Accelleron's customers with software platforms and offerings that enable them to operate their assets at optimal conditions, thereby improving fuel efficiency and reducing emissions. The division's digital capabilities are also used to enable the Service division to provide smart maintenance solutions based on the operating data received from the Company's installed base.

The Fuel Injection division was created after the acquisition of OMT in 2023. It develops and sells state-of-the-art injection solutions for current and future fuels to OEMs.

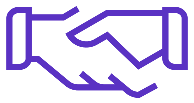
1 The number of employees includes only here OMT.

Company values

Since its stock listing as an independent company on October 3, 2022, Accelleron has formulated a new corporate purpose, vision and values.

We are curious.
We are inclusive and learn from diversity.

We are all entrepreneurs.
We see opportunities and we have the courage to take ownership of them.



We trust each other.
We are ethical and we work with integrity.

We go further.
We are proud to exceed expectations.

Global presence

Accelleron has more than 100 locations (mostly service sites) in more than 50 countries. Our largest site, in Switzerland (representing about one third of the employees and three quarters of long-lived assets[1]) houses global key corporate functions, the global service center, R&D and our main sourcing and manufacturing hub. Other manufacturing and sourcing sites are located in China and India. R&D, production and sales for the OMT fuel injection business are located in Turin, Italy.

Accelleron generates revenues throughout the world: Europe is responsible for 35.4%, Asia, the Middle East and Africa (AMEA) for 40.9%, and the Americas for 23.7%.

Value chain

Accelleron strives to take care of its customers from designing turbochargers in close coordination with engine OEMs to application engineering and delivery of the very best product for any given customer application. Once an engine is in operation, Accelleron works to maintain or enhance its performance. Through its own network, Accelleron provides turbocharger services and spare parts from a single source. This allows Accelleron to offer a full-coverage service model to its customers, including lifetime service agreements and digital offerings.

1 Long-lived assets meaning property, plant and equipment net of depreciation.

Sustainability at Accelleron

Sustainability strategy and goals[1]

In September 2015, the United Nations identified and adopted 17 global Sustainable Development Goals (SDG). These SDGs represent an urgent call to action for all countries to act as part of a global partnership. In the same year, the Paris Agreement was adopted at the 21st Conference of Parties (COP 21). Its overarching goal is to "hold the global average temperature increase to well below 2°C above pre-industrial levels" and to "pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels".

For companies, this means taking steps to reduce their negative impact on both the environment and society. For Accelleron, sustainability means integrating environmental and social aspects into Accelleron's business model and working towards a world achieving the goals of the Paris Agreement.

Our definition incorporates the triple bottom line approach, which considers the interconnectedness of environmental, social and economic impacts and is supported by a mature governance structure. In our sustainability strategy, we structure these elements around three pillars: "Products & Services", "Planet" and "People". We call this our 3P-approach.[2]

To realize the full potential of the 3P approach and demonstrate our ability to accelerate sustainability in the marine and energy sectors, we intend to further integrate sustainability into our business strategy. To support decarbonization, we aim to strengthen our position as the market leader in turbocharging technology by focusing on the following activities:

- Making our products compatible with the use of alternative fuels, leading to a reduction of direct CO_2[3] emissions for end users
- Providing product upgrades services that result in avoided emissions for end users
- Transitioning towards a supply chain as well as delivering products and services with a lower carbon footprint, thereby also helping our customers to reduce their CO_2 emissions

We set our scope 1 and scope 2 emissions targets based on Science Based Target initiative (SBTi) as a recognized standard. Accelleron committed to SBTi in 2023.
To successfully embed sustainability in our strategy we are increasing the involvement of our customers, suppliers and employees.

Sustainability is a driving force for Accelleron, as well as for our customers. That is why we have made it a priority to further improve our social and environmental impact. As an independent company since October 2022, we have been tailoring our approach to sustainability by making it an integral part of our business strategy. Our approach is based on our former parent's widely recognized sustainability framework. This ensures that environmental, social and governance (ESG) aspects are recognized and managed. Accelleron is committed to building a culture where all employees work together to drive sustainability and make it an integral part of our business.

At Accelleron, we set sustainability targets that are drawn directly from our business and regulatory contexts, the best available data and the pertinent requirements and standards. Currently, we have 13 key targets, including milestones, which address the top priorities identified in our materiality matrix (see "Targets" section). These targets cover the period from 2023 to 2030 and reflect our ambition to measure up to our conception of a truly sustainable company. In 2024, we will work on two additional targets related to circularity and employee development. At the same time, Accelleron has developed a roadmap to comply with upcoming regulations in the next three to six years.

Governance captures our core organizational and behavioral principles, such as our Articles of Association, Board regulations, our purpose and vision and our Code of Conduct (CoC). For example, we have clear rules and expectations related to anti-corruption, and we continuously train our people. Regarding our supply chain, we set minimum requirements to our suppliers through our Supplier Code of Conduct (SCoC), conducted supplier audits and continue to improve our processes. We are dedicated to a culture where employees and also external stakeholders are encouraged to report any potential breaches of the CoC or the law without any fear of retaliation. We offer several channels to anyone to report anonymously any suspected misconduct.

For information on Company governance structure, please see the corporate governance report on page 53.

Materiality analysis and reporting framework

In this report, we highlight our contributions to reducing greenhouse gas (GHG) emissions and creating social value. Our company is committed to transparency and providing stakeholders with a clear view of our activities.

The report is structured around 15 material topics that were identified in the first materiality analysis we conducted in November 2022. We have grouped these topics into three impact areas: products and services, people and planet. The report addresses these three areas, with a focus on how Accelleron's governance serves as the foundation for our sustainable impact. Accelleron has determined where to act based on a structured approach inspired by the Global Reporting Initiative (GRI). Accelleron's materiality analysis involved all relevant internal and external stakeholders, including customers, suppliers, employee and employer representatives, local communities, local government, non-governmental organizations and investors. An internal, cross-functional group conducted interviews with 40 stakeholders using a systematic approach to understand the nature of the material topics, how important these topics are and what Accelleron's priorities should be on a scale of 1 to 5. The aim was to assess our stakeholders' perspectives on Accelleron's material sustainability impacts and help us to set priorities. The analysis was reviewed and validated by an external sustainability expert to ensure its credibility and objectivity.

1 As from this section, all information concerns only Accelleron without OMT.

2 As per the Brundtland commission (1987).

3 CO_2 in the report has to be considered as CO_2 equivalent.

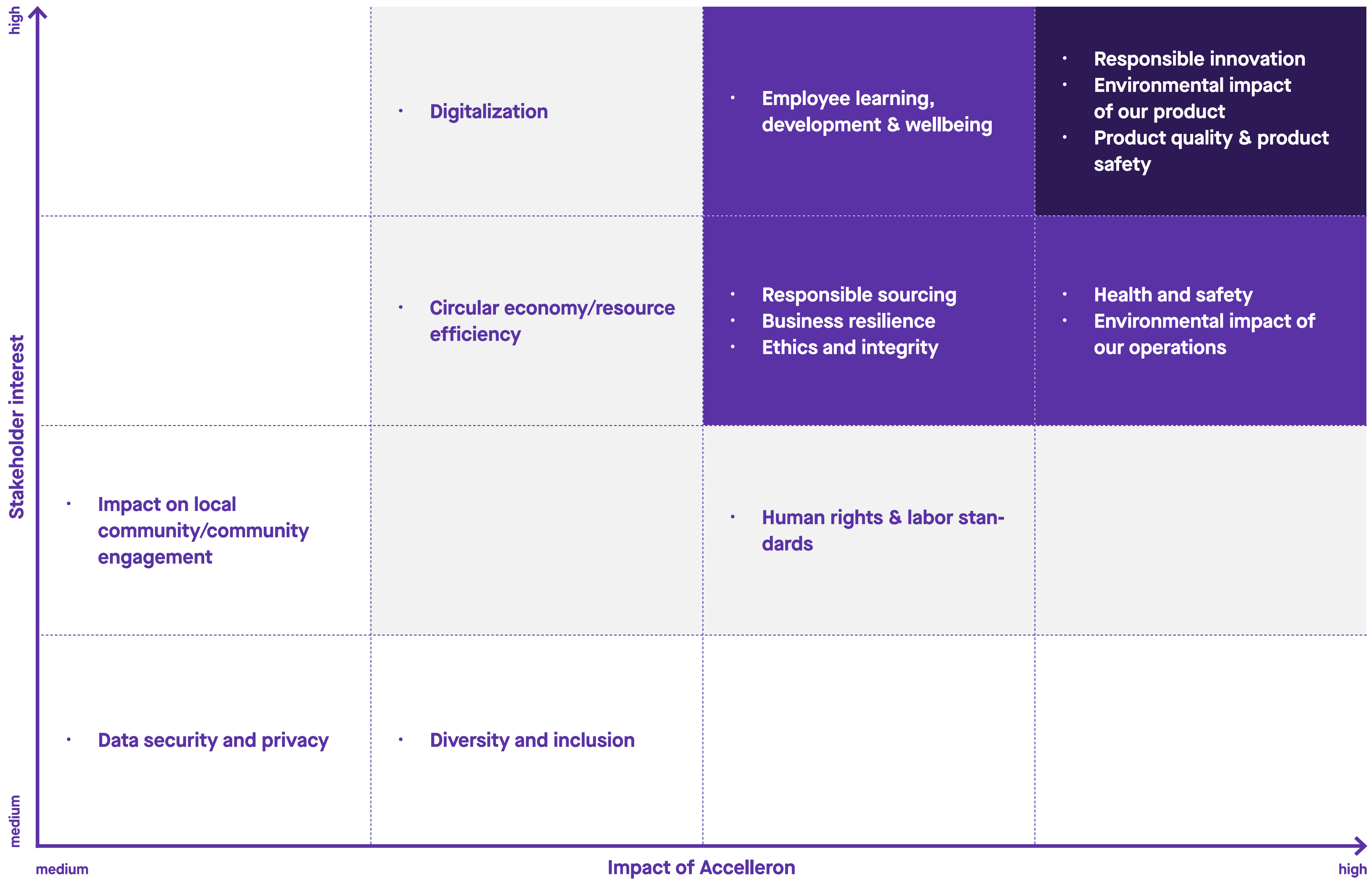
Sustainability is a journey where Accelleron wants to leave a positive impact. The reported information is the result of collaboration among cross-organizational teams (Human Resources, Health Safety and Environment, Legal & Integrity, Supply Chain, Finance, Divisions and Technology) including a four-eye principle process in data validation. For this non-financial report, we have made every effort to disclose our activities and progress in the areas addressed. In doing so, we have relied on data and information from internal and external third-party sources that have been reviewed and/or verified using current methods and knowledge. It also includes estimates which are labelled as such. The information provided may be subject to review and change in future reporting. We permanently work on improving the specificity and accuracy of the data based on exchanges with our suppliers and third parties.

One example of this is the 2022 carbon footprint numbers which have been revised and recalculated as we improved our reporting system and received more specific information from our suppliers. These new elements have therefore been used to calculate the 2023 carbon footprint. We also had our CO_2 calculation method and data collection process verified for scopes 1 and 2, and partially for scope 3, by an external party in Q4 2023. Going forward, we will continue to improve the accuracy of the provided information including by way of third-party verification.

Targets

The matrix served as a foundation for the development of our impact-based targets. Accordingly, we developed targets which can be assigned to one of our 3P categories: products and services, planet and people. These same targets also directly contribute to seven different SDG. SMART targets will be set for some of these issues and will be included in our next sustainability report.[1]

Accelleron's sustainability materiality matrix



Maturity assessment of each topic done looking at existing processes, standards, system and programs and not the performance or results.

The selected Sustainable Development Goals are:

- SDG 3: Good health and well-being
- SDG 4: Quality education
- SDG 5: Gender equality
- SDG 7: Affordable and clean energy
- SDG 9: Industry, innovation and infrastructure
- SDG 12: Responsible consumption and production
- SDG 13: Climate action

1 The reporting period covers the timeframe from January 1, 2023 to December 31, 2023. While Accelleron intends to meet the GRI reporting standard for sustainability reporting in the future, we currently lack some necessary data. Nonetheless, the Company used the GRI standard as a guide when developing its materiality analysis to move in that direction. Additionally, we expect that the European Corporate Sustainability Reporting Directive (CSRD) will drive sustainability reporting, and we are assessing how we implement CSRD as well as EU Taxonomy going forward. Reporting on the carbon footprint was also informed by the GHG protocol. In the future, we aim to combine as much as possible financial information and non-financial information in an integrated format which will also include data for OMT. Specific information on risks related to our materiality and reasons for actions are listed in appendix.

People

Material topic	Target	Results in 2023	Direct contribution to SDG
Health and safety	Reach LTIFR 0.2 by end of 2025.	0.52	By providing a safe work environment, we reduce the risk of accidents and injuries. We strive to ensure high safety in the workplace, thus aligning with SDG 3, which aims to promote good health and well-being for all.
Employee development	By 2026, every employee to have at least two working days as training.	New target. Progress will be reported in the next report.	By investing in training and development, Accelleron can attract and retain skilled people, leading to higher productivity and future-proof competencies and contributing to SDG 4.
Inclusion and diversity	Women make up 25% of senior management by end of 2025.	20%	A diverse, inclusive leadership team at Accelleron creates a supportive work environment and promotes a positive workplace culture. This contributes directly to SDG 4 and SDG 5 by improving gender equality and empowering all women.
Local community	Have at least one project that gives back to the community per year per local unit, starting 2027.	22 projects were completed in 2023.	This target contributes to good health and well-being (SDG 3), quality education (SDG 4), and gender equality (SDG 5). Community projects can promote health, provide valuable learning opportunities and empower women in the community.

Products and services

Material topic	Target	Results in 2023	Direct contribution to SDG
Responsible innovation	Portfolio ready for alternative fuel by 2030, scalable and ready to sell in production.	We have delivered the first products on applications that will be operated on alternative fuels and commit a substantial part of our R&D resources to optimizing our products for use with alternative fuels. In 2023, we made further steps and launched our next generation of low-speed turbochargers, our X300-L series in our Medium and Low Speed division. Additionally, the High Speed division partnered with a key player in the high-speed gas industry to engineer suitable turbocharging solutions for operating the engine with 100% hydrogen while maintaining an engine power density comparable to natural gas.	This target is in line with the SDGs of industry, innovation and infrastructure (SDG 9), and climate action (SDG 13). Improving development of alternative fuel options can help reduce greenhouse gas emissions, improve air quality, promote sustainable industrialization and innovation and combat climate change.
Responsible supply chain	100% of direct material suppliers in high-risk countries audited according to sustainability criteria by end 2028; 80% of direct material suppliers to have business continuity plans including climate risk by 2030.	One audit has been performed in 2023. We launched a survey to our suppliers representing 80% of direct material carbon emissions about climate change.	We will audit suppliers and assess their adaptation to climate risks and their mitigation plans. This aligns with SDGs 9 and 13 which promote the building of resilient infrastructure, sustainable industrialization and adaptation to climate change.
Circular economy	In 2024, provide a concept of how circularity could contribute to Accelleron's sustainability targets, further support customers while still providing a business case in line with our growth strategy.	New target. Progress will be reported in the next report.	The circular economy model corresponds with SDGs 9, 12 and 13, promoting sustainable industrialization and resource efficiency, reducing waste and environmental impact and aligning with the goal of promoting sustained economic growth.

Planet

Material topic	Target	Results in 2023	Direct contribution to SDG
Environmental impact of our operations and our products	Reduce our CO_2 emissions by 70% (scope 1 and 2) compared to 2022 levels by 2030. Ambition to reduce our scope 3 in line with the Paris Agreement, with targets to be set in 2024.	We reduced our scope 1 + 2 by ca. 8% in comparison to 2022. We committed to SBTi in 2023.	This target also aligns with SDG 13, which emphasizes the need to take urgent and ambitious action to combat climate change.
Environmental impact of our operations	Assess our energy consumption and set energy-related targets in 2024.	We performed an energy assessment of the top 10 most consuming energy sites.	This target is connected to SDG 7, which aims to ensure access to affordable, reliable, sustainable and modern energy for all, as it promotes energy efficiency and reduces energy consumption. Achieving our target can lead to a reduction in the carbon footprint of our operations and contribute to mitigation of climate change, thus also supporting SDG 13.
Environmental impact of our operations	Zero waste to landfill and 90% waste recycling rate for non-hazardous waste by 2030.[1]	Globally, 8% of non-hazardous waste went to landfill and 80% of non-hazardous waste went to recycling.	This target is connected to SDG 13, which emphasizes the need to take urgent and ambitious action to combat climate change and its impacts, including reducing waste generation and improving waste management practices that reduce greenhouse gas emissions. Additionally, by promoting sustainable waste management practices, it can contribute to preserving ecosystems and protecting human health and well-being, which are key objectives of several SDGs, including SDG 3 and SDG 4.
Environmental impact of our operations	Assess our water footprint and set water intensity reduction target in 2024.	We assessed our water usage in the service network and have defined a guidance related to the improvement of the main industrial process using water. The guidance will help our sites to improve their equipment and processes to better use industrial water, improve working conditions and be more efficient in terms of resources and time.	The target of reducing water usage is directly connected to SDG 7 and 12, which also promote sustainable water management practices that contribute to reducing the environmental impacts of energy production and consumption. It is also connected to SDG 13, which emphasizes the need to take urgent and ambitious action to combat climate change and its impacts, which includes reducing water usage and improving water management practices. With this target we can help preserve ecosystems, protect human health and well-being and mitigate the impacts of climate change.

1 Except US, Middle East and Africa.

We contribute directly to 7 SDGs

People

We contribute to social progress

↓

Health and safety
Reach LTIFR 0.2 by end 2025.

Employee development
By 2026 every employee to have at least two working days as training.

Inclusion and diversity
Women make up 25% of senior management by end of 2025.

Local community
Have at least one project that gives back to the community per year per local unit, starting 2027.

Product and services

We contribute to industry decarbonization through responsible innovation

↓

Responsible innovation
Portfolio ready for alternative fuel by 2030, scalable and ready to sell in production.

Responsible supply chain
100% of direct material suppliers in high-risk countries audited according to sustainability criteria by end 2028;
80% of direct material suppliers to have business continuity plans including climate risk by 2030.

Circular economy
In 2024, provide a concept of how circularity could contribute to Accelleron's sustainability targets, further support customers while still providing a business case in line with our growth strategy.

Planet

We use resources more efficiently

↓

Environmental impact of our operations and our products
Reduce our CO_2 emissions by 70% (scope 1 and 2) compared to 2022 levels by 2030.
Ambition to reduce our scope 3 in line with The Paris Agreement, with targets to be set in 2024.

Environmental impact of our operations
Assess our energy consumption and set energy-related targets in 2024.
Zero waste to landfill and 90% waste recycling rate for non-hazardous waste by 2030.[1]
Assess our water footprint and set water intensity reduction target in 2024.

Governance as existing foundation

1 Except US, Middle East and Africa

Products and services

How Accelleron supports the energy transition with its products, services and innovation

Accelleron's customers are facing increasingly strict requirements for lower carbon emissions and for the transition to low-carbon fuels. As a market leader in turbocharging technology and services, we work with our customers to accelerate the energy transition. Accelleron's services help customers keep their turbochargers operating at optimal performance. The high efficiency of our turbochargers and their engines means less fuel consumption and therefore lower carbon emissions. Data availability and digital solutions help enable the achievement of sustainability goals. Innovation is crucial for decarbonization: it ensures that Accelleron can provide its customers with new solutions for reducing the environmental impacts of its future products over their lifecycle. Both responsible innovation and the circular economy were important topics for our stakeholders, as identified in our materiality analysis. We believe the key to the sustainable development of our products and services is found in a supply chain with strong processes that ensure that we meet quality standards and evolving regulatory requirements.

Reducing carbon emissions

Accelleron's products are engineered to increase power density by three to four times, leading to reductions in carbon emissions of up to 20% compared to a combustion engine without turbocharging.[1] By optimizing fuel efficiency, the Company supports engine builders in their efforts to reduce carbon emissions. Thanks to the technological leadership of our company, our business benefits from the ongoing energy transition both in the present and in the short, medium and long term. In the present, Accelleron's upgrades and retrofits enhance the efficiency of our customers' engines while concurrently decreasing their carbon emissions. In the short term, natural gas is likely to increasingly replace heavy fuel oil due to its lower carbon emissions – typically 15 to 20% fewer emissions than from diesel on tank-to-wake basis. However, natural gas is considered to be just a transitional fuel. In the medium and long term, future fuels are expected to have a lower carbon footprint but will likely be more expensive. This is where Accelleron's proficiency in energy efficiency can provide the Company and our customers with an additional competitive advantage.

While the majority of our service revenues are still based on diesel engines (about three quarters vs. one quarter mainly operating on gas[2]), the majority (about 50-55%) of new turbochargers are applied on gas engines (vs. about 45% on diesel engines), with a small share (~1%) already applied on dual-fuel engines able to run on new decarbonized fuels like green methanol or ammonia. R&D activities[3] are already focusing on decarbonized operations with about 70% of the relevant R&D investment linked, for example, to turbocharger applications designed for utilization with new fuels (e.g. methanol, ammonia, hydrogen)[4], digital solutions for emission reduction and further innovation activities focused on decarbonization. Approximately 30% of the relevant R&D budget is spent on development or improvement of turbocharger products that for a foreseeable future will mainly be utilized with conventional fuels (diesel, natural gas)[5].

Development activities for conventional fuels include the development of high-efficiency, low-emission turbochargers for high-speed diesel engines used, for example, in emergency power generators, where the use of zero-carbon fuels is not expected to be widespread in the near future.

1 As per industry standard.

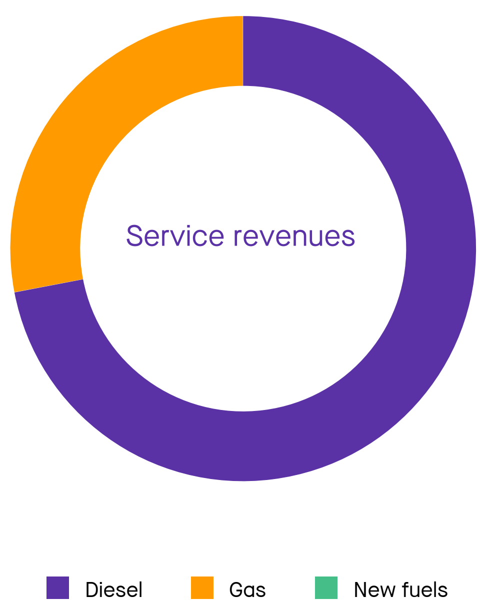
2 In energy applications (majority are gas applications), our products are normally used with natural gas or biogas exclusively, while in marine applications, our products are also installed on dual-fuel engines that can be run on diesel and natural gas. In the near future, other alternative fuel options such as methanol and ammonia are considered relevant for dual-fuel applications.

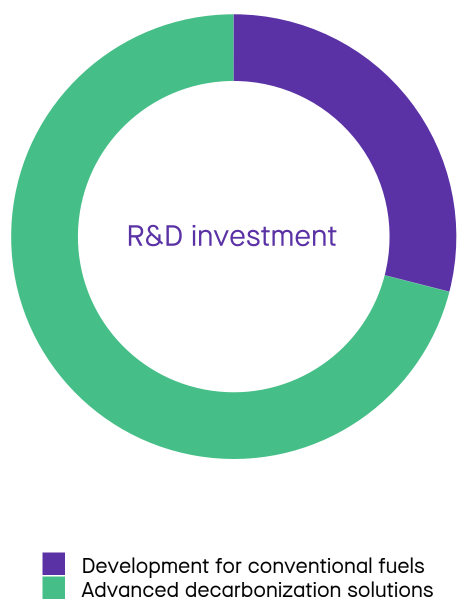
3 Share of R&D budget covering product development and innovation activities excluding the part of the R&D budget covering depreciation and maintenance of test infrastructure, protection of intellectual property and development activities for the optimization of manufacturing technologies.

4 Normally dual-fuel engines are able to run on diesel/natural gas and one of these additional fuels. Currently due to low availability and high prices for green fuels many of these engines are run on diesel. We expect this to change once availability of new decarbonized fuels improves.

5 However, with the use of biofuels and synthetic fuels (e.g. biogas or synthetic diesel), these products can also be used in a low-emission or decarbonized manner.

Exposure to different fuel types and technologies in service, products and R&D (illustrative graphs)





As a leading manufacturer of injection system components, especially for the two-stroke market, OMT is playing an important role in making the transition to alternative fuels a reality. The systems and components developed and produced by OMT are key for achieving net-zero in our marine markets by 2050. Injection systems are required to deliver the fuel to the combustion chamber. The volume flow, pressure and timing of the injected fuel amount are critical to achieving energy release with the lowest possible emissions and highest possible efficiency. The technical capabilities of the injection system must be adapted according to the physical properties of the used fuel type used.

Medium & Low Speed

The uptake of alternative fuel technologies has maintained its momentum in the face of more stringent regulatory frameworks. At the end of the third quarter of 2023, vessels capable of using alternative fuels accounted for around 40% of the global orderbook in terms of dead-weight tons (dwt). While liquified natural gas (LNG) dual-fuel ships dominate, methanol dual-fuel has become increasingly important for container ship newbuilds and is starting to spread to other ship segments.

Accelleron is growing disproportionately with the uptake of these greener fuels in four-stroke marine auxiliary and propulsion engines, where it is committed to providing engine designers with technical expertise and strong local support from the start of development through to full release and commercial launch.

In addition to being specified on the majority of methanol-fueled auxiliary engines, Accelleron has also been selected for the world's first methanol-fueled hybrid RoRo vessel.

For low-speed engines, the market dynamics for turbocharging have not changed. However, even for these applications, Accelleron has maintained its leading position in LNG tankers and has been specified for a prestigious ammonia-fueled tanker project, one of the first of its kind.

In this context, Accelleron has launched its next generation of low-speed turbochargers, our X300-L series. Combined with digital technologies, the series not only offers flexibility and service concepts with unique value for customers, but also lays the foundation for a potential reduction of Accelleron's scope 3 emissions. The X300-L series design allows a cartridge (rotor and bearing assembly) to be exchanged during a regular port stay while with current designs service can only be conducted during dry dock. As a result, component exchange intervals can be fully utilized leading to three instead of currently four service events. Furthermore, in combination with connectivity, cartridge exchanges can be managed from a global pool allowing better planning and potentially a change from air to sea freight for spare parts. This means that CO_2 emissions related to transport and manufacturing of the X300L new parts have the potential to be reduced by approximately 25% due to less service[1].

Overall demand in the energy market for turbochargers showed rather a weak momentum in 2023. However, as the share of renewables in global power generation increases, the demand for thermal balancing power is expected to increase significantly in the coming years. While new projects are predominantly based on natural gas, hydrogen is expected to be the carbon-neutral fuel of the future. In this context, a 25 vol% hydrogen blend was successfully tested in commercial operation with Accelleron turbochargers installed.

↗ Next steps

While Accelleron will continue to support the development and ramp-up of LNG and methanol dual-fuel engines, 2024 will see strong progress towards the commercialization of engines capable of burning ammonia as a zero-carbon fuel. Accelleron is being selected for the vast majority of development engines and engine testing is underway. By the end of 2024, Accelleron expects to have a clear understanding of the impacts on turbocharging and will develop its portfolio accordingly.

High Speed

The energy transition, electrification and digitalization have a significant impact on the high-speed market.

The dominant market trends are a growing demand for electrical power, a growing demand for backup power in the data center market, and the transition of the energy market to a carbon-free future. In this future, there will be an increasing need for balancing power to compensate for the intermittency of renewable energy sources such as wind and solar power using natural gas as a transition fuel until fossil-free fuels become widely available.

Major trends in the high-speed engine industry are increasing power density, improving engine start-up capabilities for balancing and back-up applications and the ability to operate on carbon-free fuels without compromising power density.

In 2023, we partnered with a key player in the high-speed gas industry to find suitable turbocharging solutions for operating the engine with 100% hydrogen while maintaining the engine power density comparable to natural gas. Our high turbocharger efficiency supports hydrogen combustion stability. We presented initial results in a joint paper at the ATK conference in Dresden, Germany.

By manufacturing our products at our site in China to serve the local demand, we will be able to reduce the CO_2 emissions related to transport. In 2023, we completed the localization of most relevant products sold in China.

A200-H technology is currently validated on several engine platforms, and we expect to see commercial releases within the next 12 to 24 months, supporting efficiency and power density improvements. A200-H shows a 6% higher turbocharger efficiency and enables up to 10% higher engine power density in comparison to our A 100 technology.

↗ Next steps

With a technology partner, we are currently working on field pilot installations to demonstrate that 100% hydrogen combustion is possible at an engine power density close to levels reached with natural gas.

Service

Turbochargers require regular maintenance to ensure peak condition and optimum performance throughout their entire lifecycle.

Smartly enabled services allow Accelleron to optimize turbocharger maintenance, performance and customer experience individually for application based on operating data. Using operational data, Accelleron looks at turbo analytics to identify and exploit further efficiency potential of turbochargers in operation and to develop anomaly detection models. We are also developing our digital twin capabilities. These allow us to enhance our turbocharger health analysis with predictive capabilities and further tailor our service offerings to individual customer needs. Every turbocharger that is repaired rather than completely replaced avoids producing a complete turbocharger with steel and aluminum. All service engineers are trained and certified according to Swiss quality and safety standards. This includes training in Switzerland to ensure the same high level of service globally.

1 If we consider that a usual cartridge has to be serviced four times in its lifecycle, the X300-L series will allow to drop one service event and therefore potentially reduce the carbon footprint related to manufacturing and transport by 25%. The estimate does not take into account the additional carbon emission potential related to the reduction of air transport and the shift to air transport due to a possible better planning with customers.

Accelleron not only supplies spare parts with a high availability and within short delivery times, but also carries out the maintenance work on the turbochargers. Through the maintenance work, our service teams gain practical knowledge of the products' lifecycle and can simultaneously consult customers, learn about their needs, and demonstrate how to better use the equipment.

By keeping an axial medium-speed turbocharger operated with heavy fuel oil (HFO) in peak performance through maintenance and removal of contamination, the efficiency improvement is in the range of about 1.5 to 2.0% with a similar improvement in fuel consumption. The reduction will of course depend on the contamination, application, engine and fuel type.

Upgrades business

Accelleron's service organization has a dedicated team to develop, promote and supply product upgrades packages to customers. The key benefits to our customers are increased performance, reduced fuel consumption, lower emissions, extended component lifetime and even asset value retention to maintain emissions compliance.

Since Accelleron began calculating the carbon emissions avoided due to upgrades in 2019, there have been fluctuations in the amount of CO_2 avoided due to the specific upgrades installed. In 2023, the avoided emissions were calculated at 65,848 t CO_2. In comparison to 2022, despite similar numbers of projects and revenues, it is nearly three times more thanks to a radical derating project. Our upgrades enable the customer to meet stricter emissions legislation or support their decarbonization journey. In cases where fuel conversion is implemented, the amount of avoided emissions is higher than in previous years. This is because the upgraded system runs on cleaner-burning natural gas, which produces approx. 20% less CO_2 than diesel. This results in a greater reduction in carbon emissions.[1]

The calculated avoided emissions are based on the fuel consumption reduction achieved by the upgrades, which varies between 0.6% and 4% depending on the upgrades package. In some cases, the specific utilization of the power installation is known in running hours per year and average engine power. If this information is not available, utilization parameters are assumed by our own industry experience: 85% load and 5,500 Running Hours (RH)/year for marine application, 100% load and 7,000 RH/year for stationary applications.

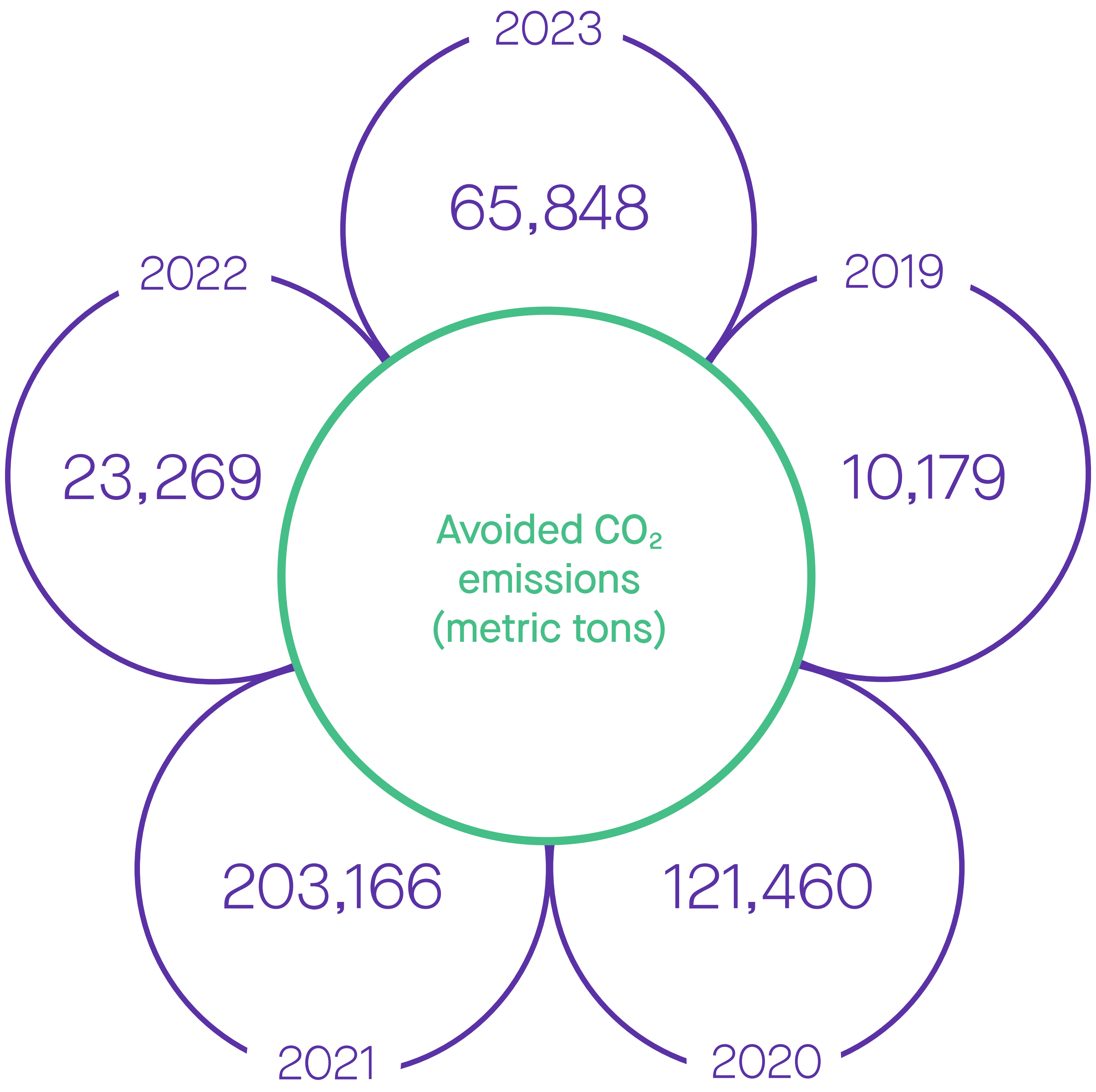
Regulatory changes and pressure from end users to decarbonize in the shipping industry (Carbon Intensity Indicator (CII), Energy Efficiency eXisting ship Index (EEXI)) is steadily increasing. Upgrades are essential to enhance performance and meet customers' GHG emissions reduction targets.

We are well positioned with a broad and strong upgrades package portfolio, which was also developed in cooperation with engines OEM to promote and capture upgrades opportunities. We have the required technical capabilities and experience to provide complete turbocharger upgrades solutions and retrofits. This can also include replacing competitor turbochargers with our products, including class certification. Remanufacturing rather than replacing is another option we provide to avoid carbon emissions.

↗ Next steps

In 2024, we continue to promote turbocharger upgrades solutions and engine part load optimization to support customers on their decarbonization journey. Our target for 2024 is to provide a concept of how circularity could contribute to Accelleron's sustainability targets, further support customers while still providing a business case in line with our growth strategy.

1 CO_2 avoided calculation related to sold upgrades projects has been performed based on about 70% of the revenues. For the remaining 30% we did not calculate them. One of the 2023 projects is publicly available on our customer's site. More information can be found on their website. In 2023, no projects were related to conversion from HFO/diesel to natural gas like in years 2020 and 2021.



Our digital solutions

Tekomar XPERT's continuous improvements in 2023 reflects our strategic focus on enhancing digital solutions in response to evolving industry needs and regulatory requirements. Tekomar XPERT offers an all-in-one marine software solution designed to enable the customer to manage environmental compliance, reduce carbon emissions and gain insights into engine performance and hull and propeller efficiency. The software optimizes fuel efficiency and engine performance through instant engine diagnostics and advisories, which are delivered automatically throughout each voyage. This enables users to make informed corrections and fully utilize their engine's efficiency potential. It also helps to monitor and improve the CII rating by providing a clear view of each vessel's current carbon emissions and predictive CII rating reports, thereby enabling the improvement of operational efficiency.

It can also address the condition of the hull and propeller. It provides critical insight into their condition and its impact on propulsion efficiency, helping to reduce fuel wastage and carbon emissions. This broad range of functionality is in line with the Company's intention to support customers in their energy transition. It offers solutions for environmental compliance and efficiency improvement.

By default, the software does not require any additional hardware installation and utilizes the customer's cloud or third-party cloud services to leverage existing sensors and signals from multiple sources on board. It functions as an evaluation system, analyzing data from existing monitoring systems and providing advisory services. Moreover, an optional function allows Tekomar XPERT to use engine data gathered by edge computing services, adding a new dimension to its monitoring, reporting and advisory capabilities.

↗ Next steps

In 2024, Tekomar XPERT will play a crucial role in helping maritime operators meet the upcoming EU ETS (Emissions Trading System) targets. The software provides rapid access to vital data essential for compliance with the new environmental regulations. Its ability to facilitate effective monitoring and management of emissions underlines its importance as a tool for the maritime industry to navigate and comply with the evolving regulatory landscape.

Products reliability

Meeting our customers' needs and expectations in all circumstances is what drives us to ensure product quality and reliability. For us, high quality means employing a skilled and competent workforce and making careful use of natural resources. We strive to deliver the highest quality products and to be our customers' first choice. To achieve our ambition, we implemented a product quality, compliance and safety management system in 1999 in our Swiss factory and in 2006 for our Chinese factory:

- The Company has an ISO9001:2015-certified management system in place. Its effectiveness is regularly assessed and confirmed by external auditors and customers.
- Accelleron complies with specific industry standards and national regulations, such as for the heavily regulated marine market, where external classification societies routinely assess the quality and reliability of our products including product safety (refer to "Product development and qualification process"). We provide ongoing training for our employees and conduct regular internal audits to guarantee the quality assurance of the services stations as well as our factories. Having established robust processes[1] and high quality standards, our sites went through
- 48 external audits according to ISO 9001,
- 49 external audits according to ISO 45001,
- 17 external audits according to ISO 14001 and
- 7 external audits according to ISO 50001.

Under the ABB framework, the management system of our service sites was owned by the country organizations. Transitioning away from this framework, we have started to move towards a global certification approach related to the ISO9001 and ISO 45001 frameworks. In 2023, we managed to bring 25 service stations under global certification. By the end of 2025, we will have nearly all of our service stations under this umbrella.[2] The difference between the number of sites under the certification and those not under the certification is determined by the business needs. In parallel, several service stations continue other ISO certifications schemes such as ISO 14001 and 50001 based on their local business needs. Specific numbers can be found in the appendix for each of the ISO standards mentioned.

Quality assurance through constant field monitoring

We constantly monitor the reliability of the field population through our extensive service network. We systematically analyze our products for potential improvements and act quickly on these analyses. We use the results to enhance the product design and its processes. Reporting on improvements through our database allows us to stay in touch with our field engineers 24/7.

A service report is generated for every service performed in the workshop or in the field and is shared with the customer. Our technical service actively monitors the turbocharger fleet in operation based on service reports and field statistics. Based on these monitoring activities, we derive improvement potential related to technical or safety aspects. Customers are regularly informed of best practices or adjustments in the operation and maintenance of a turbocharger through dedicated communication channels.

A Continuous Product Improvement (CPI) project is initiated whenever a specific turbocharger issue is identified in the field, which is investigated and, if appropriate, addressed through a turbocharger service procedure, design or material change.

Product development and qualification process

We are highly focus on product safety. We have stringent development processes for technology and product development[3]. These include extensive simulation and testing of the components and products under development. We have established, certified and continuously improved sets of test and validation procedures for our product development. These procedures cover the verification of all relevant product properties, including safety, noise, vibration, performance, durability and handling. Each product must successfully pass all these tests and validation procedures before it is released to the market[4].

Our development process including these test and validation procedures is designed to comply with international product safety standards (such as the EU Machinery Directive), Marine Classification Society Rules, statutory requirements for ship safety and emissions (such as SOLAS and MARPOL) and appropriate relevant customer requirements. These processes ensure our product safety and compliance with all relevant type approval requirements, particularly those from classification societies[5] and the EU Machinery Directive[6].

1 In 2023, 59 internal audits according to ISO 9001, 39 internal audits according to ISO 45001, 14 internal audits according to ISO 14001 and 13 internal audits according to ISO 50001 were carried out.

2 Our Chinese locations will continue their specific certifications and it is currently not planned to move them under the global certification scheme.

3 Containment represents the highest type of risk during operation. This is why our safety concept ensures that in case of any burst, all elements stay in the casing and are not a source of harm for the installation, people and the environment at any moment.

4 Every staff member involved in these test and procedures are specifically trained and qualified.

5 The rules for steel ships, materials and equipment for the following classification societies: American Bureau of Shipping, Bureau Veritas, China Classification Society, DNV, Korean Register, Lloyd's Register, ClassNK, RINA. These rules incorporate the IACS (International Association of Classification Societies) Unified Requirement UR M73, which represents the minimum standard for marine equipment classification.

6 Machinery Directive 2006/42/EC. As a pre-machine manufacturer, our products are integrated by OEMs which oversee all safety instructions given to their customers including also our recommendations based on risk assessment and training delivered to the ship crew and power stations staff.

In 2024, we will have a full century of industrial turbocharger experience to draw on in the development of our new products. Based on this experience, we have also established a process to ensure the reliability of our products in the field. This process includes a product safety assessment approved by an external third party specializing in machinery safety. This means that we can give our customers an indication of the maximum reliable service life.

Around 180,000 Accelleron turbochargers are currently in use, and we are very familiar with the harsh conditions that characterize field operations. We use sophisticated methods and tools for design, simulation, testing and validation that allow us to optimize our products so they can withstand these conditions. In 2023, there were no product safety issues or product safety designs causing an impact on occupational health and safety or the environment.

↗ Next steps

In late 2022, Accelleron began the process of integrating its service sites, located in over 50 countries, into one global quality, health, safety and environmental (QHSE) management system. This involves replacing the current site or country-specific management systems with a global ISO-compliant integrated management system. In 2024, we expect to have 42 sites being added to the global certification umbrella. As a result, by the end of 2024, we expect to have 67 certified sites.

Innovation at Accelleron

Responsible innovation is the key to further growth at Accelleron. It ensures that we can provide our customers with new solutions to reduce their environmental impact with our future products over their lifecycle. To achieve this, Accelleron invests around 6-7% of its annual sales revenue in research and development. Approximately 185 employees, or approx. 7% of the global workforce, are involved in R&D activities. Accelleron files an average of 30 to 50 patents per year. Most of Accelleron's R&D activities are performed at the Company's headquarters in Baden, Switzerland.

Efficiency is important to customers as they seek to reduce their fuel consumption and carbon footprint. At the same time, authorities and industry organizations are introducing increasingly strict rules and regulations. Therefore, the main focus of Accelleron's innovation activities is to help customers decarbonize and implement the transition from fossil fuels to energy sources with a lower carbon footprint. The revised GHG Strategy of the International Maritime Organisation (IMO) includes an enhanced common ambition to reach net-zero GHG emissions from international shipping by or around 2050, a commitment to ensure the deployment of alternative zero and near-zero GHG fuels by 2030, as well as indicative checkpoints for 2030 and 2040.

On top of these decarbonization targets and checkpoints, the IMO has set targets in relation to a higher level of energy efficiency and a target related to the usage of alternative fuels with a lower carbon footprint than fossil energy[1]. In parallel, the EU has set the tone through its Green Deal with multiple instruments including the "ETS system" and the "FuelEU Maritime initiative". With the ETS regulation effective as from January 2024, the ships above 5,000 GT transporting cargo or passengers in the EU will have to report and pay for their carbon emissions. It aims to incentivize improvements in energy efficiency and low-carbon solutions for maritime transport. The "FuelEU Maritime initiative" will come into force as of August 31, 2024[2]. The main objective of this initiative is to increase the demand for and consistent use of renewable and low-carbon fuels and reduce greenhouse gas emissions from the shipping sector, while ensuring the smooth operation of maritime traffic and avoiding distortions in the internal market. These new regulations are considered as a business opportunity for us as they are aligned with the solutions we provide to the maritime sector.

There are several technological opportunities in dealing with emission-related challenges: for example, in the maritime industry, switching from heavy fuel oil to natural gas and other more sustainable liquid fuels like green ammonia and methanol. In power generation, it is more about increasing the use of hydrogen. Accelleron has obtained valuable insights into turbocharging high-temperature fuel cells, theoretically improving their fuel efficiency to levels close to 70%. These turbocharged fuel cells are versatile and can play a major role in a decarbonized future by running on a broad range of fuel types, like natural gas, green ammonia, green methanol or green hydrogen.

We foster ongoing partnerships with highly renowned research institutions (e.g. ETH Zürich, Switzerland, EPF Lausanne, Switzerland; Empa, Zürich, Switzerland, Paul Scherrer Institut, Villigen, Switzerland), industry associations and organizations (e.g. International Council on Combustion Engines CIMAC, the Swiss Association of Mechanical and Electrical Engineering Industries. Verband Deutscher Maschinen- und Anlagenbau VDMA) and other appropriate partners (e.g. Sauber Technologies, Hinwil, Switzerland). The R&D-focused dialogue with these organizations contributes to our best-in-class R&D output; these collaborations also help to position the Company as an employer of choice for future talent.

In 2023, we launched a specific initiative to assess the lifecycle of our products with a cradle-to-gate approach according to ISO 14040. This initiative was applied to a real case in collaboration with a customer. The intention is to provide insight on the carbon footprint of our turbocharger groups with at least a cradle-to-gate perspective for our customers. This will help them to decrease the carbon footprint of their own products. The exercise helped us to plan a roadmap based on business needs as well as based on future regulatory needs. In the future, our approach will be verified by a third party.

1 2023 IMO Strategy on Reduction of GHG Emissions from Ships
2 FuelEU Maritime initiative: Council adopts new law to decarbonise the maritime sector

↗ Next steps

We support the engine builder energy transition with our existing products portfolio, and we want to have our product portfolio ready for alternative fuels by 2030. The products should be scalable and ready to sell in series by then.

Supply chain

As a company signatory of the United Nations Global Compact (UNGC), Accelleron is committed to responsible sourcing. We have the ambition to source our material and services in line with the principles of UNGC. The importance of responsible sourcing was selected as a material topic of medium high importance in our 2022 materiality matrix. We understand the need for greater transparency in the complex global supply chain and are committed to meeting the UN Guiding Principles for Business and Human Rights as well as the upcoming requirements such as the EU Corporate Sustainability Due Diligence Directive (CSDDD), EU Forced Labor Ban and evolving Swiss requirements. Our clear standard of ethical commitment is set out in our strong Supplier Code of Conduct (SCoC), which is aligned with the UNGC. The SCoC sets out the minimum requirements we expect our suppliers to meet in relation to forced labor, child labor, discrimination, fair working conditions, fair wages and other ethical labor practices[1] and environmental protections. During supplier audits[2] and frequent site visits by our sourcing team, the adherence to key parts of our Supplier Code of Conduct is monitored. Our close collaboration with the suppliers allows us to be in constant dialogue with the joint aim of improving the supplier's performance.

In 2023, we identified gaps in the onboarding documentation[3] of our indirect supplier base, which we aim to resolve in 2024. The vast majority of our direct material supplier's base have signed our SCoC. For the indirect supplier base we aim to define a system with appropriate data to allow precise reporting and monitoring.

The Accelleron's Supplier Registration and Qualification Policy mandates that each supplier provides specific information for a comprehensive risk assessment[4]. During the registration phase, suppliers undergo evaluation and are assigned a risk rating. High-risk suppliers are reviewed additionally by the Legal & Integrity Team via an enhanced due diligence questionnaire and a report from an external vendor to make informed decisions on approval, approval with mitigation measures, or rejection of the relevant supplier.

Following our spin-off from ABB in 2022, we revised the respective sustainability audit process. In 2023, further adjustments were made by expanding the sustainability audit questionnaire and by changing the selection criteria of risky countries in scope as per the Fragile State Index[5]. One pilot audit was performed in 2023 and the launch of the new program is planned for 2024. The target is to conduct sustainability audits at 20% of the direct material supplier base in risky countries[6] for human rights[7] on a yearly basis. This process will enable monitoring, risk-prevention and mitigation of our key sustainability challenges in the supply chain. The audit results will be summarized with a report, including a corrective action plan if required, to ensure that the supplier meets our requirements.

We understand sustainability as a long-term goal that creates shared value for us, for society and for our suppliers and customers. The strong and long relationships that we maintain with our suppliers allow us to develop a common understanding of the sustainability challenges. While there is a clear understanding that human rights must stay at the highest level, in 2023, we also introduced the role of climate change and its impacts on their future performance. With such a collaborative approach and by applying our sustainability standards to our suppliers, we aim to have a positive impact on their communities and ultimately create a resilient supply chain.

Understanding the environmental impact of our suppliers

In 2023, we conducted a sustainability survey with suppliers representing 80% of our direct material[8] "supplied goods" scope 3 carbon emissions[9]. The aim was to better understand their footprint as well as the potential for decarbonization and related challenges. At least one of our suppliers has an SBTi-approved target demonstrating its potential. Thanks to the data collected through this survey, we were able to evaluate the current situation, assess the sustainability maturity of our direct material value chain and plan to evaluate and analyze reduction potentials, as well as action plans to realize the identified potential in 2024 and beyond.

On our path to decarbonization, we identified two main opportunities: the change of our transporting mode from air freight to sea freight and the increase of recycled shares in the supplied goods.

1 Accelleron Supplier Code of Conduct refers to fair labor conditions as follows:

- Refrain from employment discrimination based on gender, age, ethnicity, nationality, religion, disability, minorities, union membership, political affiliation or sexual orientation;
- Respect the rights of employees to freely associate and bargain collectively;
- Not tolerate and ensure to not employ anyone at the age younger than 14 years old or, if the minimum age requirement in the country is more strict (>14 years old), as in accordance with all applicable national laws and regulation in any stage of your activities;
- Verify the correctness of documentation provided to assure no children are employed as per above-mentioned definitions;
- Not use any forced labor, including but not limited to involuntary prison labor, victims of slavery and human trafficking and allow all employees the choice to leave their employment freely upon reasonable notice;
- Compensate employees fairly and follow local wage regulations and/or collective agreements, and where these do not exist, compensate employees so at the minimum they can meet their basic needs;
- Ensure that working hours, including overtime, do not exceed applicable legal requirements, and where such requirements do not exist, we recommend that working hours not exceed sixty hours per week;
- Ensure that employees are allowed at least one uninterrupted day off per week.

2 Supplier process audits covers management system, safety, environment, contact review, customer complaint handling, parts documentation, quality assurance, production/service execution and sub-supplier management.

3 Onboarding documentation consists of registration and qualification. Registration consists of a self-declaration registration questionnaire, where a supplier is asked to accept, sign and upload the Accelleron General Terms and Conditions for Products & Services, the Accelleron Supplier Code of Conduct and a non-disclosure agreement. Qualification consists of a self-declaration questionnaire covering sustainability, quality & continuous improvement, operational excellence, supply chain risks, data security.

4 The risk assessments consists of a pre-risk assessment and blacklist check as well as a risk assessment. The pre-risk assessment covers: operation, anti-bribery and anti-corruption and other integrity risks such as trade and country risk. The risk assessment is conducted for all suppliers that are going through the full qualification process. The risk assessment is conducted based on the answers of the qualification questionnaire. A final risk result for sustainability, overall risk and a final risk rating are resulting from the risk assessment. In case the sustainability risk label is high, the supplier is located or is manufacturing in high-risk country and their product/service is considered as high-risk, the supplier has to go through a sustainability audit. Based on the overall risk level from risk assessment additional actions such as financial review, audit or sustainability audit are defined.

5 The Fragile States Index is a tool published by the Fund For Peace (FFP) that measures the risk and vulnerability of 179 countries based on complex content analysis, triangulated with quantitative and qualitative data (https://fragilestatesindex.org).

6 High-risk human rights risky countries are identified as fragile state index > 55.

7 See section supply chain in the appendix.

8 Direct material is the representation of products that will go into the turbochargers; indirect material and services is everything that is not direct, such as transport, consultancy services, office supplies, etc.

9 Suppliers were selected based on our scope 3 calculation. Selected suppliers represent 80% of our scope 3 carbon emissions part "supplied goods" based on 2022 data. Supplied goods represented 45% of 2022 CO_2 emissions. Scope 3 carbon emissions made 91% of our entire carbon emissions in 2022.

Traceability and transparency throughout the value chain

To ensure that we meet all material compliance requirements such as in line with REACH and RoHS, we have published our Accelleron Materials Compliance Instruction. All our suppliers are required to comply with applicable global laws and regulations. In addition to legal compliance, the new global material compliance process aims to increase transparency on critical metals, minerals and substances of very high concern for our customers.

A specific conflict minerals and metals process which was already implemented by our former parent was improved in 2023. These changes focused on receiving the declared supplier information and implementing a cascading system up to the customer. Through these initiatives, we are increasing transparency in our value chain by providing and requesting more information.

Compliance with the diverse upcoming human rights regulations is the key focus for Accelleron.

In 2022, we conducted a human rights risk assessment based on international standards[1], country-based risk assessments[2], industrial sector evaluations and interviews of key functions in order to cover our operations and our value chain (upstream and downstream[3]). The scope covered all areas of human rights such as health and safety, environmental impact, modern slavery, child labor, fair wages, discrimination and gender equality, freedom of association and working hours. Of these categories, child labor and forced labor were identified as the highest risk categories in our value chain due to the countries and sectors in which we source our direct materials. However, we did not identify any reasonable grounds to suspect the occurrence of child labor and/or forced labor.

In 2023, we conducted a human rights gap analysis with a specialized third party in line with the UNGP and Swiss regulations, as well as expected future regulations in this area. The analysis concluded that we are performing adequately against current requirements and identified a risk-based action plan to address potential gaps against future regulations, which we will begin implementing in 2024 in addition to the actions resulting from the 2022 review.

We recognize that our journey towards sustainability is an ongoing process that requires continuous critical review of processes and policies. That is why we intend to use input from our key stakeholders to adapt our processes and goals to meet future challenges and the changing environment.

↗ Next steps

- In 2024, we will increase the amount of goods being supplied by sea wherever possible and we will evaluate the potential for decarbonization of our selected direct material suppliers.
- In terms of supplier controls, we will launch our global sustainability audits in human rights high-risk countries and will ensure that at least 20% of our direct material suppliers in high-risk human rights countries are being audited onwards for the next five years.
- We will launch a training roadmap to key suppliers and supply chain team in human rights .
- We aim to update the human rights risk analysis in the supply chain in line with international standards.
- Improve the supplier management data base to allow correct reporting on onboarding risks at indirect suppliers.

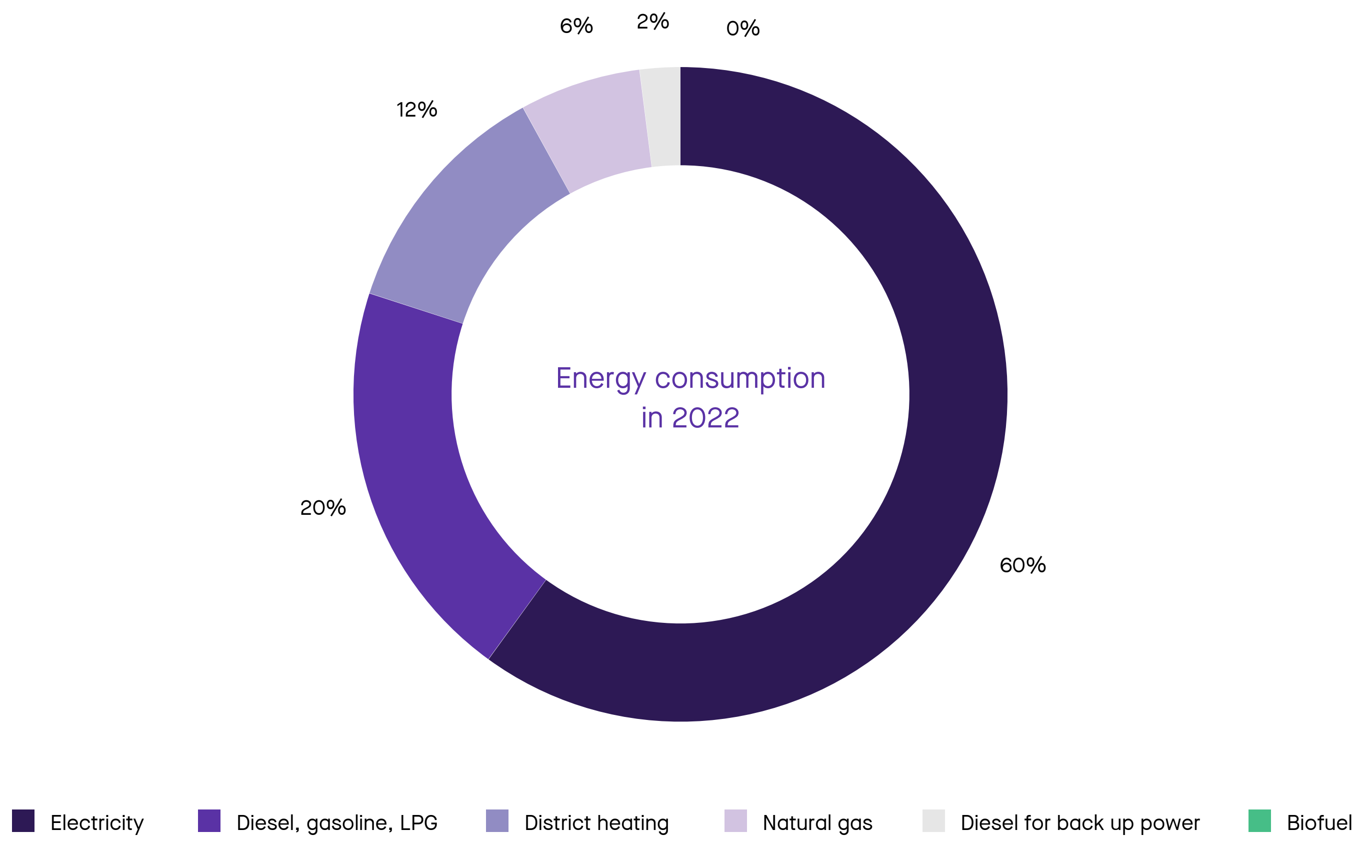
1 OECD guidelines for multinational enterprises and OECD Due Diligence Guidance for Responsible Business Conduct.

2 Country risk assessment in 2021 was based on Maplecroft data. Elements such as regulatory framework, governance, socio-economic context and political context were considered.

3 Marketing, sales, supply chain.

Planet

Climate change is the most pressing challenge facing humanity and relates to most SDGs. Every organization needs to address this as a matter of urgency. To tackle the climate crisis, we are committed to using natural resources more efficiently and contributing to the Paris Agreement by reducing our carbon footprint, in line with our materiality matrix analysis. We do this by considering the environmental impacts of our products, services and operations. These are the key priorities for Accelleron.



Method

At Accelleron, we use a tailor-made, web-based platform to collect environmental data, including data on energy, water usage/consumption, and waste from the majority of our sites. All inputs are reviewed by local Health Safety Environment (HSE) managers and approved by the global HSE and Sustainability team.

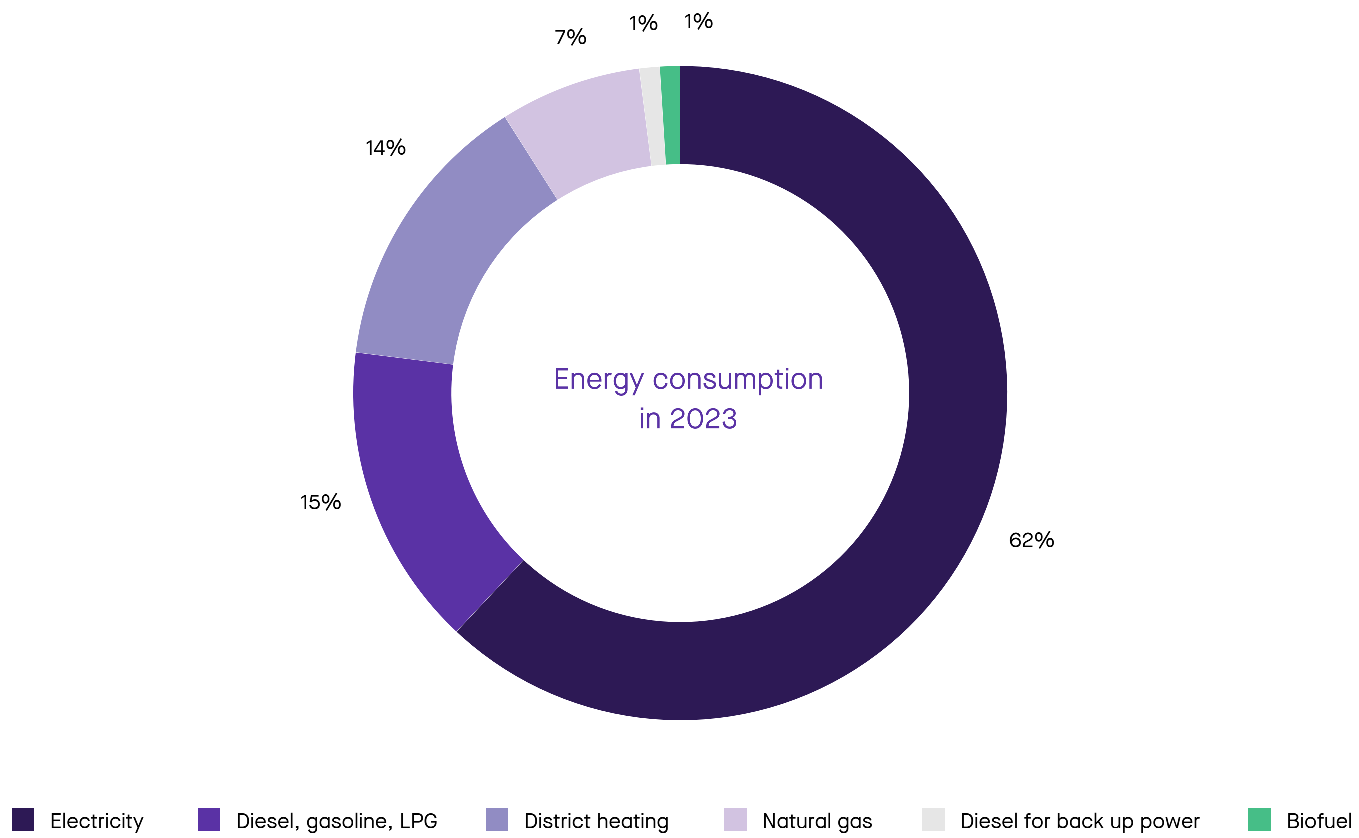
Energy

The production and on-site maintenance of turbochargers requires energy. The world is changing, and the energy transition may lead to more unstable power access. Therefore, energy efficiency and energy resilience are key to our business continuity. Our factories in China and Switzerland, our two biggest sites, started to address energy consumption topics in a systematic way many years ago. Both manufacturing sites have been certified in accordance with ISO 14001 since 2009. This certification lays the foundation for the continuous performance improvement of key environmental factors. Additionally, our Chinese site has been certified under the ISO 50001 standard, which focuses specifically on energy management.

Our Chinese and Swiss factories and other service stations made several changes in 2023 according to their respective energy efficiency roadmaps:

- Replacement of compressed air units
- Reduction of heat loss during non-testing period and change of industrial equipment

At the Swiss site, we have been supported by a recognized local third party (EnaW) which validated the measures taken as well as the locally adopted KPIs. The improvements addressed are related to the facility energy consumption and its processes and equipment. Specifically for equipment and facilities investment, as from 2023, the process includes a criterion related to energy efficiency for a weight range of 10 to 20% depending on the project.



In the service business, we assessed the energy usage of eight of our most energy consuming sites[1]. Common trends have been identified such as the need to work on compressed air, air conditioning and usage of energy related to industrial equipment.

Several of our sites moved to new locations where the energy standards are better aligned with current trends in term of energy usage (e.g. locations in India, Dubai, Spain, South Africa and Indonesia) and our site in Chicago area started an improvement project related to operational excellence which will also improve the energy efficiency of the location.

In comparison to 2022, the proportion of energy usage remains unchanged.

Electricity accounts for 62% of our energy consumption. In 2023, 73% of electricity came from renewable sources vs. 70% in 2022. The remaining energy share of 27% is fossil fuel based and is largely used for product quality testing, running the service fleet (16%), heating[2] (22%) and back up power[3] (1%). 14% of the energy used is from district heating, where the carbon footprint depends on the local infrastructure.

Our Swiss factory is the most energy-intensive site within Accelleron. We installed solar panels in 2023, which started to produce power in December. This project initiative builds on the experience gained from the Indian and Singaporean service sites and will enable the site to cover 10% of its energy needs and produce 980 megawatt hours (MWh) in 2024 (with a target of 1,700 MWh in 2028).

In the service organization, we evaluated the possibility of installing solar panels on the roofs and parking lots of our locations. At the end of 2023, we had more than 10 sites that have received permission from landlords and local authorities to install solar panels and several others are still assessing the potential for solar panel installation. For 2024, we anticipate a better overview of the energy potential generation and the pace of implementation. More details are accessible in the appendix.

↗ Next steps

In 2024, we will continue to investigate the potential for solar panel installations in all suitable locations and develop them. We will launch our global energy efficiency program in the service network based on the pilot projects performed in 2023 and will be able to set targets per location.

Carbon footprint

Accelleron is a manufacturing organization. Our operations and value chain generate carbon emissions. We report on our scope 1, 2 and 3 emissions in accordance with the GHG protocol. Due to the importance and uncertainty of CO_2 emissions in the supply chain, there is a particular focus on establishing processes for collecting and validating CO_2 data. During 2023, we established the foundation for robust, validated data, but partly due to the lack of maturity in the supply chain, this development needs to be further progressed, to enable proper management of our carbon footprint, also as part of future reporting within the SBTi framework. Accelleron's products help end-users to avoid carbon emissions. These avoided emissions are quantified where Accelleron has access to end-user data. Figures are available for the Company's service upgrades business – more information can be found in the section Service starting on page 35 of this report.

Accelleron and its value chain consume energy, which generates carbon emissions. The Company has calculated its scope 1, 2 and 3 emissions[1] on the basis of available operational data, data from our suppliers, publicly available industry averages and data from our Life Cycle Assessment software. To align ourselves with the methodology of the Science Based targets initiative (SBTi) and the targeted 1.5°C global warming limitation, we chose to consider 2022 as a base year for our near-term target setting. In Q4 2023, following approval by the Executive Committee (EC) and our Board of Directors (BoD), we made a commitment to the SBTi. We will develop scope 1, 2 and 3 emissions targets and seek approval for them from the SBTi. In accordance with the SBTi methodology and given the timeframe, we set our scope 1 and scope 2 targets, we are confident that they are aligned with SBTi requirements[2].

Several figures from 2022 have been updated based on improvements that have been made to the reporting tool covering the following elements:

- a portion of our scope 1[3]
- the scope 2 emissions[4]
- the scope 3 subcategory "employee commuting"[5]
- the scope 3 subcategory "upstream part of energy"[6]
- the scope 3 subcategory "waste"[7]

In 2023, scope 1 and 2 represent 9% of our total carbon emissions, while scope 3 represents 91%. Our value chain carbon footprint is primarily represented by supplied goods (40%) and upstream-downstream transport (35%). For scope 1 carbon emissions, we are working on changing the fuel used for product testing to a less carbon-intensive fuel. In 2023, we ran fewer tests than in 2022. Over the next two years, we plan to use a blend of biofuel and fossil fuel and steadily increase the shares of bio-based material, starting in 2026. We aim to reach a 92% bio-based fuel blend by 2030.

Nevertheless, regarding scope 1 emissions, we have a slight increase of CO_2 due to several combined factors: increase of usage of the company fleet vehicles, increase of diesel backup power generators in countries where the electricity grid is not reliable and a slight increase of natural gas for heating purpose.

Regarding scope 2 emissions, we have now a total of 23 sites being fully supplied by low carbon electricity[8] up from 19 sites in 2022.[9] Due to an increase in sites supplied with low-carbon electricity and lower consumption of district heating in Switzerland, combined with a milder winter, scope 2 emissions decreased by 17% compared to 2022.

Compared to 2022, scope 1 and 2 emissions have decreased by approx. 8%, demonstrating the progress we have made toward our goal of a 70% reduction by 2030 compared to 2022.

1 Accelleron is not active in agriculture, land and forestry. Its carbon footprint is related CO_2 and refrigerants emissions through its scopes 1, 2 and 3. All CO_2 calculations consider CO_2 equivalents based on the recommendation of the GHG protocol.

2 SBTi expects a reduction of 50% on scope 1 and 2 emissions between 2022 and 2030. Our current target is to reduce by 70% in the same time frame.

3 In 2022, the reporting system was not able to differentiate the CO_2 emissions from diesel, LPG and gasoline used by our corporate fleet. In 2023, we improved the reporting system. It helped us to differentiate between these fuels and to revise the 2022 figures to be more accurate. It led to a slight increase in scope 1 emissions from 2,035 t CO_2 to 2,232.4 t CO_2 (+8.8%).

4 Several sites were able to obtain a market-based emission factor for their electricity in 2023. For sites without specific information from their electricity supplier, we used a reliable source of information for sites covering the year 2022: https://www.carbonfootprint.com/docs/2023_02_emissions_factors_sources_for_2022_electricity_v10.pdf. The change between the originally published 2022 data and the updated 2022 data in the current report shows a reduction from 3,958.6 t CO_2 to 3,860.2 t CO_2 (-2.5%). The same methodology was used for 2023.

5 The initial figure reported in 2022 was based on the assumption that each employee commuted to work five days a week with an internal combustion engine car and lived within a 30 km radius. In 2023, we conducted a global survey to understand the commuting practices of our employees based on key parameters (non-exhaustive list: commuting distance, mode, frequency, vehicle consumption) and to understand any changes. A review of the responses of 1,293 employees out of a total of 2,519 employees invited to participate in the survey and the completion of the information by specific management team sites resulted in a reduction from 4,105.8 t of CO_2 to 2,272.2 t CO_2 (-44.7%).

6 The initial figure reported in 2022 was based on the Department for Environment Food and Rural Affairs (DEFRA) industry average as the reporting system did not allow our sites to report the primary energy used to generate electricity. In 2023, we improved the reporting system to allow sites to report the type and share of primary energy used to generate electricity. The 2022 data was recalculated. This resulted in a reduction from 2,015.6 t CO_2 to 1,204.2 t CO_2 (-67.4%).

7 The update in the reporting system allows for a better distinction in terms of waste destination and waste type. The 2022 data was recalculated using this update in the system. It resulted in a reduction from 2,528.6 t of CO_2 to 1,309.5 t CO_2 (-48.2%).

8 Low-carbon electricity has to be considered here as electricity produced from renewable power and nuclear power plants.

9 Switzerland, China, India, France, Belgium, Netherlands

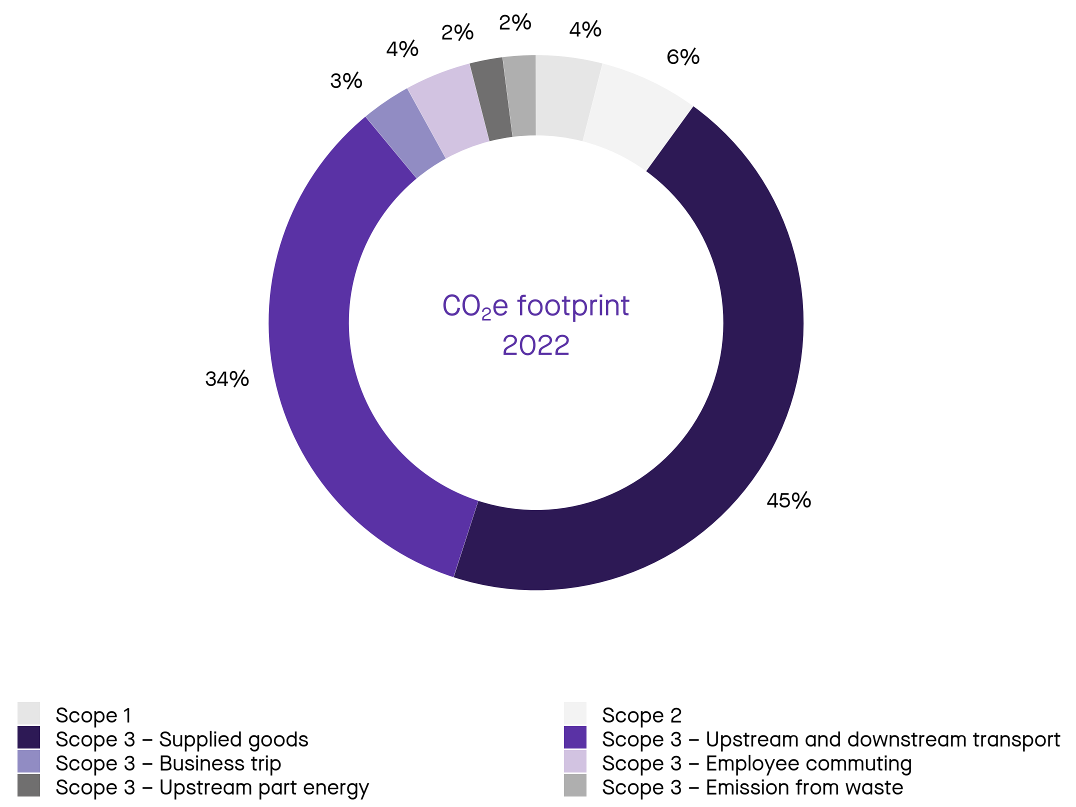
Our scope 3 emissions increased in 2023 vs. 2022 and are mainly driven by our supplied goods category and by the transport phase of goods and products. We reduced our emissions related to the category “supplied goods”[1] because we procured lower volumes. The emission related to “upstream and downstream transport of goods” increased due to business context changing affected by the Russian war on Ukraine, manufacturing delay in our value chain and also short-notice changes from customers. In the future, scope 3 emissions will be improved by increasing marine transportation of manufactured goods and reducing the carbon footprint of supplied goods through higher recycled content where possible.

We have also identified other options for reduction, such as partial replacement of fossil fuel with Sustainable Aviation Fuel (SAF) for air freight and using iron-casting suppliers with a lower carbon footprint where feasible. These solutions will be offered to customers to assist them in reducing their carbon footprint.

↗ Next steps

In 2023, we paved the way to achieving our 2030 targets. In 2024, we will set intermediate milestones to ensure a credible and transparent approach and have our targets validated by the SBTi. By 2030, we aim to reduce our scope 1 and 2 emissions by 70% compared to 2022, exceeding the expectations of the SBTi's short-term reduction target. We also have the ambition to reduce scope 3 emissions in line with the goals of the Paris Agreement.

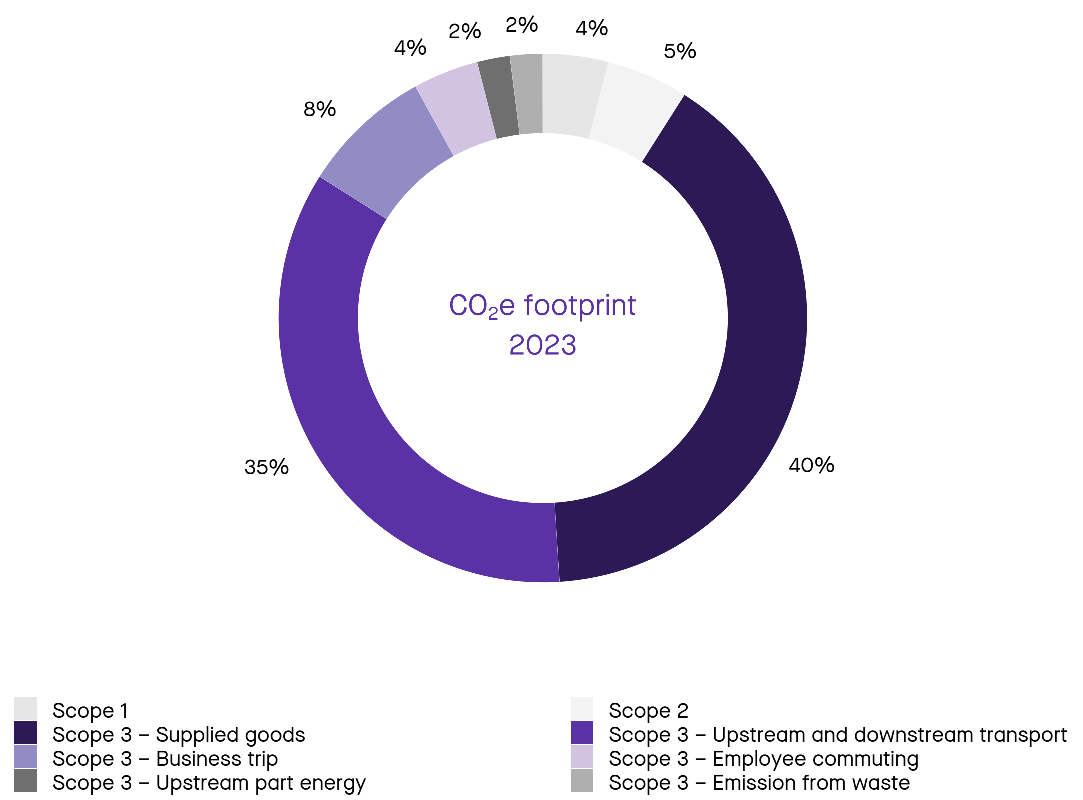
1 The “supplied goods” carbon footprint numbers initially published in 2022 have been recalculated because in 2023 we were able to have access to specific emission factors from several suppliers leading to an increase of approx. 6% between initially reported numbers for 2022 and current 2022 numbers. These new emissions factors have been also used in the 2023 reported numbers.



Carbon footprint[2]

	Updated 2022 (t CO_2)	Updated 2023 (t CO_2)
Scope 1	2,230	2,370
Scope 2	3,860	3,220
Scope 3 – Upstream part energy	1,200	1,230
Scope 3 – Supplied goods	27,400	25,400
Scope 3 – Upstream and downstream transport	20,900	22,500
Scope 3 – Emission from waste	1,310	1,390
Scope 3 – Business trip	1,570	5,010
Scope 3 – Employee commuting	2,270	2,270
Total	**60,740**	**63,390**

2 All figures are given with three significant digits.



Water

In 2023, our water withdrawal decreased by approx. 52%. This was due to a reduction of tests requiring large amounts of water and also due to a reduction of tests in our Swiss test center in comparison to 2022. The main consequences in comparison to 2022 are the shares between operational and domestic usage as well as the shares between manufacturing and service operations.

In 2023, Accelleron's manufacturing and service sites mainly use water for operational purposes, which accounts for approx. 84% of our total water withdrawals vs. approx. 90% in 2022[1].The remainder in 2023 is used for domestic purposes (approx. 16%). We use water in our operations for cooling[2] during the manufacturing and test processes (approx. 80%) and for cleaning parts of our products during service operations (approx. 20%). In comparison with 2022 numbers, the ratio moved from 90% for manufacturing vs. 10% service to 80% manufacturing vs. 20% service in 2023 due to a lower need of water in the Swiss test center (see above). Half of Accelleron's sites are located in water-scarce areas[3] and represented approx. 15% of withdrawn water. In these areas, it is essential to use water even more efficiently. The climate crisis will affect our access to water[4] and our business could be affected. The service organization accounts for approx. 20%[5] of the total water withdrawals in 2023.

As we need to use water to clean and complete turbocharger service on time, it is important that we act responsibly and find solutions to reduce water usage. We have therefore decided to launch an initiative to assess best practice in water use and to analyze further opportunities to use water more efficiently. In 2023, we assessed our water usage in the service network and have defined a guidance related to the improvement of the main industrial process using water. The guidance[6] will help our sites to improve their equipment and processes to better use industrial water, improve working conditions and be more efficient in terms of resources and time. As an example, several of our service stations use a closed-loop cleaning process, with first estimations showing that 53,862 cubic meters of water have been saved in 2023 in comparison to a single-use system.

Water withdrawal

Water sources are categorized into surface water, municipal water and groundwater[7].

The Swiss manufacturing site is the only site using surface water – it represented 67% in 2023 vs. 81% in 2022 of the total water withdrawal for all Accelleron sites. Around 30% of the water is taken from the municipal network. In 2023, four sites used groundwater, which accounts for the remaining 3%[8] of the total annual volume. One of these is our Vadodara site which only has access to ground water. To counterbalance the impact to the local groundwater system, we invested in a water harvesting system which accelerates the infiltration of rain water into groundwater during monsoon season. We will be able to quantify the impact of this system in the next report.

1 A better understanding of the water withdrawal process and usage and also an increase of staff led to relative shift of usage.

2 The cooling purpose refers to the process of circulating water through a piping network, which is then discharged without altering its physical or chemical characteristics.

3 As defined by the World Resource Institute Aqueduct.

4 Service of turbochargers requires water for cleaning. Water is used to clean turbochargers. Due to lack of physical availability and/or enforcement of local government policies, this could result in business interruption if we cannot demonstrate that we are using water in an efficient manner.

5 In 2022, the service organization represented 10% of the total water withdrawal due to higher amount of water withdrawn in the manufacturing sites.

6 The type of solutions we are looking at are oriented towards technology supporting our business without usage of water or by using closed-loop systems.

7 GRI definitions apply for surface water, municipal water and groundwater. Sea water is not used.

8 In 2022, two sites used groundwater. In 2023, we improved the understanding of the origin of water through extra training which explains the two extra sites differences with 2022. In those regions, the access to water is possible only through groundwater due to lack to infrastructure.

Water usage
Our Swiss factory uses water from the local river (Limmat) for cooling purposes. At Accelleron, this is the main source of water used for cooling purposes (99.7%). The use of water as a cooling medium helps to reduce the energy consumption otherwise required for the processes. In addition, the site has a closed water circuit that reuses the water as a coolant many times over before it is returned to the river. The same concept is being applied at our Chinese plant, where a closed-loop cooling system saved the equivalent of 400 cubic meters of water in 2023.

Total water usage
The service organization accounts for 20% of water used in operations and primarily uses water for cleaning purposes. Water used for cleaning is either discharged to the local sewage treatment plant as per local regulations or treated by a specialist third party, and then discharged to the sewer in accordance with local environmental regulations. Several of our service stations have been using a closed-loop system for a number of years, helping to reduce the total amount of water usage.

Water discharge[1]
Depending on how it is used, water must be processed. In the case of domestic use, the water is sent to a municipal wastewater treatment plant for treatment. Industrial water use is divided into three categories according to local regulations:

- Sewage
- Surface water used for cooling only
- Hazardous wastewater which requires cleaning treatment by specialized third parties

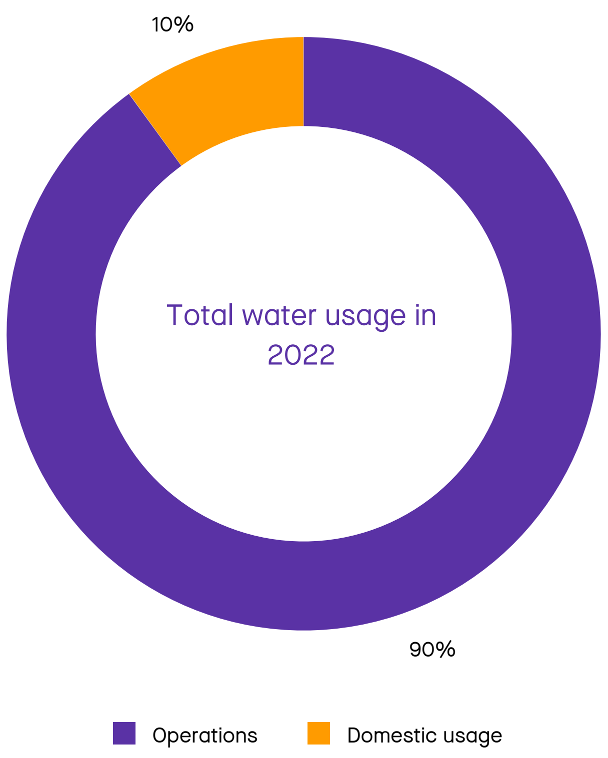
In terms of discharge, 58% of our sites are equipped with effluent treatment systems, which are used before water is discharged into the sewerage system. 40% have primary water treatment and 18% have secondary water treatment based on the Carbon Disclosure Program (CDP) definition of water security.[2] The interested reader has access to numbers in the appendix.

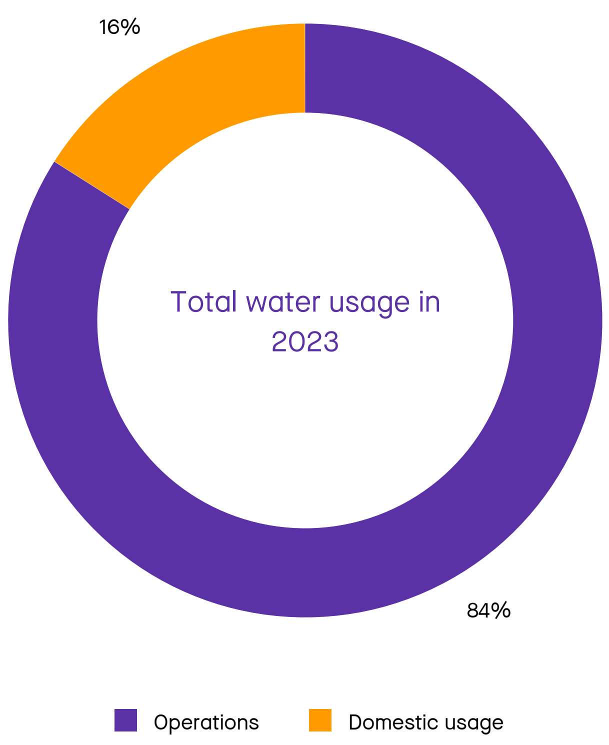
↗ Next steps

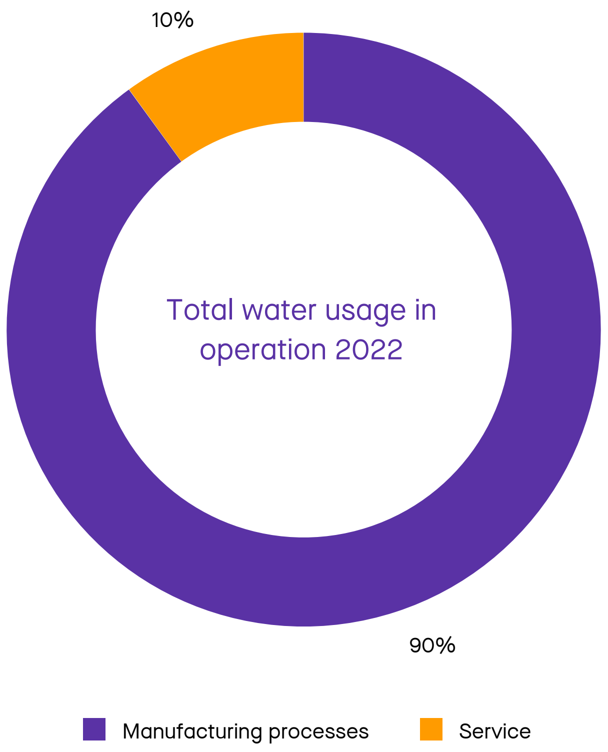
In 2024, we will conduct a global assessment program per location based on their water usage intensity and their location in terms of water scarcity. It will help us to design a roadmap towards more water-efficient equipment and processes. We will then set our 2030 water targets and intermediate milestones.

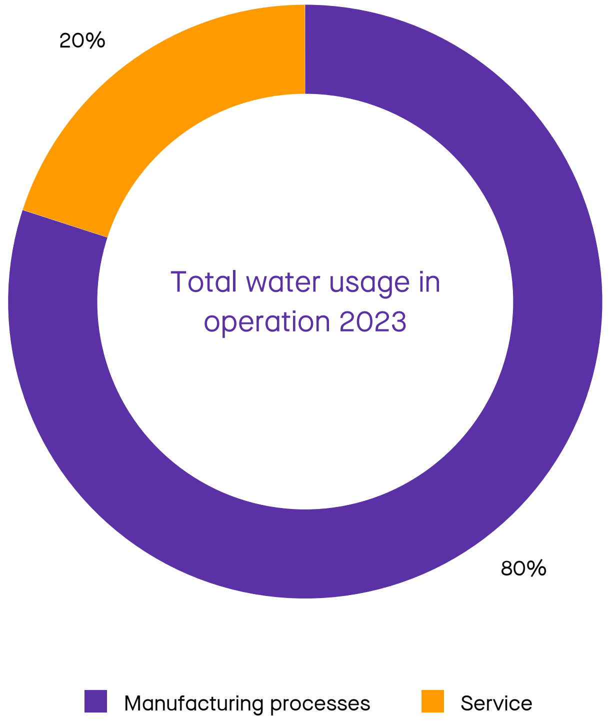
1 Accelleron has no indication of breaches of environmental requirements in 2023 regarding water usage.

2 Primary treatment involves the physical removal of suspended solids and floating material, typically by sedimentation. A preliminary treatment may often be applied, which involves the physical removal of large debris, large particles, oils and grease, typically through screens and grit chambers. Secondary treatment involves the degradation of organic matter and reduction of solids through biological treatment. The removal of nutrients (nitrogen and/or phosphorus) can also be achieved at this level of treatment using a combination of chemical and biological treatments. Secondary treatment follows the primary treatment.









Waste

98% of Accelleron turbochargers are made from recyclable materials, mainly steel and other metals. These are the main waste elements that we generate. We support the efficient use of materials by ensuring that they are recycled and then reused by other users of metals. In 2023, sites assessed and developed their local roadmap to contribute to the global targets.

Waste destination

In 2023, we improved from approx. 75% of our total waste recycled to approx. 76%. Of the non-recycled waste (approx. 24%), 40% is incinerated with energy recovery, 29% is landfilled, 3% is incinerated without energy recovery and 28% is treated in accordance with local regulations. Due to a higher transparency and better understanding of the waste management scheme at each of our sites we have better understanding of the waste destination. Of the total generated waste, 87% is classified as non-hazardous, while 13% is classified as hazardous waste and is systematically treated in accordance with local regulations. Where possible, we ensure full traceability of our waste by using accredited waste management suppliers. In some countries, we have to rely on public waste management services and public information because there are currently no other options available. One of our challenges is the lack of recycling infrastructure in countries such as some areas of the USA and regions such as the Middle East and Africa.

Non-hazardous waste

In comparison to 2022, the amount of non-hazardous waste generated increased by 18% due to the installation of solar panel on the roof of the headquarters in Switzerland. Some material (mainly mud and gravel) present on the roof were removed in a quantity of more than 500 tons. These elements were sent to recycling facilities.

Of the total amount of non-hazardous waste generated at Accelleron, 80% is recycled and 20% is otherwise disposed of. In comparison to 2022, this slight reduction is due to a better understanding of the waste destination and business changes leading to a lower amount of recycled waste under our responsibility. 60% of the non-hazardous waste generated and recycled is metal-based and the rest is made of paper and cardboard (approx. 3%), plastic (>1%), wood-based material (approx. 13%) and other type of waste (approx. 23%). Of the 20% of non-hazardous waste that is otherwise disposed of, approx. 55% is incinerated with energy recovery, approx. 44% is landfilled and approx. 1% is incinerated without energy recovery. In total, 8% of non-hazardous waste went to landfills in 2023. It shows some progress in front of our targets as we reported 10% of waste going to landfills in 2022.

Hazardous waste represents 13% of our total waste and is mainly the result of cleaning operations at service and production sites. Of the hazardous waste, approx. 49% is recycled by specialized third parties. The remainder is disposed of in a specialized secure landfill.[1] More information and figures are accessible in the appendix.

↗ Next steps

In 2024, sites will implement their specific roadmaps supported by the global HSE/Sustainability team. By 2030, we want to send zero waste to landfills and achieve a 90% waste recycling rate for non-hazardous waste where the infrastructure exists.[2]

1 None of Accelleron's waste is shipped to another country for disposal. Accelleron has no indication of breaches of environmental requirements in 2023 regarding waste.

2 It excludes regions/countries like USA, Africa and Middle East.

Total waste destination

Non-hazardous waste disposed

People

Our commitment to the safety and growth of our employees

The future depends on sustainable energy use, and Accelleron's team of experts provides reliable solutions for customers transitioning to advanced and efficient power options. To ensure continued success for both Accelleron and its customers, we prioritize a workplace culture that values respect, equality and employee well-being while fostering continuous learning. Health and safety remain our top priority with our employees being vital to our sustainability strategy and our business license to operate.

Health and safety

Safety is our top priority at Accelleron. We are committed to operating responsibly which includes creating and enhancing workplace health and safety for our employees, contractors, and partners across our operations. Continuous risk assessment and the importance of reporting and investigating incidents and non-conformities are key elements in supporting continuous improvement and prevention within the Company.

Safety aspects

At Accelleron, most of the employees at risk work on our premises, either at manufacturing sites or service sites. We also have field service teams that operate in remote locations and on board vessels controlled by our customers, making it more challenging for us to influence these workplaces. In all cases, we depend on our health and safety management system, which includes robust processes, procedures and tools to control risks and prevent injuries or health problems for employees and contractors.

Faced with a complex internal variety of local legacy safety and quality standards in our newly formed company, simplification was needed. Working as a multinational Service Division team, in 2022, we created a single, harmonized, global framework for quality and HSE. In 2023, we underwent multiple internal and external site audits and have successfully achieved the global DNV ISO 45001/ISO 9001 certification for 25 of our sites under this framework.

Building on our progress from 2022, in 2023, we achieved our target and fully shifted our risk assessment approach to the activity-based risk assessment (ABRA). ABRA is an engaging method for creating a safe workplace that involves examining each activity and working in teams to identify specific hazards and safety measures to control the risks.

Building awareness for health and safety

At Accelleron, we have established a global network of HSE advisors and representatives[1] focused on implementing and enhancing our HSE standards. To strengthen safety awareness, we hold regular global HSE/Sustainability calls that enable us to foster a safety-oriented culture, engage with leaders and lead by example, sharing local team achievements and challenges, learning from them and working together to strengthen a safe and healthy workplace environment.

In November 2023, we organized our first Accelleron safety month, which provided an opportunity to reflect on past accomplishments, lessons learned from incidents and future safety objectives. During the month, we held six global sessions, which were fully supported and led by our Executive Committee members and top management.

In addition to the global sessions, various local initiatives were organized to promote health, well-being and accident prevention, emphasizing that these practices are relevant in our everyday lives, be it at work, at home or during travel. For us, health and safety are year-round priorities, regardless of time or place.

Global sessions

Theme	Safety culture shift	Safety reflection	Mental health and well-being	Incident prevention	Positive behavior and recognition	LET reintroduction
Number of participants	1,006	189	242	149	192	50

Local initiatives

Theme	Safety culture shift	Safety reflection	Mental health and well-being	Incident prevention	Positive behaviors and recognition	LET reintroduction
Number of participants	1,128	1,022	606	1,090	927	287

To evaluate our performance, we have developed a comprehensive global QHSE reporting tool that covers the above indicators, as well as workplace hazard identification, corrective action and non-conformity management. This tool is used consistently across all sites to ensure data consistency and availability for various health, safety and environmental reporting requirements and improvement initiatives.

In 2023, our compliance-focused approach to operational HSE responsibilities was fully operational, effectively managing regulatory frameworks in over 50 countries with small on-site teams. We centralized access to online legal information, enabling local management teams to stay updated with changing regulatory requirements and take actions to maintain compliance. Notably, there have been no reported breaches of HSE legal regulations within our operations.

Performance review

At Accelleron we established a monitoring system for both leading and lagging indicators to assess our progress towards our ambition to achieve zero accidents. Leading indicators include proactive measures such as learning and engagement talks (LET) conducted by line managers and supervisors, while the lagging indicator is the lost time Incident frequency rate (LTIFR[2]).

Leading indicators

Leading indicators indirectly influence incident rates and contribute to the improvement of our safety culture. They foster Accelleron's proactive efforts to enhance workplace health and safety as well as the environment while actively engaging employees. In 2023, we revised the Sustainability Observation Tours (SOT – our key leading indicator) approach and introduced Learning & Engagement Talks (LET) instead. LET places a stronger focus on learning and engagement, giving employees more opportunities and space to collaborate, speak up and share their ideas for workplace improvements.

In 2023, we reached our targets with an average of 4.2 LET conducted by our managers and leaders, which is more than double the target.

1 FTE HSE advisors and approx. 80 HSE representatives.

2 Total number of lost time incidents per 200,000 hours worked.

Lagging indicators
The lagging safety indicator LTIFR reflects our past safety performance. To reduce the number of lost time incidents, we have focused on a number of health and safety elements, including the global HSE management system, standardization and implementation of controls for high-risk activities, emphasis on daily safety briefings and job preparation, management support and commitment and ongoing compliance with ABRA control measures.

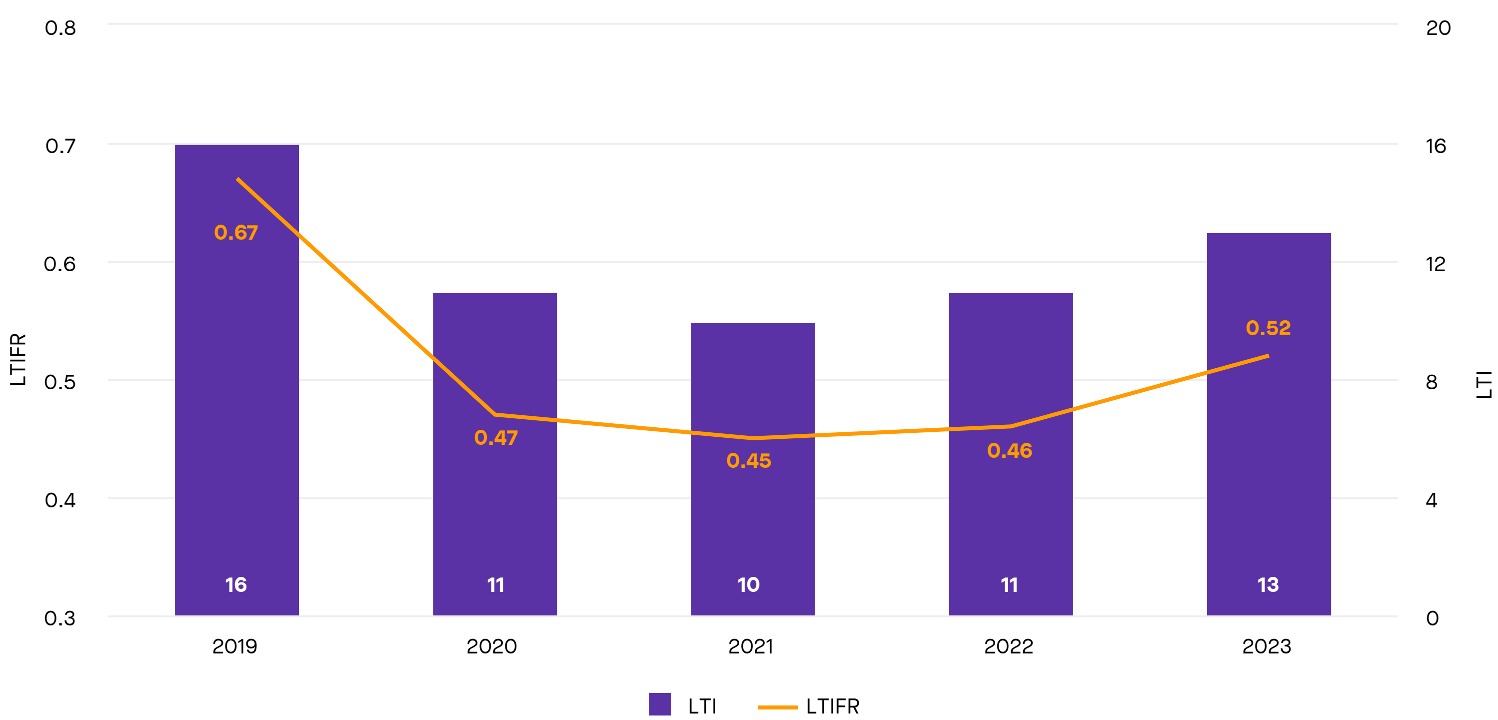
As in the year before we did not record any fatality in 2023, which is obviously our continuous target. Our ambitious goal of reaching a 0.3 LTIFR last year, however, was not achieved, and we are continuously working hard to keep everyone safe every day.

We have noticed that sustaining the significant reduction in incidents has become more challenging. As a result, we are seeking alternative ways to effectively engage with employees on safety at a local level. We have set an ambitious mid-term global goal to further reduce the lost time incident rate to 0.2 by 2025.

As part of our global HSE strategy to establish a "We care for each other" culture, we are transitioning toward the development of local safety culture plans to promote local ownership and ensure alignment across all 50 countries and divisions.

↗ Next steps
To improve our safety performance at a local level, we will develop local safety culture plans in 2024 across our units to support the overall ambition to create a company culture where we care for each other. Additionally, we are committed to improving the quality of our ABRAs and utilizing the engagement they generate to drive continuous improvements in safety controls and adherence to them.

Lagging indicator 2019–2023



During 2024, we will continue implementing our integrated QHSE management system across all divisions and additional sites. This integrated system is designed to enhance QHSE performance, elevate employee safety, ensure customer satisfaction and bring us closer to our 2025 target of achieving an LTIFR of 0.2.

Employee learning and development
Accelleron's commitment to continuous learning is a cornerstone of our corporate sustainability efforts and one of the focus areas of our People Strategy. We also recognize the importance of being an attractive and responsible employer that takes care of its employees.

People strategy guides development
In 2023, Accelleron defined its people strategy, which is an incremental part of our business strategy. The strategy has four focus areas: culture and purpose, attracting and retaining talent, continuous learning and leadership. To improve all those areas, we have identified and kicked off strategic initiatives which include e.g. communicating our purpose and clarifying how every employee can contribute to sustainability, improving resilience and well-being, and defining how artificial intelligence (AI) will be used as well as how all employees can learn to use it.

Continuous learning is in our DNA
We encourage all employees to take ownership of their own development, with HR providing the structures and resources to support this. Our leaders play a crucial role in ensuring that these opportunities are realized for the benefit of both employees and the Company. This continuous development effort enables us to be more innovative and thus remain relevant for our customers, while our employees can maintain their competitive skills. We value our approach to life-long learning and provide every Accelleron employee with access to a learning platform, provided by Harvard Business, where they can enhance their skills and knowledge.

All employees who join the Company receive a tailored introduction plan and access to relevant learning content. All employees are also required to complete mandatory training, e.g. in safety, integrity and cyber security. Each employee has an individual development plan, with actions agreed with the employee's line manager in annual performance discussions. In 2023, a total of 75% of our employees had an agreed development target documented in their performance discussion.

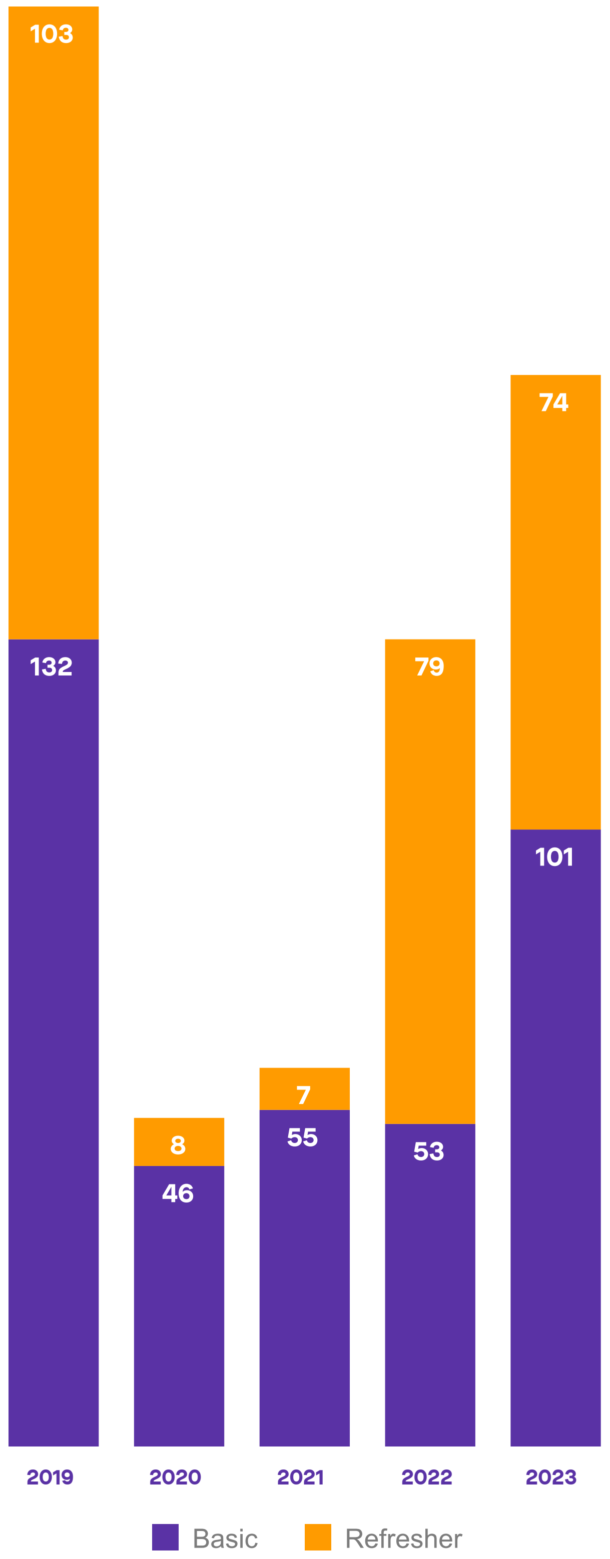
We promote various learning methods, including on-the-job learning, mentoring, coaching, project work, job enrichment, job rotation and classroom and online learning. We also conduct 360-degree evaluations on our leaders to give and receive feedback to help our leaders to grow. We engage coaches to help improve leadership skills and maintain a work-life balance. Additionally, we offer language courses to foster language skills development.

Starting from 2024, we have agreed to follow up our progress on learning through reporting average annual learning hours per employee.

Performance management practices align and guide target setting
To ensure that learning and development efforts are aligned with the overall performance management system and reinforce the objectives set, all employees have a target-setting discussion at the beginning of the year. As part of this discussion, managers give and receive feedback not only on performance but also on how employees work and collaborate. Leaders are encouraged to conduct frequent check-in discussions to ensure that targets are continuously valid, and that employees are progressing as planned. An assessment of target achievement and planned development takes place at the end of the year. In 2023, over 96%[1] of our employees completed the year-end assessment of their performance.

1 Some employees joined or left the Company within the year-end assessment period or are on long leave. The situation is considered as normal and does not require improvement.

Number of trained Accelleron Service Engineers



Over 91% of all our employees have a bonus program as part of their total compensation. Our strong focus on sustainability is also reflected in our bonus programs. In 2023, we introduced a sustainability target that accounts for 10% of the annual bonus for all employees eligible for the corporate short-term incentive plan. These targets were derived from departmental sustainability targets that employees could work towards, such as LTIFR targets, reducing waste or driving a giving back to the community project. Starting from 2024, all executives who are eligible for a long-term incentive plan have an ESG target with a weight of 20%. This target is individual and linked to one of our corporate-level sustainability targets.

Addressing future talent and skills needs

Accelleron is committed to fostering the development of young talent. We have joined Unitech, a consortium of highly qualified European technical universities, for the 2023 program. Additionally, we frequently engage with university students for project work in areas such as technology, value chain and continuous improvement of manufacturing. This provides an opportunity to identify talented individuals for potential future employment.

Each year, we employ and train around 50 apprentices in a variety of functions but mainly in manufacturing, primarily at our largest site in Baden, Switzerland. These apprentices receive thorough training for about two years, during which we get to know each other. Selected trainees are offered permanent positions. Moreover, we offer continuous training globally for all service engineers. Initially, all service engineers are trained at our headquarters in Baden to ensure that they meet the same Swiss quality standards across all locations. The curriculum includes basic training through an e-learning program followed by on-the-job training covering quality and safety aspects. To ensure that the latest knowledge and technology is shared globally, the service engineers travel to headquarters every three years to complete refresher training.

Acting as a responsible employer

Accelleron is committed to non-discrimination and providing equal opportunity for career development and training. We have a broad learning offering available for all employees online and our employees benefit from an annual individual development plan made in performance management discussions, providing a systematic and efficient development approach. In 2023, we did not see a substantial difference between the genders having their performance discussion including a development plan completed while the completion rate was 97.5% among male and 96.8% among female employees. We also monitor annual learning hours and progress of agreed development steps to avoid bias.

Accelleron has an open job market; all open positions are internally available for anyone to apply for, and we consider our internal applicants with priority. We are committed to increasing the internal fill rate of our vacancies and we closely monitor and analyze internal career development and rotation. Our average tenure is 11 years. In 2023, the highest internal fill rate was in the operations job family at 26% while on average 19% of internal applicants were hired for the new role. In 2023, we published in total 220 vacancies. While 20% of the applicants were female, 20% of the candidates hired were also female. Hence, we conclude that there was no selection bias related to gender. Our recruiters are regularly trained on unconscious bias, and our recruitment setup and software are designed in a way that mitigate potential biases in the selection process.

At Accelleron we want to provide secure employment for our employees, and we are committed to limiting the use of non-regular employment. Globally only 2% of our employees have a fixed-term employment contract, all of which are due to a relevant business reason. We use a contingent labor force in limited areas such as managing peaks in production volumes or non-specialized or non-core activities at our factories. Our preference is to use our own labor force and in our largest production site in Switzerland we have set a target of using no more than 20% of contingent labor. When using contingent labor, we ensure that the compensation is aligned with our own compensation levels and follow collective bargain agreement where available and ensure that our partners are compliant with human rights and follow local legislation.

Should we see the need to reduce the workforce, we consult with the local trade unions or employee representatives according to local procedures regarding the details of the reduction and aim to mitigate the consequences for individuals by providing appropriate relief, for example social plans, according to local requirements. In 2023, we did not reduce workforce based on business reasons.

Inclusion and diversity at Accelleron

Accelleron operates in over 50 countries and most of our sites are managed by local people. This makes us a global and culturally diverse company. We acknowledge that inclusion is essential for business growth and are committed to fostering a safe workplace where employees can be their authentic selves. Efforts to attract diverse candidates and applications are appreciated. We also encourage forming employee resource groups to drive inclusion. We recognize diversity as a fundamental driver of innovation and creativity. It brings together different perspectives and ideas, leads to better decision making and problem solving.

At Accelleron we consider health from a broad perspective covering physical, mental and social aspects. Understanding that employees face various life challenges, we provide resources to help them navigate those situations. To foster employee work-life balance, Workplace Options, a leading provider of employee well-being solutions, offers a global employee assistance program on behalf of Accelleron. In 2023, we also provided training on mental health and resilience for both leaders and employees. Maintaining a healthy work-life balance is further facilitated by a remote working policy where applicable.[1]

Gender diversity, equal pay and representation in leadership roles

We are committed to increasing gender diversity. The goal is for women to hold 25% of senior leadership positions by 2025, up from the current 20%. We are proud to highlight that women are leading some country organizations and our service operations, which has the largest team in the company, is also led by a woman. We also strive to increase the proportion of female employees and in 2023 we succeeded in raising the proportion from 15% in 2022 to 17%.

In 2023, we conducted a gender pay gap analysis in selected countries[2] through which we aimed to identify and address possible inequalities. No adjusted pay gaps were identified in Switzerland and USA. In 2024, we continue to work together with the local management on the improvement areas identified in China.

Parental leave program

We recognize the importance of supporting working parents. To promote a more inclusive and equitable working environment, a gender-neutral parental leave program has been implemented globally. This program provides paid leave to both caregivers following the birth of a child or when they become new parents through adoption or surrogacy.

Example of inclusion and diversity initiatives at Accelleron

India has been particularly active in promoting diversity and inclusion. Due to active focus in recruitment, the female employee ratio in India rose in 2023 to 18%, exceeding the Accelleron average. A female employee resource group has been established and now meets monthly. In 2023, the team in India moved the focus on gender diversity to promoting awareness and acceptance of sexual orientation, despite local cultural challenges. The methods have consisted of nine awareness sessions including training on unconscious biases, facilitated discussions and workshops.

In our Swiss headquarters in Baden, we organized the first event for female employees. Approx. 40% of our female employees joined, discussing and ideating targets and actions that this network could take. We will continue organizing these events on a quarterly basis.

↗ Next steps

We will conduct our next employee engagement survey in early 2024. This will help us to see how we have succeeded in improving engagement and direct further development actions based on the feedback. We will work further on clarifying career paths to support employees to achieve their aspired career development as well as on closing the salary gaps identified in China.

Local community engagement

As a global company with over 100 locations in more than 50 countries, Accelleron is committed to being an active participant in local communities in which we operate. To achieve this, we have established an internal guidance, a roadmap and intermediates milestones. We implemented 22 projects[3] and exceeded our 2023 targets by more than 45%. They ranged from responding to catastrophic events (earthquake in Turkey, floods in Greece) to more systematic issues like local plastic pollution (Italy, Japan, USA, Philippines), supporting the restoration of biodiversity (Indonesia), as well as educational workshops in India and meeting basic needs in Senegal, Cameroon and South Africa. Closer to our core competency, we have partnered with Mercy Ship to help them reduce costs by providing free service support.

↗ Next steps

In 2024, we aim to double our 2022 target and reach 30 projects. The following years will also see an increase in similar projects in other locations to reach more than 100 projects in 2027 and meet our target of organizing at least one giving-back-to-the-community project annually in each local unit by the end of 2027.

1 In some countries, the staff is working at customer site and/or their position require their presence at the service stations.

2 The gender pay gap assessment occurred in three countries (Switzerland, China and USA). These countries were selected because they represent a critical mass of employees, roles and function allowing comparison between gender. The chosen methodology for Switzerland is defined by Swiss law. For USA and China, there is no such requirement, therefore we applied an internal methodology considering total salaries and short-term incentives as well as the internal grading system to identify which positions to compare. If there was an unadjusted pay gap identified (based on a 5% threshold), further investigation was performed to identify the explained the pay gap and adjusted pay gap.

3 More information on the projects can be found in the appendix.

Governance at Accelleron

Building a strong governance framework

Sustainability is a key part of the Company strategy and, as such, an elementary responsibility of the BoD. The Nomination and Compensation Committee (NCC) of the BoD is working closely with management to prepare the strategic discussions and decision-taking by the BoD.

As of November 2023, the CEO is supported by a newly created Sustainability Committee, consisting of several senior management members: CFO, CEO, CHRO/CSO, VP Communications, VP Value Chain, General Counsel and VP Strategy & Investor Relations. These functions meet on a regular basis to ensure a swift collaboration and coordination between all departments as well as ensuring an effective communication with the NCC and BoD.

The EC members are responsible for implementing the sustainability strategy and cascading targets and measures throughout the organization. They assign responsibilities and review progress. The CEO and EC are further supported by a designated Global Health, Safety and Environment team (HSE) and a Sustainability Manager that reports to the Chief Human Resources and Sustainability Officer (CHRSO), a member of the EC. Each employee in the Company eligible for the global short-term incentive plan has at least one yearly sustainability target (outlined in the section employee learning and development on page 48.

Information on the following additional governance-related topics can be found in in the corporate governance report on page 53: BoD and EC description, BoD and EC remuneration, BoD and EC biographies, diversity, accounting and tax disclosure, internal policy statement, shareholder rights.

Code of Conduct

Our Accelleron Code of Conduct (CoC) is the cornerstone of our commitment to upholding integrity in all areas. It applies globally to all our people including in consolidated joint venture companies. A dedicated Supplier CoC applies to our suppliers and other business partners. For further information, please refer to section supply chain.

The CoC establishes fundamental principles of behavior concerning the following areas: communication, conflict of interest, anti-money laundering, antitrust, fair employment, diversity and inclusion, trade compliance, health an d safety, human rights, anti-bribery and corruption, inside information, intellectual property, data privacy and working with suppliers. The CoC is available on our website and an extended internal version that includes practical guidance and examples is accessible on the legal and integrity (L&I) intranet page.

We have a strict zero-tolerance policy towards any illegal behavior or breaches of the CoC and take the appropriate disciplinary and legal actions when this occurs. The CoC also sets out how our employees, contractors and any stakeholders can report any concerns of wrongdoing via the various channels, including an anonymous ethics reporting hotline (which is also in line with the relevant EU directive). For more details, refer to section reporting misconduct below.

We delivered a comprehensive e-learning campaign to ensure understanding and acknowledgment of the Code of Conduct by all our employees; the BoD also completed the training module.
By end of 2023, over 95% of our employees globally completed the e-learning. Training for those employees who are technically unable to access e-learning modules is conducted by way of tailored classroom training sessions and a subsequent written acknowledgment of the Code of Conduct. In November 2023, we launched an e-learning module on trade compliance to a global target audience. For the e-learning on anti-corruption, see the section anti-corruption below. E-learning courses on antitrust and data privacy are scheduled for 2024.

Anti-corruption

To address challenges posed by different operational environments in the 50 countries we are present, Accelleron implemented a robust set of measures to address and mitigate potential anti-corruption risks and uphold the highest ethical standards globally. These include a comprehensive anti-corruption policy, an externally operated business ethics reporting tool empowering employees and third parties to report concerns confidentially (see section supply chain), a supplier registration and qualification policy, and a corruption risk assessment covering our customers and sales channels.

The anti-corruption policy provides comprehensive guidelines across critical areas, encompassing gifts, travel and hospitality (GTH), facilitation payments, political contributions, sponsorship and donations, conflicts of interest and third-party management. Addressing high-risk areas like GTH and conflicts of interest, the Accelleron integrity app allows employees to register and request pre-approval for GTH provided and received, and situation involving

conflicts of interest. The policy underscores our strong stance against corruption, emphasizing our commitment to fostering a culture of ethical conduct and transparency within Accelleron.

The Accelleron's supplier registration and qualification policy mandates that each supplier provides specific information for a comprehensive risk assessment, with a specific focus on anti-corruption risks. For more information, please refer to section supply chain.

Because our operating model foresees direct sales both in products and in services business, we have limited exposure to the elevated corruption risks resulting from selling via agents or other intermediaries. To mitigate residual risks, external sales partners, and in a limited number of countries also direct customers, undergo a due diligence process which we have taken over from our former parent. Additional corruption exposure results from our Service division's global footprint, operating also in countries with increased corruption risks, and from the fact that many of our service customers are state-owned enterprises. This is the reason we placed high emphasis on our anti-corruption related processes and respective awareness training.

In 2023, the five members of the global Legal & Integrity team delivered numerous classroom trainings sessions (face-to-face, remote and hybrid) to various audiences on corruption prevention and related processes, as well as on reporting channels and the internal investigation and disciplinary procedures.

↗ Next steps

In addition to continuing our classroom trainings sessions, Accelleron launched a mandatory global anti-corruption e-learning program for all employees (excluding factory workers) in February 2024 to underscore our clear stance on anti-corruption.

Our strategic plan for 2024 includes conducting enhanced risk assessments on integrity topics across the organization and reviewing and adapting risk-based due-diligence processes for business-partner onboarding and their periodic reviews, taking into account specific red flags.

Respecting human and labor rights

At Accelleron, we are committed to respecting human rights and preventing any involvement in human rights violations. We adhere to the highest standards of human rights, as set out by the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO Core Conventions on Labour Standards, and other relevant national and international frameworks. In 2023, we joined the UN Global Compact, reaffirming our support for its ten principles on human rights, labor, environment and anti-corruption.

We expect our suppliers, contractors and other business partners to share our values and comply with similar standards in their operations and practices. We pay special attention to working hours and conditions, discrimination and equality, child labor, fair wages, compulsory or forced labor and modern slavery. We respect the rights of our employees to freely associate and participate in unions.

We conducted human rights risk assessments across our operations and supply chain in 2022. For more information, please refer to section supply chain.

In 2022, almost all our country managing directors, heads of operations and service sales organizations have been trained in human and labor rights. Additionally, all employees in a leadership position in procurement have been trained. Detailed information on supply chain can be found in the section supply chain.

Reporting misconduct

We are dedicated to a culture where employees and stakeholders are encouraged to report any potential breaches of the CoC or the law without any fear of retaliation. Our leadership teams are accountable for establishing and fostering an environment that prioritizes integrity and promotes a positive tone throughout the organization. We will not tolerate retaliatory action against an employee who reports concerns in good faith. Misconduct can be reported through various channels, including anonymously, such as by way of an externally-run website, by telephone, through post or an email to the Integrity Office. Our organization has a well-established process in place for receiving and assigning all such cases to a designated investigator. Based on the nature of each case, external investigators are hired to support internal investigators when necessary, and appropriate disciplinary measures and other remedial actions are taken. Furthermore, the "lessons learned" are compiled and shared for awareness and training purposes where appropriate.

In 2023, Accelleron received a total of 13 case reports through our ethics reporting channels. Among these, eight cases were found unsubstantiated, one was found substantiated and four remained open for further investigation in 2024. Most of the reported cases were categorized as low severity. One case related to undue payments in connection with a trade fair, which, however, was found unsubstantiated following investigation. The one case substantiated in 2023 pertained to a line manager's workplace respect and fairness behavior, which was successfully resolved as a result of a disciplinary procedure.

↗ Next steps

As part of our Integrity awareness campaign, consisting of e-learnings courses on various topics (Code of Conduct, corruption, trade compliance, antitrust, data privacy) as well as classroom trainings sessions, we continue to ensure awareness of our employees regarding key integrity topics, and we will place particular emphasis on our various ethics reporting channels, including how we secure anonymity, the internal investigations and disciplinary procedures in order to foster employee trust and comfort to speak up.

Risk management

Accelleron aims to identify risks and opportunities early and respond effectively. Relevant risks for the Company relate to geopolitical challenges, cyber security and supply-chain challenges. We continue to be committed to firmly embedding risk-based thinking across the entire organization. The Accelleron approach to risk management considers both enterprise and operational risk. The approach to managing risk is based on the recognized international standard (ISO 31000) and has been developed (and continues to evolve) in line with industry expectations.

Crisis management

In the event of a crisis, response teams and plans are in place across the organization. Crisis management is organized locally and supported by the interdisciplinary Business Resilience Group established during 2023. The role of this group is to guide, advise and assist local crisis teams as required, providing wider expertise and insights. Additionally, crisis response teams are available at the headquarters level.

↗ Next steps

We will continue to work on consolidating Accelleron's approach to risk management under a harmonized framework in 2024.

04

Corporate governance report

Back to main menu

Group structure and shareholders

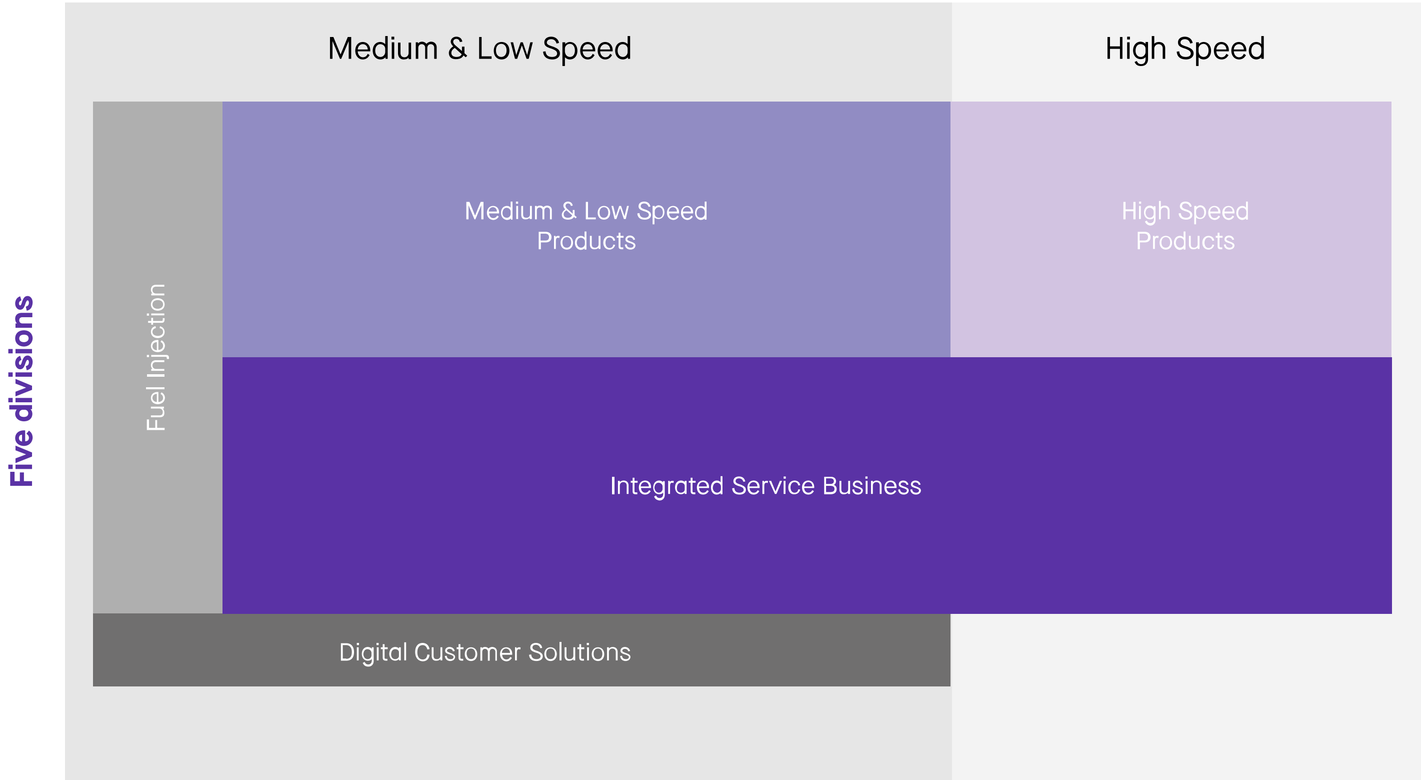
Group structure

Information on Accelleron's corporate structure can be found in note 24 of the Consolidated 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, 2023, amounted to CHF 2,462,220,135.18 (excluding treasury shares). The Group has subsidiaries and branches in more than 50 countries. The Group's consolidated subsidiaries are listed under note 24 to the Consolidated Financial Statements, stating the company name and equity interest held by the Group.

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

Two reporting segments



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, 2023:

Name	Number of shares	Voting rights in %
UBS Fund Management (Switzerland) AG	4,779,675	5.1
Swisscanto Fondsleitung AG	4,723,731	5.0
Norges Bank (the Central Bank of Norway), Oslo, Norway	3,140,052	3.3
Credit Suisse Funds AG	2,868,820	3.0

Disclosure notifications reported to Accelleron Industries AG and SIX Swiss Exchange during 2023 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.

Capital structure

Share capital

As per December 31, 2023, 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 / Capital band

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.

In line with the provisions of the recently amended Swiss corporate law, the existing authorized share capital can no longer be extended in duration. For this reason, Board of Directors submits a proposal to the 2024 annual general meeting to replace the current authorized share capital with a capital band with a lower limit of CHF 897,750 (95% of current share capital) and an upper limit of CHF 1,039,500 (110% of the current share capital) and with a duration of five years.

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.

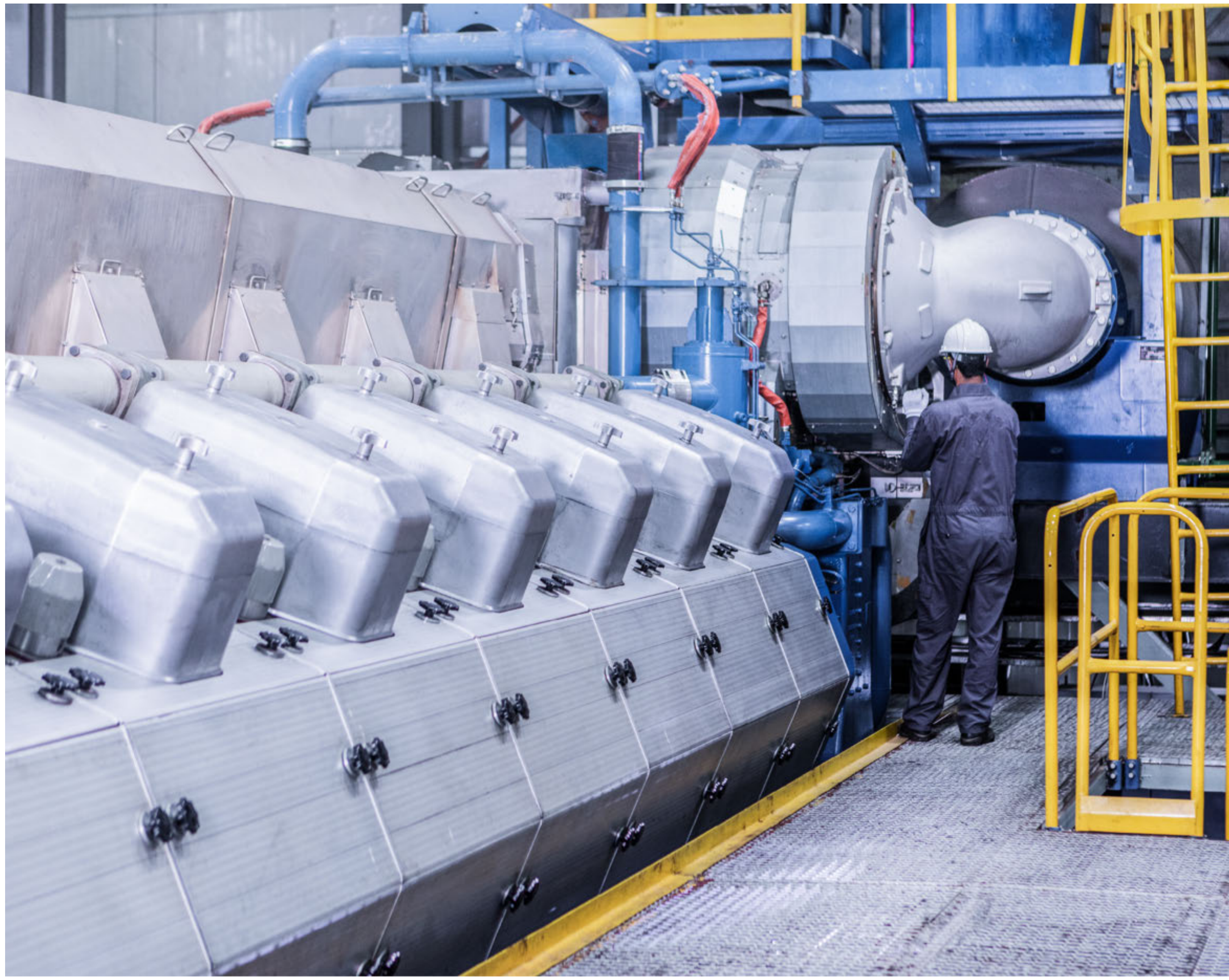
Under specific circumstances and subject to certain conditions, the Board of Directors is authorized to restrict or deny the advance subscription rights of shareholders. The advance subscription rights of the shareholders may be granted indirectly. For further details, see Art. 4 (3) of the Articles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

There were no changes in capital in the reporting period 2023.



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, 2023, 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 2023.

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 2023 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.

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, 2023, the Board of Directors consists of the following six non-executive members:

	Oliver Riemenschneider	Monika Krüsi	Gabriele Sons	Bo Cerup-Simonsen	Detlef Trefzger	Stefano 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 & Germany	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 & German citizen born in 1962.

Binding interests: see compensation report, page 75.

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. After working as consultant at Zoller AG and being self-employed, he joined ABB Turbo Systems AG 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: see compensation report, page 75.

Before joining McKinsey & Co, where Monika Krüsi worked for nine years before becoming a partner at Venture Incubator Partners in 2001, she started her career as an auditor and tax consultant. Since 2003, she is a partner at MKP Consulting which serves mostly industrial and network clients in strategic and supply chain questions. Monika Krüsi holds a PhD in Business Informatics and an MBA degree from the University of Zurich, Switzerland.

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: see compensation report, page 75.

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 Germany, 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: see compensation report, page 75.

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: see compensation report, page 75.

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 Technology (MMT), where he was responsible for a large number of engineering and newbuild projects including the world's largest and most energy efficient containership series at the time, 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: see compensation report, page 75. Additionally, Detlef Trefzger has been elected into the Board of Directors of listed Swiss Prime Site AG on March 19, 2024.

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 Trefzger began his career as a senior project manager at Siemens AG in the Industrial and Building Systems Division followed by a five-year term at Roland Berger & Partner as principal in the competence center transportation & logistics. Detlef Trefzger 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.

Skills

The skills of Board of Directors are aligned with the strategy and the worldwide culture of the Company. The Board members were asked to identify their most relevant skills based on their educational background, professional experience and personal achievements (see table below).

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, until February 2022, 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 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 2023, 12 meetings and calls took place. All Board members participated at all meetings, except Bo Cerup-Simonsen and Stefano Pampalone, who were excused from two out of 12 meetings (participation rate of 94.44%). The meetings, which included strategy workshops, had an average duration of 3 hours and 32 minutes. The General Counsel holding a degree in law attends the Board meetings in his capacity as Company Secretary. During 2023, two circular resolutions were taken by the Board of Directors.

Except for closed sessions of the Board of Directors, the CEO and the CFO attended the 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.

Furthermore, the Board of Directors visited two customers in Switzerland and Germany.

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. The meetings of the committees were conducted either physically, remotely by online conference, or in hybrid mode (i.e., participation is in person or remote).

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.

Skills

	Oliver Riemenschneider	Monika Krüsi	Gabriele Sons	Bo Cerup-Simonsen	Detlef Trefzger	Stefano Pampalone
International executive experience	x	x	x	x	x	x
Board experience	x	x	x	x	x	x
Strategy, M&A	x	x	x	x	x	x
ESG & sustainability			x	x	x	
Market knowledge	x	x		x	x	x
Technology, digitalization	x	x		x	x	x
Finance, audit, risk management		x			x	x
HR, compensation		x	x			

The AC meets at least three times each year or more frequently if deemed necessary or appropriate. During 2023, eight meetings took place, with participation of all AC members at all meetings, except Stefano Pampalone who participated in seven of eight meetings (participation rate of 95.83%). The meetings had an average duration of 1 hour and 56 minutes. The CEO and the CFO participated in all the meetings, and the Board Chair in all but one. The internal auditor participated partially in five meetings, and the external auditor KPMG participated partially in five meetings of the AC.

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 2023, eight regular meetings and one supplementary meeting took place, with participation of all NCC members at all meetings (participation rate of 100%). The meetings had an average duration of 1 hour and 50 minutes. The Board Chair and the CHRO participated in all meetings; the CEO participated in all but one of the meetings.

The NCC has the powers and duties of a compensation committee as provided for by Swiss law and 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 2023, 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 Bischofberger 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 Bischofberger 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 Rofka remained with Accelleron following the spin-off from ABB, where he was appointed Head of the Medium & Low Speed product group in 2020. Christoph Rofka held a number of positions within ABB's Turbocharging Division from 1995 onward, including as Technology Manager and manager of various product lines. Christoph Rofka 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 Grossenbacher remained with Accelleron following the spin-off from ABB, where he was CFO and Global Division Controller of ABB Turbocharging from 2017. Adrian Grossenbacher was previously Global Product Group Controller and Commercial Manager for products in Medium Speed & Low Speed. Prior to that, Adrian Grossenbacher held various leadership positions at Alstom and SQS. Adrian Grossenbacher 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 Müller remained with Accelleron following the spin-off from ABB, where he was appointed Head of the High Speed product group in 2019. Herbert Müller 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 Müller 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 Schwarz remained with Accelleron following the spin-off from ABB, where he was appointed Head of Turbocharging Service in 2019. Roland Schwarz held a number of positions within ABB's Turbocharging Division from 1997 onward across managerial roles in Switzerland, China, and Japan. Previously, Roland Schwarz worked at ABB Enertech as a project controller. Roland Schwarz is a Swiss Certified Specialist for Finance & Accounting.

Dirk Bergmann

Chief Technology Officer, is a German citizen born in 1968.

Binding interests: none.

Dirk Bergmann remained with Accelleron following the spin-off from ABB, where he was appointed Chief Technology Officer of the Turbocharging Division in 2020. Prior to that, Dirk Bergmann 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 Bergmann holds a PhD in Production Engineering from the University of Bremen.

Annika Parkkonen

Chief Human Resources and Sustainability Officer, is a Finnish citizen born in 1971.

Binding interests: see compensation report, page 75.

Annika Parkkonen joined Accelleron in September 2022. Prior to joining the Company, Annika Parkkonen worked for Dynatos Oy, where she was an executive coach and managing director. From 2017 to 2022, Annika Parkkonen 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 Parkkonen was a member of the board of directors of Suomen Lauttaliikenne Oy (Finnferries), a mid-sized ferry company. Annika Parkkonen holds a master's degree in Political Science from the Åbo Akademi University in Turku.

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, roles in other companies with commercial purpose, 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. At the Annual General Meeting 2023, Zehnder Bolliger & Partner, Baden, was re-elected as the independent proxy of Accelleron Industries AG for a term of office extending until completion of the Annual General Meeting in May 2024. 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 2023 amounted to USD 1.8 million.

Additional fees

An amount of USD 25 thousand in additional fees were paid by the Accelleron Group to KPMG in 2023 for services other than above auditing fees.

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 participated in 5 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 are 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.

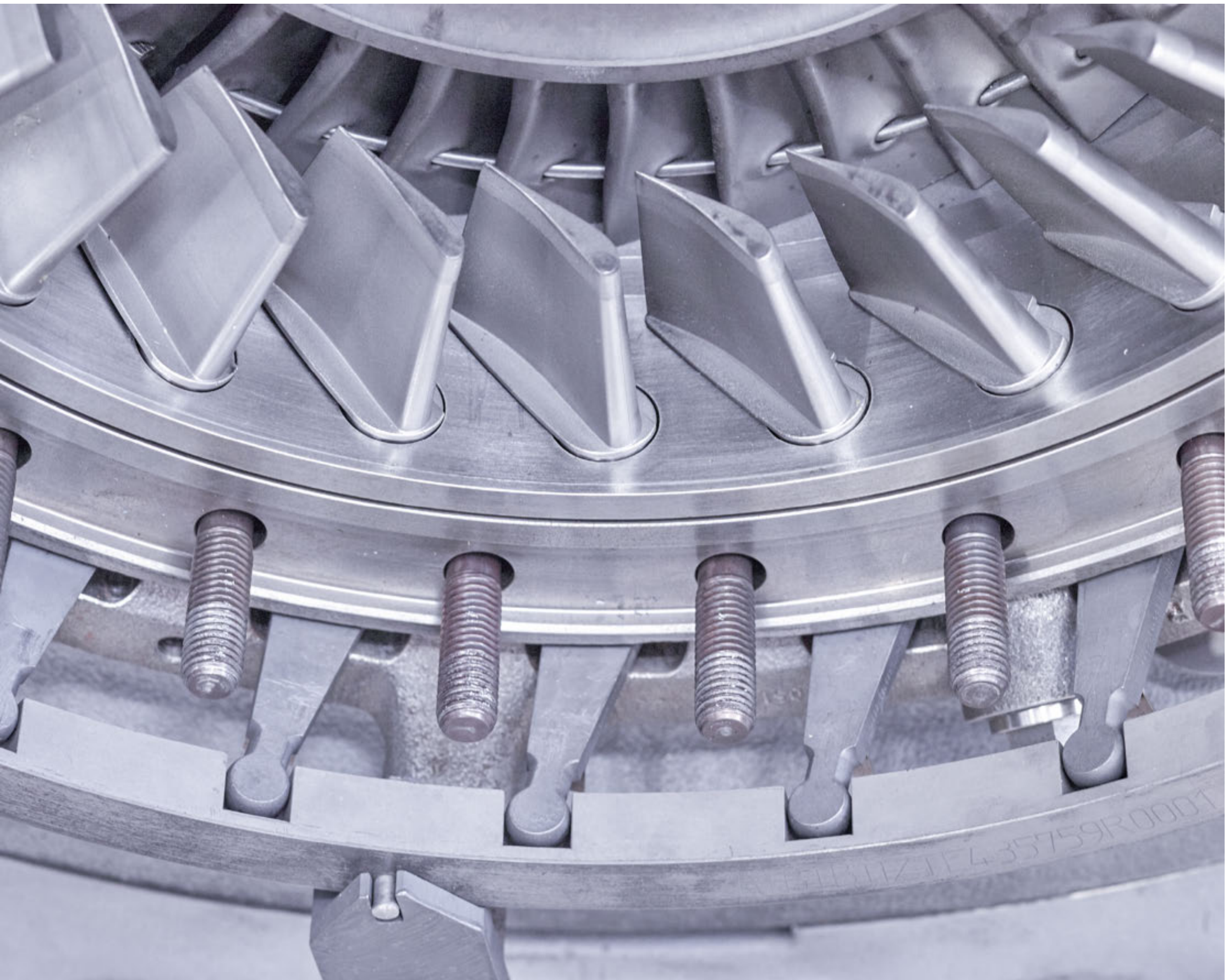
In addition to members of the Board of Directors and Executive Committee, the list contains employees who, based on their responsibilities, have access to inside information on a regular basis, in particular regarding preparation of financial statements and M&A projects.

05

Compensation report

Back to main menu

Introduction by the Chair of the Nomination and Compensation Committee



Dear Shareholders,

On behalf of the Board of Directors (BoD) and the Nomination and Compensation Committee (NCC), I am pleased to introduce Accelleron's 2023 compensation report, the first full-year report for Accelleron as an independent, stand-alone company that covers the financial year 2023 from January 1 to December 31.

We believe in a strong pay-for-performance compensation philosophy that incorporates Accelleron's ambitious growth and business objectives and motivates our senior executives to create sustainable value for the Company and its shareholders. The 2023 compensation report provides insights into our 2023 compensation structure.

During the year, the NCC and BoD continued to evaluate our overall compensation structure to ensure it supports the Company's business objectives and to reflect the best interests of all our stakeholders. Moreover, the NCC and the BoD reviewed the Executive Committee's (EC) performance goal setting at the beginning of the year and the performance assessment at year-end, the determination of compensation of the EC and the BoD as well as the preparation of the compensation report and compensation-related votes at the Annual General Meeting.

In particular, the NCC and the BoD reviewed the performance measures of the short-term incentive (STI) and long-term incentive (LTI) plans, specifically addressing the importance of sustainability matters and supporting Accelleron's purpose. It concluded to revise the structure of the LTI plan. Starting with the 2024 performance year, an ESG target shall be added to the two performance measures already in place (earnings per share and relative total shareholder return). For 2024, the sustainability target will be a CO_2 reduction performance measure. We are on the way to further develop the ambitious ESG target going forward.

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 2024 Annual General Meeting to the conclusion of the 2025 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 2025 financial year. In addition, we will ask our shareholders to endorse this 2023 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

2023 compensation

Compensation structure of the Board of Directors (BoD)

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.

Exhibit 1 – Board of Directors fees schedule (audited)

Position	Total fees (CHF)[1,2]
Chair	330,000
Vice-Chair	150,000
Board member	120,000
Committee Chair	30,000
Committee member	10,000

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

Compensation structure of the Executive Committee (EC)

The year 2023 represented the first full calendar year since Accelleron became an independent, stand-alone company following the spin-off from ABB on October 3, 2022.

The overall basic structure of executive compensation consists of the annual base salary, short-term incentive (STI), long-term incentive (LTI) and benefits. The NCC and Board of Directors have revised the overall compensation structure inherited from the former parent company to better align with Accelleron's business strategy and culture. The following key features were adopted for 2023:

Exhibit 2 – Compensation structure of the Executive Committee

	Purpose	Vehicle	Payout	Performance measures
Annual base salary	Compensate for role, skills, experience	Cash salary considering market data	Monthly	n/a
Benefits	Protect against risks, foster retention	Pension/insurance perquisites paid in line with local market practice	Monthly	n/a
Short-term incentive	Pay for company and individual performance, foster Accelleron values	Annual bonus paid in cash	Q2 following the performance period (business year)	Op. EBITA margin, revenues, op. free cash flow, individual goals (one ESG-related)
Long-term incentive	Reward sustainable performance, align to shareholder perspective	Performance share units (PSU) with a 3-year performance vesting	Q2 following the performance period, conversion into shares	Earnings per share (EPS), relative total shareholder return (rTSR)

Annual base salary

The annual base salary is determined on the basis of factors such as to compensate for role, skills and relevant experience.

Benefits

Benefits consist mainly of retirement and insured benefits that are designed to provide a reasonable level of protection for the employees and their dependents in respect to the risk of retirement, disability, death and illness. The CEO and all the members of the EC are employed with a Swiss employment contract and participate in Accelleron's pension plans offered to all employees in Switzerland. These consist of the Accelleron pension fund, in which base salaries up to an amount of CHF 130,000 (minus coordination deduction) per annum are insured, as well as a supplementary plan in which base salaries in excess of this limit are insured up to the maximum amount permitted by law. Both plans offer the possibility for all employees to choose different levels of individual contributions. Accelleron's pension funds exceed the minimum legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG).

Short-term incentive

The short-term incentive plan is a cash-based, recurring program aimed to incentivize the achievement of short-term business and individual performance measures. These achievements are assessed over a defined performance period of 12 months in alignment with the business year. Business performance measures are tied to Accelleron's financial Group and divisional performance while a maximum of three individual performance measures are tied to team or personal performance, or a combination of these. Each individual performance measure must account to at least 10% with one environmental, social or governance (ESG) criterion to be selected.

The individual EC STI targets are reviewed annually and are expressed as a percentage of base salary. It amounts to 60% for the CEO and ranges from 40% to 50% for the EC members. Financial Group performance accounts for 70% for the CEO and corporate functions (CFO, CTO and CHRO), while for the three Division Presidents Group performance accounts for 45% and divisional performance accounts for 25%. For the entire EC, individual performance measures account for 30% of the short-term incentive.

The achievement of each performance measure is capped and cannot exceed 200%, hence the overall payout cannot exceed 200% of the STI target.

The financial Group and divisional performance target values for each performance measure are proposed by the NCC and approved by the BoD.

Exhibit 3 – Overview / weight of performance measures

STI	Performance measures	Weight (%) CEO, corp. functions	Weight (%) Division Presidents
Financial performance measure	Group op. EBITA %	20%	10%
	Group revenues	30%	15%
	Group op. free cash flow	20%	20%
	Divisional op. EBITA abs.		10%
	Divisional revenues		15%
Individual performance measure		30%	30%

Long-term incentive
The long-term incentive plan is a performance share unit (PSU) plan which converts to shares at vesting. It shall foster the profitable company strategy, reward sustainable performance, EC retention and alignment with the shareholders' perspective. At the beginning of the vesting period, a number of PSUs are granted to each EC member on the basis of their individual LTI targets, expressed as a percentage of base salary. The targets amount to 70% for the CEO and range from 40% to 50% for the EC members. The PSUs vest after a period of three years, contingent on the achievement of two equally weighted performance measures, earnings per share (EPS) and relative total shareholder return (rTSR).

The EPS objective is determined at the beginning of the vesting period by the Board of Directors and is measured at the end of the vesting period as the average EPS of the first year, the second year, and the third year of the vesting period.

rTSR is measured based on an evaluation provided by an independent consulting firm, Obermatt. This benchmark compares and ranks Accelleron against the performance of a selected peer group of 24 companies, all industrial firms, which were chosen because they are either in a similar industry, customers, end-users, listed in the index SMIM, listed in the index SPI or are exposed to similar market cycles with an international footprint.

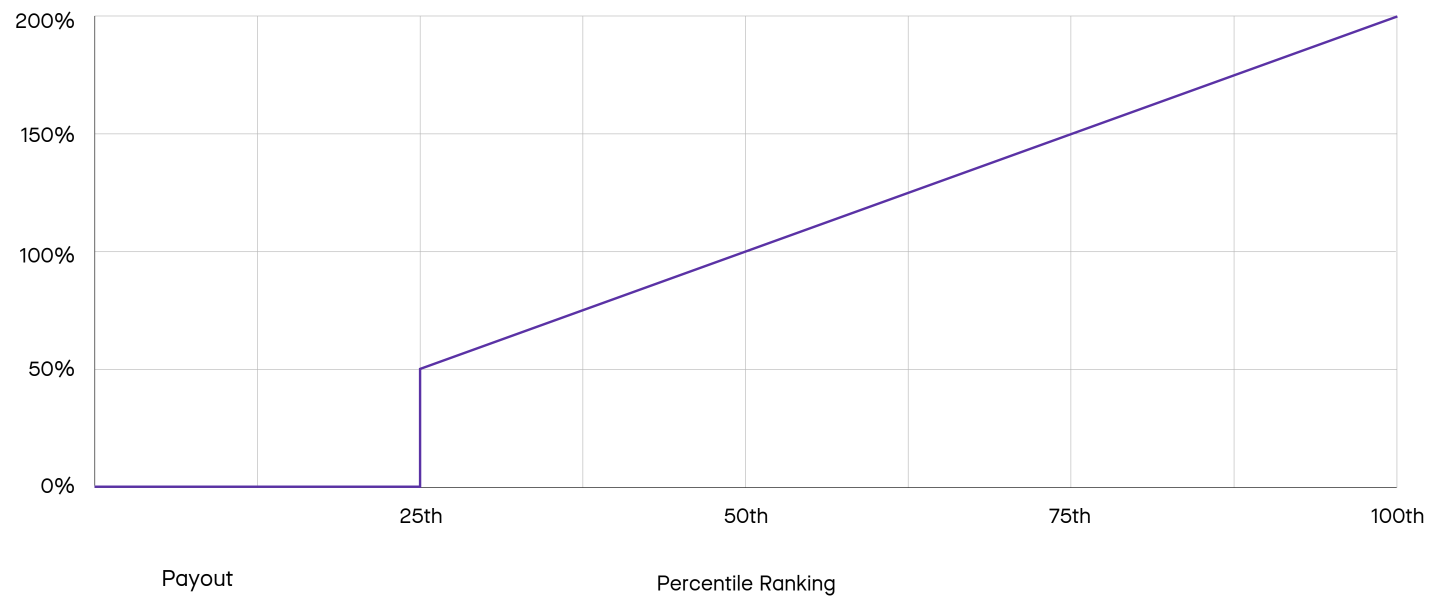
Exhibit 4 – Peer group

A.P. Møller Mærsk A/S	Cummins Inc.	Mitsubishi Heavy Industries
Alfa Laval Corporate AB	Daihatsu Diesel Mfg. Co.	Schindler
Atlas Copco AB	Donaldson Company, Inc.	Siemens Energy
Bharat Heavy Electricals	Geberit	SIG Group
Bucher Industries	Georg Fischer	Stadler Rail
Burckhardt Compression	IHI Corporation	Wärtsilä Oyj Abp
Caterpillar	Kuehne + Nagel International	Westinghouse Air Brake Tech Corp
CNH Industrial N.V.	Meidensha Corporation	Woodward Inc.

The maximum achievement level is capped at 200% for both performance measures. For rTSR, the objective is to reach the median performance of the peer group, which corresponds to a 100% payout. There is no payout for any performance below the 25th percentile of the peer group. Performance at the 25th percentile of the peer group corresponds to a payout factor of 50%. Performance at the 75th percentile leads to a 150% payout factor, and being the best in the peer group leads to a 200% payout factor. Any payout factor between those levels is interpolated linearly.

In July 2023, Accelleron acquired Officine Meccaniche Torino S.p.A. (OMT). The BoD assessed the impact on the long-term incentive compensation of such transaction, supported by external experts. It found that while the acquisition has no direct impact on the rTSR performance measure, it will impact Accelleron's earnings per share (EPS), which is one of the performance metrics in the long-term incentive plan for awards to vest. While the target-setting and vesting mechanism will remain unchanged, the BoD will ensure that EPS objectives are measured on a like-for-like basis. For the awards vesting in 2026, the direct impact of the acquisition will be excluded from the EPS performance measure. More specifically, this means: The net income of the acquired corporation as well as extraordinary effects of the acquisition (mainly acquisition-related financing expenses and acquisition-related, purchase price allocation effects and further extraordinary costs which are not part or the result of the normal course of business operation), will be excluded from Accelleron's earnings for the purposes of the LTI measurement.

Exhibit 5 – rTSR payout curve



In case of termination of employment, the unvested PSUs are forfeited except in case of retirement, disability, or death. In case of termination due to retirement, a pro-rated payout respectively allocated number of shares will be determined at the normal vesting date, prorated for the number of months that has expired from the grant date until the termination date based on effective performance.

In case of termination of employment due to death or disability prior to the completion of the performance period, a pro-rated payout at 100% of the target respectively allocated number of shares will be determined.

For 2024, we intend to adjust the structure of the LTI plan to reflect the increasing importance of sustainability matters. The sustainability target will be a CO_2 reduction performance measure. The data collection, verification and calculation method for the sustainability target will be externally audited to align with the GHG protocol. We are on the way to further develop the ambitious ESG target going forward.

Share ownership guidelines

The EC members are required to own at least a minimum multiple of their annual base salary in Accelleron shares. Therefore, the sale of shares is only allowed if the value of their shareholdings continues to exceed 200% of base salary for the CEO and 100% of the base salary of each EC member. The NCC reviews compliance with the share ownership guideline on an annual basis.

Clawback and malus provisions

Clawback and malus provisions apply to LTI plans. In case of financial restatement due to non-compliance with accounting standards or fraud, and/or in the case of violation of law or internal rules by the CEO or an EC member, the BoD may consider unvested PSUs to be forfeited (malus provision) or may seek reimbursement of vested shares under the LTI (clawback provision) within a period of three years after the year of restatement or fraudulent/non-compliant behavior.

BoD compensation awarded in 2023

Accelleron pays the members of the Board of Directors a fixed fee for 12 months of services based on the Board of Directors fees schedule in Exhibit 1 covering their term of office from January 1, 2023, to December 31, 2023. In this period, the members of the Board of Directors receive total fees of CHF 1.02 million, of which 50% or CHF 0.51 million is in the form of cash, 50% or CHF 0.51 million in the form of shares, as well as mandatory social security contributions and mandatory foreign health insurance payments of CHF 0.066 million.

The fees are within the approved limits by the shareholders of the Extraordinary General Meeting in September 2022 for the period from January 1, 2023, to April 30, 2023, and (within the approved limits) by the shareholders of the Annual General Meeting on May 7, 2023, for the period from May 1, 2023, to December 31, 2023.

Exhibit 6 – BoD fees from January 1 to December 31, 2023 (audited)

Members of the Board of Directors	Function	Total fees 2023[1]	Total fees 2022[2]
		CHF	CHF
Oliver Riemenschneider	Chair	330,000	82,500
Monika Krüsi	Vice-Chair and AC Chair	150,000	37,500
Gabriele Sons	NCC Chair	150,000	37,500
Stefano Pampalone	Member	130,000	32,500
Bo Cerup-Simonsen	Member	130,000	32,500
Detlef Trefzger	Member	130,000	32,500
Total fees		**1,020,000**	**255,000**

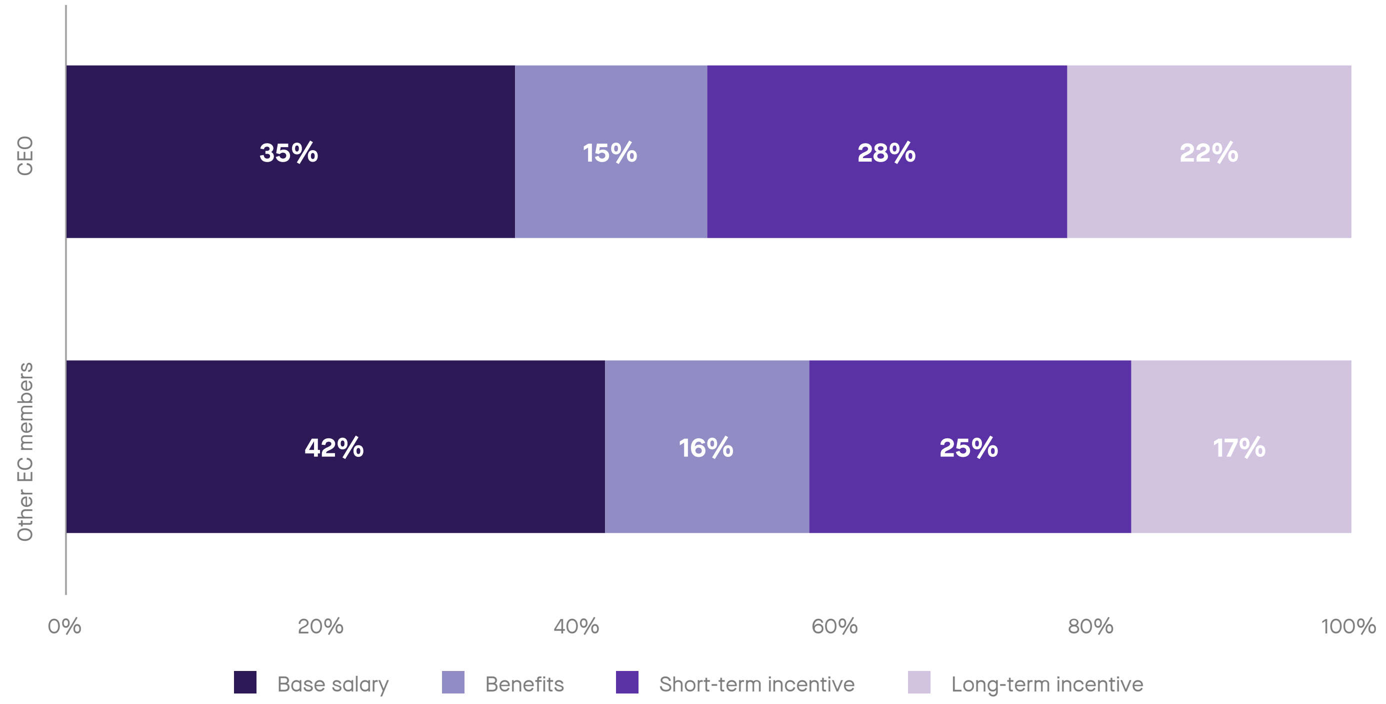
1 In addition to the Board fees stated, an amount of CHF 65,611 in 2023 and CHF 17,736 in 2022 was paid in relation to mandatory social security and mandatory foreign health insurance payments.

2 Refers to shorter period from spin-off October 3, 2022, to December 31, 2022.

EC compensation awarded in 2023

The compensation program consisted of a balanced set of fixed and variable elements. The composition of the EC remained unchanged during the reporting period. On the basis of the compensation disclosed in Exhibit 8, over the period from January 1, 2023, to December 31, 2023, the CEO and the other EC members received the following mix of fixed and variable compensation:

Exhibit 7 – Executive Committee compensation mix[1]



1 Compensation mix does not include cash retention payments, family allowance and other minor variable benefits.

From January 1, 2023, to December 31, 2023, the Company awarded the Executive Committee members the amounts set out below. The total amount of compensation of CHF 6.3 million awarded to the EC in 2023 is below the maximum aggregated amount of compensation of CHF 7.1 million approved by the shareholders at the 2022 Extraordinary General Meeting (EGM) prior to becoming an independent, stand-alone company.

Exhibit 8 – CEO and aggregated EC total compensation per pay element (audited)

	Daniel Bischofberger, CEO[1]		Other EC members		Total	
	2023	2022[6]	2023	2022[6]	2023	2022[6]
	CHF	CHF	CHF	CHF	CHF	CHF
Base salary	600,000	150,000	1,830,000	457,500	2,430,000	607,500
Benefits[2]	257,382	66,635	710,453	174,592	967,835	241,227
Short-term incentive[3,4]	469,588	152,770	1,332,710	314,157	1,802,298	466,927
Long-term incentive[5]	372,765	160,964	737,543	247,397	1,110,308	408,360
Total compensation	**1,699,735**	**530,369**	**4,610,706**	**1,193,645**	**6,310,441**	**1,724,014**

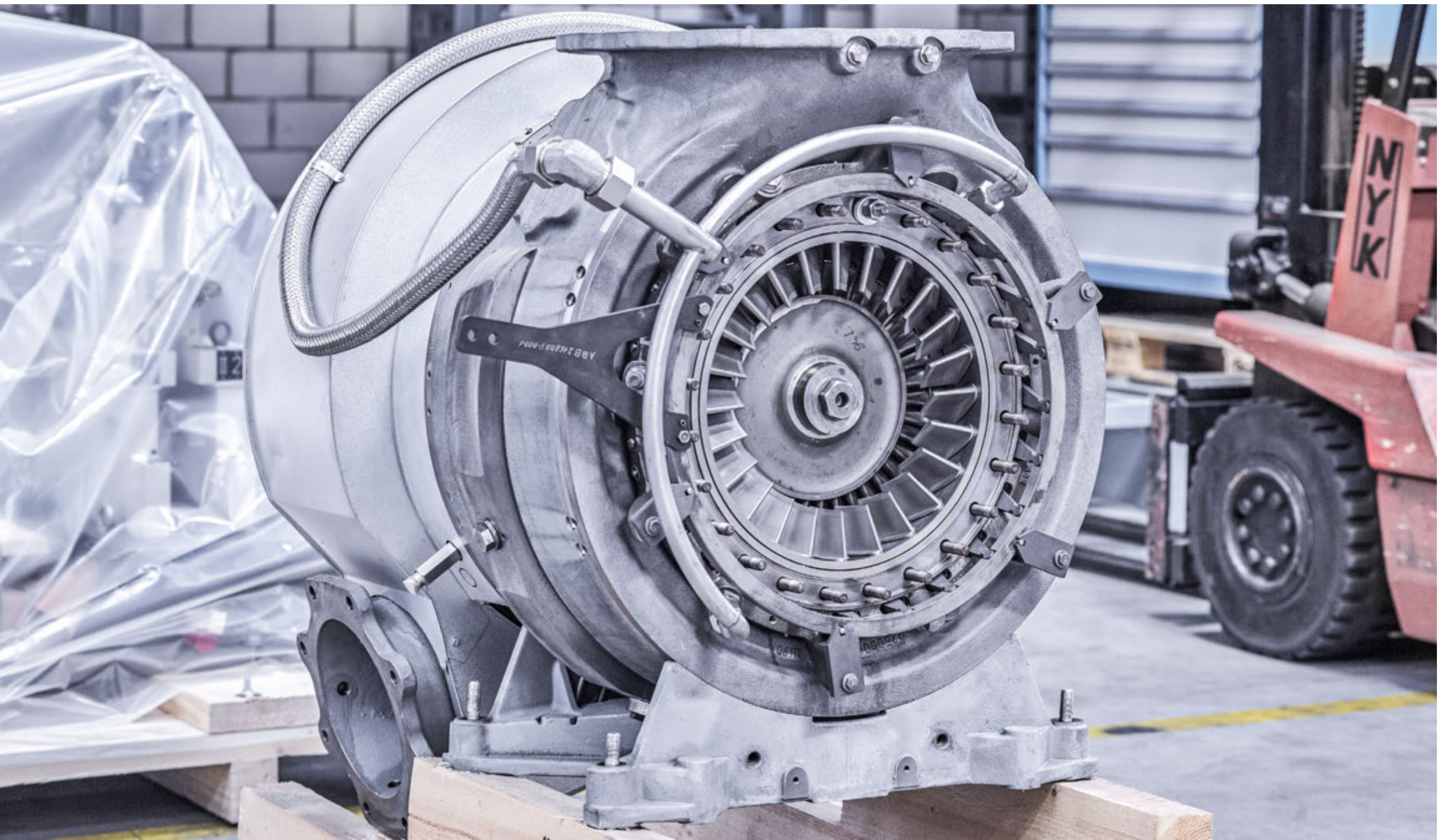
1 Highest individual compensation.
2 Includes payments for social security, mandatory insurance, expense allowance, pension and other benefits. Family allowance of CHF 11,950 is excluded.
3 Represents 2023 short-term variable compensation that will be paid in 2024 after the publication of Accelleron's 2023 financial results.
4 Includes the 2023 prorated cash retention payment to some EC members of CHF 255,143.
5 The estimated value of the 2023 long-term incentive (LTI) is based on the fair value of the price of the Accelleron share on the grant date.
6 Refers to shorter period from spin-off October 3, 2022, to December 31, 2022.

Outcome of the 2023 STI performance awards

In summary, the average award for the Executive Committee members under the STIP for 2023 ranges from 110% to 139% and for the CEO 130% (out of a maximum 200%).

The outcomes were substantially influenced by financial measures (Op. EBITA margin, revenues and operating free cash flow) accounting for 70% and individual measures accounting for 30% as illustrated in Exhibit 3. The weighted achievement related to the financial measures was 142% for the CEO and in average 139% for the other Executive Committee members.

The award achievement was calculated excluding financial figures from the acquired Officine Meccaniche Torino S.p.A. (OMT). For the purpose of STI target setting, the financial figures of OMT will be integrated from 2024 onwards.



Shareholdings of the Board of Directors and the Executive Committee

As of December 31, 2023, the members of the Board of Directors and the Executive Committee held the following shares in the Company:

Exhibit 9 – Shareholdings of the Board of Directors and the Executive Committee (audited)

Name	Function	Number of shares	Number of unvested shares (RSU/PSU)	Options
Members of the Board of Directors				
Oliver Riemenschneider	Chair	10,497	n/a	0
Monika Krüsi	Vice-Chair and AC Chair	1,992	n/a	0
Gabriele Sons	NCC Chair	1,581	n/a	0
Stefano Pampalone	Member	1,268	n/a	0
Bo Cerup-Simonsen	Member	1,370	n/a	0
Detlef Trefzger	Member	1,623	n/a	0
Total		**18,331**	**n/a**	**0**
Members of Executive Committee				
Daniel Bischofberger	CEO	17	51,126	0
Adrian Grossenbacher	CFO	0	18,391	0
Annika Parkkonen	CHRO	0	7,211	0
Dirk Bergmann	CTO	7	12,829	0
Roland Schwarz	Division President Service	100	18,410	0
Christoph Rofka	Division President MS, LS & Rail	162	19,467	0
Herbert Müller	Division President HS	22	12,984	0
Total		**308**	**140,418**	**0**

Compensation to former members of the Board of Directors and the Executive Committee

No compensation was paid to former members of the Board of Directors and the Executive Committee other than the compensation as disclosed in the exhibits above.

Loans for members of the Board of Directors and the Executive Committee and related parties (audited)

No loans, credits or other compensation was granted to current or former members of the Board of Directors and the Executive Committee, and no such loans were outstanding as of the end of financial year.

Compensation and loans to related parties (audited)

No payments were made to individuals related to related parties of current or former members of the Board of Directors. Further, no loans were granted to such related parties.

Roles in other companies with commercial purpose

Exhibit 10 – Roles of members of the Board of Directors in other companies with commercial purpose (audited)

Name	Function in Accelleron	Activities in other companies		
		Name of company	**Stock listed yes/no**	**Function in**
Oliver Riemenschneider	Chair	V-Zug Holding AG	yes	Chair of the Board
		Consenec[1]	no	Senior Advisor
Monika Krüsi	Vice-Chair and AC Chair	Burckhardt Compression AG	yes	Member of the Board
		Repower AG	yes	Chair of the Board
		Ernst Göhner Stiftung	no	Member of the Board of Trustees, Member of the Board of EGS Beteiligungs AG
		Energie 360°	no	Member of the Board, Member of the Investment Committee of Smart Energy Innovationsfonds AG (SEIF)
Gabriele Sons	NCC Chair	ElringKlinger AG	yes	Member of the Supervisory Board, Member of the Personnel Committee
		Grammer AG	yes	Member of the Supervisory Board, Chair of the Personnel Committee, Chair of the Nomination Committee
Stefano Pampalone	Member	CNHI International S.A.	no	President of the Construction Equipment Segment
Bo Cerup-Simonsen	Member	Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping	no	CEO
Detlef Trefzger	Member	easyJet plc, UK	yes	Member of the Board, Member of the Audit Committee, Chair of the Safety & Operational Readiness Committee
		SATS Ltd, Singapore	yes	Member of the Board, Chair of the Safety, Sustainability and Risk Committee
		PSA International, Singapore	yes	Member of the Board, Member of the Ports Supervisory Committee, Member of the Cargo Solutions Supervisory Committee
		Clayton, Dubilier & Rice	no	Operating Advisor
		Larix Equity AG	no	Founder & Chair

1 No projects.

Exhibit 11 – Roles of members of the Executive Committee in other companies with commercial purpose (audited)

Name	Function in Accelleron	Activities in other companies	
		Name of company	**Function in**
Daniel Bischofberger	CEO	n/a	
Adrian Grossenbacher	CFO	n/a	
Annika Parkkonen	CHRO	Dynatos Oy[1]	Managing Director, member of the Board
Dirk Bergmann	CTO	n/a	
Roland Schwarz	Division President Service	n/a	
Christoph Rofka	Division President MS, LS & Rail	n/a	
Herbert Müller	Division President HS	n/a	

1 Company was inactive in 2023.

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 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 12. 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.

Exhibit 12 - Authority levels in compensation matters

	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

● Proposal ● Recommendation ● Approval

Determination of BoD and EC compensation
As Accelleron acts on a truly global basis, compensation for the BoD and EC is reviewed periodically according to prevalent market practice and deemed necessary by the NCC and BoD. In 2022, prior to the spin-off from ABB a thorough analysis was conducted in terms of structure and pay levels on the basis of market information provided by independent external consulting firms.

For the BoD, fee levels have been benchmarked against listed Swiss companies of similar size and industry.

For the EC, pay levels have been benchmarked against a selected peer group of companies consisting of a blend of Swiss and European companies, reflecting Accelleron's global footprint and business mix and providing a good balance of company size, industry focus and geographies.

Shareholder vote at the 2024 Annual General Meeting
In accordance with Art. 28 of the Articles of Association, the Board of Directors will ask shareholders at the 2024 Annual General Meeting to cast a binding vote on the following:

- The aggregate amount of compensation payable to the members of the Board of Directors for their term of office from the 2024 Annual General Meeting to the 2025 Annual General Meeting
- The aggregate amount of compensation payable to the CEO and Executive Committee members in the financial year 2025

In addition, the Board of Directors will ask shareholders to cast an advisory vote on the 2023 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.

KPMG

Statutory Auditor's Report

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 year ended December 31, 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables marked "audited" on pages 71 to 76 of the Compensation Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the Compensation Report (pages 71 to 76) complies 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 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 remuneration system and defining individual remuneration packages.

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Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO 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 judgement and maintain professional skepticism 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

Andrius Cibas
Licensed Audit Expert

Zurich, March 25, 2024

06

Consolidated Financial Statements of Accelleron

Back to main menu

KPMG

Statutory Auditor's Report

To the General Meeting of Accelleron Industries AG, Baden

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of Accelleron Industries AG and its subsidiaries (the Company), which comprise the Consolidated Balance Sheets as of December 31, 2023 and 2022, the Consolidated Statements of Income, Comprehensive Income, Cash Flows, and Changes in Shareholders' Equity for the year ended December 31, 2023, the Consolidated and Combined Statements of Income, Comprehensive Income, Cash Flows, and Changes in Shareholders' Equity for the year ended December 31, 2022, and the related notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the Consolidated Financial Statements (pages 81 to 97) present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the year 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 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.

Key Audit Matters

REVENUE RECOGNITION

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

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REVENUE RECOGNITION

Key Audit Matter	Our response
Total consolidated revenue of the financial year 2023 amounted to USD 915 million (2022: USD 781 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 Financial Statements if they are recorded in an incorrect accounting period.	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 2023 and January 2024 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 Financial Statements - Significant accounting policies – Revenue recognition.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Consolidated 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 Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated 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 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.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 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 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 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 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 Financial Statements, including the disclosures, and whether the Consolidated 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 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.

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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 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 Financial Statements of the Company, the stand-alone financial statements of Accelleron Industries AG, the Compensation Report, and our auditor reports thereon. Our opinion on the Consolidated 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 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 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 Financial Statements according to the instructions of the Board of Directors.

We recommend that the Consolidated Financial Statements submitted to you be approved.

KPMG AG

Simon Studer	Andrius Cibas
Licensed Audit Expert Auditor in Charge	Licensed Audit Expert

Zurich, March 25, 2024

Statements of Income

(USD in thousands)	Note	Twelve-month period ended December 31, 2023	2022
Revenues	4	914,859	780,538
Cost of sales		(528,927)	(427,714)
Gross profit		**385,932**	**352,824**
Selling, general and administrative expenses		(192,470)	(149,602)
Research and development expenses		(57,448)	(51,087)
Other income, net		5,292	4,903
Income from operations		**141,306**	**157,038**
Interest and other finance expense, net		(4,128)	(555)
Income from operations before income taxes		**137,178**	**156,483**
Income tax expense	5	(27,205)	(26,691)
Net income		**109,973**	**129,792**
Attributable to non-controlling interests		8,766	6,991
Attributable to Accelleron		**101,207**	**122,801**
Earnings per share	**6**		
Basic EPS (USD)		1.08	1.31
Diluted EPS (USD)		1.08	1.31

See accompanying notes to the Consolidated Financial Statements

Statements of Comprehensive Income

(USD in thousands)	Twelve-month period ended December 31, 2023	2022
Net income	109,973	129,792
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	22,427	(11,858)
Pension and other postretirement plan adjustments	(46,443)	(11,007)
Total other comprehensive loss, net of tax	**(24,016)**	**(22,865)**
Total comprehensive income, net of tax	**85,957**	**106,927**
Less: total comprehensive income, net of tax attributable to non-controlling interests	8,154	3,340
Total comprehensive income attributable to Accelleron, net of tax	**77,803**	**103,587**

See accompanying notes to the Consolidated Financial Statements

Balance Sheets

(USD in thousands)	Note	2023	December 31, 2022
Cash and cash equivalents		234,058	189,357
Receivables, net	13	222,415	199,590
Contract assets		18,780	16,385
Inventories	12	251,244	186,287
Other current assets	14	36,834	23,285
Total current assets		**763,331**	**614,904**
Property, plant and equipment, net	9	183,635	150,109
Operating lease right-of-use assets, net	10	39,574	27,431
Goodwill and other intangible assets	11, 25	82,739	10,540
Deferred tax assets	5	88,768	99,470
Pension asset	8	46,431	77,017
Other non-current assets		2,323	2,080
Total non-current assets		**443,470**	**366,647**
Total assets		**1,206,801**	**981,551**
Accounts payable	17	153,506	130,727
Contract liabilities		24,787	23,599
Current lease liabilities	10	11,414	7,130
Current debt	20	1,803	—
Current provisions	15	30,285	27,979
Accrued liabilities	16	59,084	56,226
Other current liabilities	16	46,090	40,735
Total current liabilities		**326,969**	**286,396**
Non-current debt	20	475,818	322,770
Non-current lease liabilities	10	29,587	20,997
Pension and other employee benefits		4,860	5,619
Deferred tax liabilities	5	37,822	32,811
Non-current provisions	15	23,376	16,216
Other non-current liabilities	22	5,467	236
Total non-current liabilities		**576,930**	**398,649**
Total liabilities		**903,899**	**685,045**
Registered ordinary shares, CHF 0.01 par value, 94,500,000 shares issued at December 31, 2023 and December 31, 2022		995	995
Treasury shares at cost, 736,857 at December 31, 2023 and 748,701 shares at December 31, 2022		(3,387)	(3,981)
Additional paid-in capital		25,550	100,448
Accumulated earnings		224,008	122,801
Accumulated other comprehensive income		40,117	63,521
Total Accelleron's shareholders' equity	**18**	**287,283**	**283,784**
Non-controlling interests		**15,619**	**12,722**
Total shareholders' equity		**302,902**	**296,506**
Total liabilities and shareholders' equity		**1,206,801**	**981,551**

See accompanying notes to the Consolidated Financial Statements

Statements of Cash Flows

(USD in thousands)	Twelve-month period ended December 31, 2023	2022
Operating activities:		
Net income	**109,974**	**129,792**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,128	22,745
Pension and other employee benefits	(14,531)	(6,979)
Deferred taxes	10,566	2,149
Other	18,336	3,929
Changes in operating assets and liabilities:		
Receivables, net	(6,021)	(29,785)
Contract assets and liabilities	(1,046)	(864)
Inventories	(17,663)	(33,632)
Accounts payable, trade	8,329	45,678
Accrued liabilities	7,000	6,605
Provisions, net	164	2,098
Income taxes payable and receivable	5,824	1,203
Other assets and liabilities, net	(5,867)	(9,551)
Net cash provided by operating activities	**145,193**	**133,388**
Investing activities:		
Purchases of property, plant and equipment and intangible assets	(36,203)	(34,425)
Proceeds from sales of property, plant and equipment	89	338
Acquisition of businesses (net of cash acquired)	(92,849)	—
Net cash (used in) investing activities	**(128,963)**	**(34,087)**
Financing activities:		
Net transfer to Former Parent[1]	(10,506)	(178,433)
Increase in debt	110,985	303,409
Repayment of debt	—	(93,129)
Dividends paid to non-controlling interests	(4,652)	(3,249)
Dividends paid to Accelleron shareholders	(76,212)	—
Other financing activities	—	273
Net cash provided by financing activities	**19,615**	**28,871**
Effects of exchange rate changes on cash and cash equivalents	8,856	(11,998)
Net change in cash and cash equivalents	**44,701**	**116,174**
Cash and cash equivalents, beginning of period	**189,357**	**73,183**
Cash and cash equivalents, end of period	**234,058**	**189,357**
Supplementary disclosure of cash flows information:		
Interest paid	(8,445)	(3,768)
Income taxes paid	(11,609)	(23,339)

1 2023 movement represent net transfer to Former Parent of property, plant and equipment.

See accompanying notes to the Consolidated Financial Statements

Statements of Changes in Shareholders' Equity

(USD in thousands)	Registered ordinary shares	Treasury shares	Treasury Shares / Compensation reserve	Additional paid-in capital	Accumulated earnings	Net Former Parent investment	Accumulated comprehensive income	Total Accelleron shareholders' equity	Non-controlling interests	Total shareholders' equity
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 shareholders	—	—	—	—	—	—	—	—	(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**
Balance as of January 1, 2023	**995**	**(3,981)**	**—**	**100,448**	**122,801**	**—**	**63,521**	**283,784**	**12,722**	**296,506**
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	(4,652)	(4,652)
Change in non-controlling interest	—	—	—	—	—	—	—	—	(612)	(612)
Dividends to Accelleron shareholders	—	—	—	(76,316)	—	—	—	(76,316)	—	(76,316)
Share-based compensation	—	63	531	1,418	—	—	—	2,012	—	2,012
Net income through December 31, 2023	—	—	—	—	101,207	—	—	101,207	8,766	109,973
Other comprehensive income (loss), net	—	—	—	—	—	—	(23,404)	(23,404)	(605)	(24,009)
Balance at December 31, 2023	**995**	**(3,918)**	**531**	**25,550**	**224,008**	**—**	**40,117**	**287,283**	**15,619**	**302,902**

See accompanying notes to the Consolidated Financial Statements

Notes to the Consolidated

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 approximately 100 service stations across 50 countries worldwide.

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

On July 20, 2023, the Company completed the acquisition of Officine Meccaniche Torino S.p.A (OMT) and the Company’s Consolidated Financial Statements reflect the results of the acquisition which is further presented in the accompanying notes herein.

On October 3, 2022 , ABB Ltd. (“ABB“ or “Former Parent”) completed the spin-off Accelleron (“Business” or formerly ABB Turbocharging), its market-leading turbocharging division. The spin-off from ABB was carried out 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 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 October 3, 2022, the Company became a standalone publicly traded company, and its financial statements were subsequently presented on a consolidated basis. Prior to the spin-off, the Company’s historical combined financial statements were prepared on a standalone basis and were derived from ABB’s Consolidated Financial Statements and accounting records. The financial statements for all periods presented, including the historical results of the Company prior to October 3, 2022, are now referred to as "Consolidated Financial Statements", and have been prepared and are presented in United States dollars ($ or USD) and in conformity with accounting principles generally accepted in the United States of America (US GAAP). Unless otherwise stated, all financial information in US dollars is presented in thousands, except per share amounts. For this reason, certain amounts in the Company’s notes to the Consolidated Financial Statements may not add up or recalculate due to rounding. The basis of preparation by period is shown below:

Date	Statement	Basis of presentation
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 Shareholders' Equity	Consolidated and Combined
For the period January 1, 2023 to December 31, 2023	Statements of Income Statements of Comprehensive Income Statements of Cash Flows Statements of Changes in Shareholders' Equity	Consolidated
For the year ended December 31, 2022 and for the year ended December 31, 2023	Balance Sheets	Consolidated

For the period 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 and 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 2022, the Company allocated approximately USD 33.4 million; the general corporate expenses within this amount, were included within cost of sales, selling, general and administrative expenses and non-order related research and development expenses in the Consolidated and Combined Statement 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 period presented. The allocations may not, however, reflect the expenses that would be incurred if the Company had been an independent company. Actual costs that may have been incurred if the Company had been an independent company during the period 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 this period.

Inter-company transactions have been eliminated. Related party transactions between the Company and Former Parent have been included in these Consolidated 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 Statements of Cash Flows as a financing activity as net transfers to Former Parent and in the Consolidated Balance Sheets as net transfers to Former Parent. Amounts due to or due by 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 sheets 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 Statements 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 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 are included in the Consolidated Financial Statements.

Note 3

Significant accounting policies

The following is a summary of significant accounting policies used in the preparation of these Consolidated Financial Statements.

Principle of consolidation

The Consolidated Financial Statements include the accounts of Accelleron Industries AG and its subsidiaries in which the Company has control. Inter-company accounts and transactions have been eliminated in consolidation.

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 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 US dollars. The functional currency for most of the Company's foreign subsidiaries is their local currency. For purposes of presenting Consolidated Financial Statements, net assets are translated at period-end exchange rates while revenue, expense, and cash flow items are translated at average exchange rates for the applicable period. Translation adjustments for foreign subsidiaries are recorded within accumulated other comprehensive income (loss) in equity.

The exchange rates for the most significant foreign currencies in 2023 are as follows:

	Year-end rate	Average rate
Euro (EUR)	1.107	1.081
Swiss Franc (CHF)	1.186	1.113
Japanese Yen (JPY)	0.007	0.007
Chinese Yuan (CNY)	0.141	0.141
Singapore Dollar (SGD)	0.758	0.745
Indian Rupee (INR)	0.012	0.012
British Pound (GBP)	1.273	1.243

Foreign currency gains and losses, such as those resulting from 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, general and administrative expenses, interest and other finance (expense), net, 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 two to three 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, and are used by the Company to hedge foreign currency denominated balance sheet exposures, 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 as derivative gains and losses in cost of sales or in interest and other finance (expense), net, consistent with the nature of the underlying item. Any cash-flow impact on settlement of these contracts is classified in the Consolidated Statement of Cash Flows as "net cash provided by 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 records expense for 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 three to five 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.

Provision for 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 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. Warranty expense is recorded as a component of cost of sales.

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 12 months, the Company recognizes a right-of-use asset (RoU) and a lease liability. RoU assets represent the Company's 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 and low-value leases are not recorded on the Consolidated 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 non-cancellable 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.

Earnings per share

Basic earnings per share are 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 are 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 (LTIPs), which provides eligible Accelleron's employees with equity-settled awards in the form of restricted stock units (RSUs) and performance share units (PSU). The Company expenses the fair values of RSUs and PSUs granted to senior-employees as compensation over the related vesting periods. RSUs are only conditional on the provision of services by the plan participant during the vesting period and they are valued at fair value on the grant date.

PSUs granted are subject to the achievement of certain performance criteria during the performance period and require participants to provide services during the period. The performance criteria are based on the Company's earnings per share performance and on the Company's relative total shareholder return, both with equal weighting. The number of equity instruments that finally vest is determined at the vesting date. The payout between 0% and 200% of target is dependent upon the above performance metrics.

As RSUs and PSUs do not entitle the holder to dividends, the fair value is based on the share price at the grant date adjusted for the net present value of the dividends expected to be paid during the holding period. If a plan participant leaves for reasons other than retirement, disability or death, then the unvested RSUs and PSUs are forfeited.

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: Observable inputs, such as actively 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: Valuation inputs, other than quoted prices in active markets, that 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: Valuation inputs that are determined using unobservable inputs requiring use of the Company's assumptions, 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 post-retirement benefits

In accordance with local regulations and practices, the Company has various employee benefit plans, including defined contribution and termination indemnity plans. The Company recognizes the funded status of each defined benefit pension plan in the Consolidated 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 post-retirement 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”.

Business combinations

Acquisitions are recorded using the acquisition method of accounting. The Company allocates the purchase consideration to the assets acquired, liabilities assumed, and non-controlling interests in the acquired entity generally based on the fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of these assets acquired, liabilities assumed and non-controlling interests in the acquired entity is recorded as goodwill. Acquisition-related costs are expensed as incurred. During the measurement period, which may be up to one year from the acquisition date, the Company has the ability to record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

New accounting pronouncements

Recently adopted accounting standards

As of January 1st, 2023, the Company has adopted the following new accounting pronouncements:

- ASU 2021-08 – Business Combinations – Accounting for contract assets and contract liabilities from contracts with customers;
- ASU 2022-04 – Disclosure of Supplier Finance Program Obligations customers;
- ASU 2020-04 – Facilitation of the effects of reference rate reform on financial reporting.

The Company has applied these accounting standard updates prospectively with no significant impact on the Company’s Consolidated Financial Statements.

Recently issued accounting pronouncements not yet adopted

The Company reviewed all the recently issued, but not yet adopted, accounting pronouncements and determined that none of these pronouncements are expected to have a material impact on the Company’s Consolidated Financial Statements.

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 applications.
- M&LS: produces and services turbochargers with power output from 3,000 to 30,000 kilowatts, for the use of 1 to 2 turbos per engine. Such turbochargers are used mainly in marine and electric power generation applications. In addition, this reporting segment includes business activities relating to rail, fuel injection (i.e. OMT) and digital (i.e. Tekomar) as their application is primarily related to the Medium & Low Speed segment.

The Company’s Chief Operating Decision Maker (CODM) is a group of the highest ranked individuals within the Company, who 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 results are as follows:

	Twelve-month period ended December 31,	
(USD in thousands)	**2023**	**2022**
Income from operations before income taxes	**137,178**	**156,483**
Add back: Interest and other finance expense, net[1]	4,128	555
Income from operations	**141,306**	**157,038**
Add back: One-off and other non-operational costs, net[2]	81,794	34,770
Operational EBITA[3]:	**223,100**	**191,808**
Thereof High Speed	59,297	40,954
Thereof Medium & Low Speed	163,803	150,854

1 Interest and other finance income/(expense), net includes non-operational pension income in the amount of USD 10,227 thousands (2022: USD 6,224 thousands) and other finance expenses in the amount of USD 14,355 thousands (2022: USD 6,779 thousands).

2 One-off and other non-operational costs, net includes operational pension gains in the amount of USD 4,165 thousands (2022: USD 1,129 thousands), foreign exchange losses in the amount of USD 1,604 thousands (2022: USD 67 thousands gains), restructuring and related activities in the amount of USD 245 thousands of expense (2022: USD 1,037 thousands income), build-up costs following the spin-off from Former Parent in the amount of USD 77,364 thousands and M&A activity related non-operational and one-off cost of USD 4,977 thousands (2022: USD 37,003 thousands and USD nil M&A), and M&A related one off and amortization of USD 1,769 thousands (2022: 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. 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 December 31, 2023, and December 31, 2022.

	Twelve-month period ended December 31,	
(USD in thousands)	**2023**	**2022**
Geographical markets:		
Asia, Middle East & Africa	374,285	316,539
thereof Japan	68,324	58,462
thereof China	100,192	86,902
The Americas	216,541	176,634
thereof United States of America	165,067	127,018
Europe	324,033	287,365
thereof Switzerland	28,372	19,499
	914,859	**780,538**
Segment:		
High Speed Products and Services	249,940	213,826
Medium & Low Speed Products and Services	664,919	566,712
	914,859	**780,538**
Third-party revenues	914,859	780,538
Total revenues	**914,859**	**780,538**

One of the Company's HS customers accounted for 14% and 13% of total revenues in 2023 and 2022, respectively. Another customer of the Company's M&LS segment accounted for 11% and 12% of total revenues in 2023 and 2022, respectively.

Note 5

Income taxes

Income taxes are based on the laws and rates in effect in the countries in which operations are conducted or in which the Company or its subsidiary are considered resident for income tax purposes.

The Company is a global corporation, generating income in several jurisdictions. The "income tax expense" of the taxing jurisdictions consisted of the following:

	December 31,	
(USD in thousands)	**2023**	**2022**
Current taxes	(16,639)	(24,800)
Deferred taxes	(10,566)	(1,891)
Tax expenses from operations	**(27,205)**	**(26,691)**

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

	Twelve-month period ended December 31,	
(USD in thousands)	**2023**	**2022**
Income from operations before income taxes	**137,174**	**156,483**
Blended Swiss statutory tax rate	**16.3%**	**17.5%**
Income taxes at blended Swiss statutory tax rate	(22,359)	(27,384)
Non-deductible / non-taxable items	882	2,460
Items taxed at rates other than the blended Swiss statutory tax rate	(3,705)	(1,433)
Effects of changes in tax laws and (enacted) tax rates	2,045	1,756
Any tax expense for dividends and related distributions	(2,247)	(1,769)
Adjustments for tax of prior periods	(1,412)	(298)
Other, net	(408)	(23)
Income tax expense	**(27,204)**	**(26,691)**
Effective tax rate for the year	**(19.8%)**	**(17.1%)**

Deferred income tax assets and liabilities consisted of the following:

	December 31,	
(USD in thousands)	**2023**	**2022**
Deferred tax assets:		
Intangible assets	69,595	76,967
Unused tax losses and credits	7,826	3,725
Provisions and other accrued liabilities	5,166	6,731
Pension	946	1,095
Inventories	2,486	2,646
Other	2,586	961
Property, plant and equipment	545	1,038
Other liabilities	8,480	6,397
Total gross deferred tax assets	**97,630**	**99,560**
Valuation allowance	**(327)**	**(90)**
Total gross deferred tax asset, net of valuation allowance	**97,303**	**99,470**
Deferred tax liabilities:		
Intangible assets	(11,265)	(344)
Property, plant and equipment	(17,085)	(14,057)
Other liabilities	(368)	(51)
Provisions and other accrued liabilities	(3,100)	(2,832)
Inventories	(3,581)	(1,703)
Pension	(7,037)	(11,781)
Unremitted earnings	(3,295)	(1,620)
Other	(626)	(423)
Total gross deferred tax liabilities	**(46,357)**	**(32,811)**
Net deferred tax asset	**50,946**	**66,659**

Included in:		
"Deferred tax assets" - non-current assets	88,768	91,958
"Deferred tax liabilities" - non-current liabilities	(37,822)	(25,299)
Net deferred tax asset	**50,946**	**66,659**

Deferred taxes on undistributed earnings of foreign subsidiaries as of December 31, 2023, and December 31, 2022, are USD 3,295 thousand and USD 1,620 thousand respectively. The Company does not have any unremitted earnings which are permanently reinvested.

The expiration of the tax losses carried forward as of December 31, 2023, is as follows:

Tax Losses Carried Forward	
Financial year ending December 31 (USD in thousands)	
2024	—
2025	—
2026	313
2028	4,137
Thereafter	4,615
Never Expire	22,556
Total	**31,621**

As of December 31, 2023, 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

Accelleron Group is within the scope of the OECD/G20 Pillar Two Model Rules, which apply to multinational groups that have consolidated revenues of EUR 750 million or more. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the respective legislations come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure.

The Group operates in some jurisdictions with a nominal tax rate below 15%. Under the legislation, the Group may become liable to pay Pillar Two income taxes in relation to such jurisdictions for the difference between its effective tax rate per jurisdiction according to the Global Anti-Base Erosion rules and the 15% minimum rate. The Group is still in the process of assessing its potential exposure to Pillar Two taxes and is currently engaged with tax specialists to assist with applying the legislations.

Note 6

Earnings per share

	Twelve-month period ended December 31,	
(USD in thousands, except share and per share numbers)	**2023**	**2022**
Numerator:		
Net income attributable to Accelleron	101,207	122,801
Denominator:[1]		
Weighted number of outstanding shares (undiluted)	93,757,302	93,751,299
Weighted number of outstanding shares (diluted)	93,849,162	93,752,355
Basic EPS (USD)	**1.08**	**1.31**
Diluted EPS (USD)	**1.08**	**1.31**

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, 2022.

As of December 31, 2023, 126.8 thousands shares were considered anti-dilutive and excluded from the computation of dilutive EPS for the period presented.

Note 7

Share-based compensation

For the year ended December 31, 2023, the expense related to all equity-based participation plans was as follows:

	Twelve-month period ended December 31,	
(USD in thousands)	**2023**	**2022**
Total share-based compensation expense	**1,879**	**181**

The share-based compensation expense was primarily recorded in selling, general and administrative expenses in the Consolidated Statements of Income. As of December 31, 2023, the approximate value of total unrecognized share-based compensation related to unvested RSUs and PSUs granted under the LTIPs is USD 2,746 thousand. That cost is expected to be recognized over a weighted-average period of about two years.

As of December 31, 2023, and December 31, 2022, unvested RSUs and PSUs share movements for all of the Company's equity-based incentive plans are as follows:

	LTIP 2021	**LTIP 2022**	**LTIP 2023**	**Weighted Average Grant Date Fair Value Per Share (USD)**
Unvested as of December 31, 2022	**28,746**	**101,389**	**—**	**19.32**
Granted	—	—	88,502	21.56
Unvested as of December 31, 2023	**28,746**	**101,389**	**88,502**	**20.37**

	LTIP 2021	**LTIP 2022**	**Weighted Average Grant Date Fair Value Per Share (USD)**
Unvested as of December 31, 2021	**—**	**—**	**—**
Granted	28,746	101,389	19.32
Unvested as of December 31, 2022	**28,746**	**101,389**	**19.32**

Note 8

Employee benefits

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

The Company recognizes in its Consolidated Balance Sheets the funded status of its defined benefit pension plan, post-retirement plan 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 Plan

The change in benefit obligation, change in fair value of plan assets, and funded status recognized in the Consolidated Balance Sheets were as follows:

		December 31,
(USD in thousands)	**2023**	**2022**
Projected benefit obligation at beginning of period[1]	376,482	351,217
Service cost	8,466	4,539
Interest cost	8,034	4,009
Employee contributions	8,157	3,967
Benefits paid to (from) plan assets	(10,014)	1,879
Plan amendments	—	1,799
Actuarial (gain) loss	42,967	(5,734)
Foreign currency exchange rates changes	35,317	14,804
Projected benefit obligation at end of period	**469,409**	**376,482**
Accumulated benefit obligation	**444,064**	**360,239**

		December 31,
(USD in thousands)	**2023**	**2022**
Fair value of plan assets at beginning of period[1]	453,499	429,225
Actual return on plan assets	8,768	(5,786)
Employer contributions	12,887	6,407
Employee contributions	8,157	3,967
Benefits paid to (from) plan assets	(10,014)	1,879
Foreign currency exchange rates changes	42,543	17,807
Fair value of plan assets at end of period	**515,840**	**453,499**

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

		December 31,
(USD in thousands)	**2023**	**2022**
Net actuarial loss	63,860	10,286
Net prior service cost (credit)	1,820	1,799
Total AOCI	**65,680**	**12,085**

The following amounts were recognized in the Company's Consolidated Balance Sheets as at December 31 and classified as non-current assets:

		December 31,
(USD in thousands)	**2023**	**2022**
Pension asset	46,431	77,017
Total amount recognized	**46,431**	**77,017**

Components of net periodic benefit cost

Net periodic benefit costs for The Plan include the following components:

		Year Ended December 31,
(USD in thousands)	**2023**	**2022**
Service cost	8,466	4,539
Interest cost	8,034	4,009
Expected return on plan assets	(19,373)	(10,233)
Amortization of prior service cost	237	—
Total net periodic benefit cost	**(2,636)**	**(1,685)**
Thereof operational	8,466	4,539
Thereof non-operational	(11,102)	(6,224)

Employer service cost is included in operating income. All other components of net periodic benefit cost/(income) other than employer service cost are recorded within other non-operating income, net.

Assumptions

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

		December 31,
(USD in thousands)	**2023**	**2022**
Discount rate	1.3%	2.2%
Interest credit rate	2.0%	2.0%
Expected long-term rate of return on plan assets	3.8%	4.0%
Rate of compensation increase	1.3%	1.3%

For The Plan, 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 The Plan.

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

		December 31,
(USD in thousands)	**2023**	**2022**
Discount rate	2.2%	1.5%
Interest credit rate	2.0%	1.0%
Expected long-term rate of return on plan assets	4.0%	4.0%
Rate of compensation increase	1.3%	1.0%

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 Plan is funded by regular contributions from employees and the Company. The 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. The 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 Plan assets by asset class as of December 31, 2023, and December 31, 2022, are presented below.

				December 31, 2023
(USD in thousands)	**Level 1**	**Level 2**	**Not subject to leveling[1]**	**Total**
Cash and cash equivalents	7,577	2,069	—	9,646
Debt securities	—	189,454	—	189,454
Equity securities	—	149,488	—	149,488
Real estate	—	—	151,535	151,535
Alternatives	—	—	15,717	15,717
Total	**7,577**	**341,011**	**167,252**	**515,840**

				December 31, 2022
(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 7,832 thousand to the defined benefit pension plan in 2024.

Estimated future benefit payment

The expected future cash flows to be paid by The Plan in respect of pension as of December 31, 2023 are as follows:

Year	**(USD in thousands)**
2024	34,929
2025	28,485
2026	30,620
2027	27,209
2028	31,247
2029 - 2033 inclusive	**146,039**

Note 9

Property, plant and equipment, net

		December 31,
(USD in thousands)	**2023**	**2022**
Land and buildings	232,020	189,727
Machinery and equipment	367,817	290,894
Construction in progress	29,781	39,141
Leasehold improvement	15,044	1,455
Total, gross	**644,662**	**521,217**
Accumulated depreciation	**(461,027)**	**(371,108)**
Total, net	**183,635**	**150,109**

Depreciation expense amounted to USD 26,436 thousand and USD 20,832 thousand for 2023 and 2022, respectively.

During the last two years, there were no material 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:

	Twelve-month period ended December 31,	
(USD in thousands)	**2023**	**2022**
Operating lease cost	11,229	9,274
Finance lease cost:	261	26
Amortization of right-of-use assets	225	25
Interest on lease liabilities	36	1
Total lease expense	**11,490**	**9,300**

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

	Twelve-month period ended December 31,	
(USD in thousands)	**2023**	**2022**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	10,864	8,982
Financing cash flows from finance leases	215	72
Right-of-use assets obtained in exchange for new liabilities:		
Under operating leases	20,502	6,176
Under finance leases	355	-138

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

		December 31,
(USD in thousands)	**2023**	**2022**
Operating Leases:		
Weighted-average remaining term (years)	7	6
Weighted-average discount rate	4.0%	15.5%
Finance Leases:		
Weighted-average remaining term (years)	3	4
Weighted-average discount rate	6.4%	4.7%

As of December 31, 2023, 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**
2024	8,325	191
2025	6,868	169
2026	6,057	120
2027	4,792	34
Thereafter	18,947	31
Total minimum lease payments	**44,989**	**545**
Difference between undiscounted cash flows and discounted cash flows	**(6,206)**	**(52)**
Present value of minimum lease payments	**38,783**	**493**

Note 11

Goodwill and other intangible assets

(USD in thousands)	
Balance as of December 31, 2021	6,984
Foreign currency translation	167
Balance as of December 31, 2022	**7,151**
Acquisitions	31,641
Foreign currency translation	1,472
Balance as of December 31, 2023	**40,264**

Intangible assets other than goodwill consist of the following:

						December 31,
(USD in thousands)			**2023**			**2022**
	Gross carrying amount	**Accumulated amortization**	**Net carrying amount**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Capitalized software for internal use	24,522	(22,577)	1,945	22,133	(18,810)	3,323
Customer relationship	34,259	(951)	33,308	—	—	—
Other intangible assets	8,221	(999)	7,222	596	(531)	65
Total	**67,002**	**(24,527)**	**42,475**	**22,729**	**(19,341)**	**3,388**

The increase in intangible assets in 2023 was primarily due to customer relationship and other intangible assets resulting from the OMT acquisition. Amortization expenses for intangible assets other than goodwill during 2023 and 2022 amounted to USD 3,692 thousands and USD 1,913 thousands, respectively.

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

The weighted-average useful lives of other intangible assets acquired during the period are as follows:

	Weighted-Average Useful Life (in years)
Technology	10
Customer relationships	15
Corporate brand	18
Order backlog	2

As of December 31, 2023, estimated future amortization expense related to intangible assets other than goodwill was as follows:

	USD in thousands
2024	4,231
2025	3,362
2026	3,362
2027	2,663
2028	2,663
Thereafter	26,194
Total	**42,475**

Note 12

Inventories

(USD in thousands)	December 31, 2023	2022
Raw materials	115,471	99,882
Work in progress	44,471	18,275
Finished goods	90,585	66,327
Advances to suppliers	717	1,803
Total	**251,244**	**186,287**

As of December 31, 2023, the Company inventory balance includes inventory acquired as part of the OMT acquisition (refer to Note 25) across all components, with the most significant being Work in progress amounting to USD 13,775 thousands.

Note 13

Receivables, net

(USD in thousands)	December 31, 2023	2022
Trade receivables	205,956	185,598
Non-Trade receivables	20,993	17,801
Allowance	(4,534)	(3,809)
Total	**222,415**	**199,590**

Note 14

Other current assets

(USD in thousands)	December 31, 2023	2022
Prepaid expenses and accrued income	10,967	5,713
Other current assets	25,867	17,572
Total	**36,834**	**23,285**

The increase of prepaid expense and accrued income in 2023 is related to the acquisition of OMT while the other current assets increase is due to changes in the derivatives balance. Other current assets as of December 31, 2023, and December 31, 2022, includes income tax receivables in the amount of USD 10,851 thousands and USD 14,914 thousands, respectively.

Note 15

Current and non-current provisions

(USD in thousands)	December 31, 2023	2022
Provision for warranties	19,560	18,833
Provisions for loss orders	4,922	3,152
Other provisions[1]	5,803	5,994
Total current provisions	**30,285**	**27,979**

1 Other provisions include provisions for work due.

(USD in thousands)	December 31, 2023	2022
Provision for warranties[1]	15,499	9,236
Other provisions	7,877	6,980
Total non-current provisions	**23,376**	**16,216**

1 Provision for warranties include USD 6,035 thousands which were reported as accrued expenses in 2022.

Note 16

Accrued liabilities and other current liabilities

(USD in thousands)	December 31, 2023	2022
Accrued expenses	22,249	30,390
Employee-related liabilities	36,835	25,836
Total accrued liabilities	**59,084**	**56,226**

(USD in thousands)	December 31, 2023	2022
Current tax liability	14,569	9,156
Non-trade payables	14,708	27,513
Other	16,813	4,066
Total other current liabilities	**46,090**	**40,735**

As of December 31, 2023, decrease of non-trade payable is due to payment to Former Parent. The Non-trade payables mainly consist of compensation and benefit related taxes while the Other liability consists of value added tax.

Note 17

Accounts payable

(USD in thousands)	December 31, 2023	2022
Trade payables	119,444	72,417
Invoices to come, trade	34,062	58,310
Total	**153,506**	**130,727**

Note 18

Shareholders' equity

Share capital
As of December 31, 2023 and December 31, 2022 respectively, 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.

Dividends
At the Annual General Meeting of Shareholders on May 9, 2023, shareholders approved the proposal of the Board of Directors to distribute CHF 0.73 gross per share to shareholders. The declared dividend amounted to USD 76 million, resulting in a decrease of additional paid-in capital and was paid in May 2023.

Treasury shares
During 2023, the Company awarded 11,844 treasury shares to the Board of Directors as part of their compensation program. As of December 31, 2023, the Company owned 736,857 treasury shares.
As of December 31, 2022, 748,701 treasury shares originated from a contribution of the Former Parent prior to the first day of trading.

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, 2023 and 2022.

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 foreign exchange swaps and forward foreign exchange contracts to manage the currency and timing mismatches arising in its liquidity management activities.

Note 20

Current and non-current debt

		December 31,
(USD in thousands)	**2023**	**2022**
Current debt	1,803	–
Non-current debt	475,818	322,770
Total debt	**477,621**	**322,770**

The Company's total debts are recognized at nominal value.

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 multi-currency revolving credit facility (RCF) in the amount of CHF 100 million. The committed lines under the Facility will be available until September 30, 2027. On March 20, 2023, the Company drew a term loan in the amount of CHF 50 million under the existing Facility. On July 18, 2023, the Company drew the amount of CHF 50 million under the RCF. Interest costs on the drawings under the Facility are calculated using the Swiss Average Rate Overnight (SARON) plus a predefined margin, while commitment fees (payable on 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.

Note 21

Commitments and contingencies

Regulatory, compliance and legal commitments
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 letters of comfort issued by third parties are reported as contingent liabilities. As of December 31, 2023 and December 31, 2022, they amount to USD 6,275 thousands and USD 5,954 thousands, respectively.

Note 22

Non-current liabilities

		December 31,
(USD in thousands)	**2023**	**2022**
Deferred income	1,243	—
Other non-current liabilities	4,224	239
Total non-current liabilities	**5,467**	**239**

As of December 31, 2023, the non-current liabilities include the contingent consideration to be earned and paid over the consecutive three years in equal installments following the acquisition date of OMT – refer to Note 25.

Note 23

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. As of then, all transactions with the Former Parent have been reclassified to third party.

Note 24

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%
China	Kunshan Kenda OMT Fuel Injection	50%
Colombia	Turbo Systems Colombia SAS	100%
Cyprus	Turbocharging Greece, Single Member - Branch Cyprus	100%
Denmark	Turbo Systems Finland Oy - Branch Denmark	100%
Dominican Republic	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%
Hong Kong	Accelleron Turbo Systems (Hong Kong) Limited	61%
Hong Kong	Accelleron Industries (Hong Kong) Limited	100%
India	Turbocharging Industries and Services India Private Limited	100%
Indonesia	PT Turbo Systems Sakti Indonesia	60%
Italy	Turbo Systems Italy S.P.A.	100%
Italy	OMT Officine Meccaniche Torino S.p.A	100%
Italy	SmarTrade S.r.l	100%
Italy	OMT Digital S.r.l	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[2]	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 interest: voting rights and ownership are equal for each subsidiary with the exception of the the Thailand subsidiary (Turbocharging Systems Co., Ltd), where the ownership and voting rights amount to 49% and 91%, respectively

2 Legal entity in liquidation

Note 25

Acquisition

Acquisition of Officine Meccaniche Torino S.p.A. (OMT)
On July 20, 2023, the Company completed its acquisition of all of the issued and outstanding shares and voting interests of OMT, a leading manufacturer of fuel injection systems for marine engines in Italy. The acquisition will strengthen the Company's position as a leading innovator in the use of alternative fuel technologies for large marine engines and contribute to the decarbonization of the shipping industry.

The purchase consideration of USD 106.6 million includes contingent consideration of USD 6.2 million, to be earned and paid over the consecutive three years in equal installments following the acquisition date on each year as per May 31st. The contingent consideration serves as a security after the acquisition. As a consequence, the Company's cash outflow for the business acquisition, net of cash acquired was USD 92.8 million, being the total consideration transferred for the acquisition. Controlling interests acquired are accounted for under the acquisition method and included in the Company's Consolidated Financial Statements from the date of acquisition.

The following table discloses the allocation of the purchase price to the identifiable assets acquired and liabilities assumed as of the date of the acquisition:

(USD in millions)	
Consideration transferred	
Cash	100.4
Contingent Consideration	6.2
Total consideration paid in acquisition of business	**106.6**
Fair value of acquired assets:	
Cash and cash equivalents	7.6
Net working capital (excl. inventory)	11.1
Inventory	25.0
Property, plant and equipment	11.6
Other assets and liabilities	(10.2)
Customer relationships	34.2
Order backlog	3.4
Technology	2.8
Corporate brand	1.7
Total assets acquired	**87.2**
Deferred tax liabilities assumed	(12.2)
Net assets recognized as a result of acquisitions of business	**75.0**
Goodwill[1]	**31.6**

1 Recorded as goodwill (see Note 11).

The residual balance of the purchase price, after the allocations to all identified assets and liabilities based on their fair value, represents goodwill, which reflects expected synergies and cost savings. As of December 31, 2023, the purchase price allocation is still being evaluated. While the Company uses its best estimates and assumptions as part of the purchase price allocation process to value assets acquired and liabilities assumed at the acquisition date, the purchase price allocation for acquisitions is preliminary for up to 12 months after the acquisition date and may be subject to refinement.

The results of OMT are included in the Company's Consolidated Financial Statements from the date of the acquisition. The impact of the activity since the acquisition date on the Consolidated Financial Statements is not material.

Note 26

Subsequent events

On February 26, 2024, the Company has repaid CHF 50 million under its current credit facility. Otherwise, there were no events between the balance sheet date December 31, 2023, and March 25, 2024, the date these consolidated financial statements were approved by the Board of Directors which would require additional disclosures or changes in the consolidated financial statements.

07

Statutory Financial Statements of Accelleron Industries AG

KPMG

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, 2023, 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 100 to 102) 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 Financial Statements, the stand-alone 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.

KPMG

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

— Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships

KPMG

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.

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 and the proposed repayment of additional paid in capital comply 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

Andrius Cibas
Licensed Audit Expert

Zurich, March 25, 2024

Statutory Financial Statements

Income statement

		Twelve-month period ended December 31,	
(CHF in thousands)	**Note**	**2023**	**2022**
Dividend income	4	70,000	–
Other income	3	1,198	188
Interest and other finance expense		(513)	–
General and administrative expenses	5	(21)	(88)
Net income before taxes		**70,664**	**100**
Income tax expense		(178)	(17)
Net income		**70,486**	**83**

See accompanying notes to the Statutory Financial Statements

Balance sheet

		December 31,	
(CHF in thousands)	**Note**	**2023**	**2022**
Cash and cash equivalents		909	922
Receivables from investments		1,539	187
Other current assets		918	–
Total current assets		**3,366**	**1,109**
Investments	6	297,747	297,747
Total non-current assets		**297,747**	**297,747**
Total assets		**301,113**	**298,856**
Accrued expenses and other liabilities		249	102
Total current liabilities		**249**	**102**
Total liabilities		**249**	**102**
Share capital		945	945
Additional paid in capital		233,274	301,713
Treasury shares		(3,903)	(3,966)
Retained earnings/(Accumulated loss)		62	(21)
Net income		70,486	83
Total shareholder's equity	**7**	**300,864**	**298,754**
Total liabilities and shareholder's equity		**301,113**	**298,856**

See accompanying notes to the Statutory Financial Statements

Notes to the Statutory

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, 2023 and in the financial year ended December 31, 2022.

These financial statements were prepared in accordance with 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 cost 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 subsidiaries.

Note 4

Dividend income

Interest and other finance income includes dividend income in the amount of CHF 70,000 thousand received in 2023 and related to 2022.

Note 5

General and administrative expenses

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

Note 6

Investments

As of December 31, 2023, 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 24 to the Group's Consolidated Financial Statements.

Note 7

Shareholder's equity

Share Capital
As of December 31, 2023, 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, 2023, and for financial year ended December 31, 2022, was as follows.

				December 31,
		2023		2022
(CHF in thousands, except share numbers)	**Number of shares**	**Total transaction amount**	**Number of shares**	**Total transaction amount**
Balance as of January 1	**748,701**	**(3,966)**	**–**	**–**
Contributed by Former Parent, free and clear of any encumbrances	–	–	748,701	(3,966)
Delivery of shares	(11,844)	63	–	–
Balance as of December 31	**736,857**	**(3,903)**	**748,701**	**(3,966)**

Treasury shares originate from a contribution of the Former Parent prior to the first day of trading.

Note 8

Shareholdings of Board of Directors and Executive Committee

As of December 31, 2023, the members of the Board of Directors held the following number of shares in Accelleron Industries AG:

		December 31, 2023
Name	**Function**	**Number of Accelleron Industries AG's shares held**
Oliver Riemenschneider	Chair	10,497
Monika Krüsi	Vice-Chair and AC Chair	1,992
Gabriele Sons	NCC Chair	1,581
Stefano Pampalone	Member	1,268
Bo Cerup-Simonsen	Member	1,370
Detlef Trefzger	Member	1,623
Total shares		**18,331**

As of December 31, 2023, 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, 2023
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**	**LTIP 2023**
Daniel Bischofberger	CEO	17	12,226	19,774	19,126
Adrian Grossenbacher	CFO	–	1,555	9,322	7,514
Annika Parkkonen	CHRO	–	–	2,110	5,101
Dirk Bergmann	CTO	7	1,400	6,328	5,101
Roland Schwarz	Division President Service	100	1,574	9,322	7,514
Christoph Rofka	Division President Medium & Low Speed	162	2,631	9,322	7,514
Herbert Müller	Division President High Speed	22	1,555	6,328	5,101
Total shares		**308**	**20,941**	**62,506**	**56,971**

Note 9

Significant shareholders

As of December 31, 2023, 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, 2023
Name	**Number of shares**	**Voting rights %**
UBS Fund Management (Switzerland) AG	4,779,675	5.1%
Swisscanto Fondsleitung AG	4,723,731	5.0%
Norges Bank (the Central Bank of Norway), Oslo, Norway	3,140,052	3.3%
Credit Suisse Funds AG	2,868,820	3.0%

Note 10

Contingent liabilities

As of December 31, 2023, 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 11

Subsequent events

There were no events between the balance sheet date December 31, 2023, and March 25, 2024, the date these statutory financial statements were approved by the Board of Directors which would require additional disclosures or changes in the statutory financial statements.

Appropriation of available earnings

	December 31,
(CHF in thousands)	**2023**
Net income	70,486
Retained earnings/(Accumulated loss)	62
Allocation from additional paid in capital	10,000
Total available earnings	80,548
Dividend[1]	(80,325)
Balance to be carried forward	**223**

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

The Board of Directors proposes to pay a dividend of CHF 0.85 gross per share, resulting in a total dividend amount of CHF 80,325 thousand.

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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 (US 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 US 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 adjusted for net investments in property, plant and equipment and intangible assets
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

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Appendix – Sustainability report

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Appendix data excludes OMT.

Human Resources

Employment

Theme	Unit	2022 data	2023 data	Explanation
Total number of employees	–	2,422	2,519	valid as from 12/31/2023
Percentage of full-time employees	%	92.9	93.0	valid as from 12/31/2023
Percentage of part-time employees	%	7.1	7.0	valid as from 12/31/2023
Rate of employees with a regular contract	%	–	97	valid as from 12/31/2023
Rate of employees with a fixed-term contract	%	–	3	valid as from 12/31/2023
Rate of new employees hired	%	19.4	13.4	valid as from 12/31/2023
Rate of new employees hired by age group (<25)	%	11.9	15.4	valid as from 12/31/2023; 2022 data methodology calculation has been adjusted with the same methodology as 2023 for better transparency of the reported data
Rate of new employees hired by age group (25-34)	%	48.5	41.8	valid as from 12/31/2023; 2022 data methodology calculation has been adjusted with the same methodology as 2023 for better transparency of the reported data
Rate of new employees hired by age group (35-44)	%	23.7	31.6	valid as from 12/31/2023; 2022 data methodology calculation has been adjusted with the same methodology as 2023 for better transparency of the reported data
Rate of new employees hired by age group (45-55)	%	12.4	8.1	valid as from 12/31/2023; 2022 data methodology calculation has been adjusted with the same methodology as 2023 for better transparency of the reported data
Rate of new employees hired by age group (>55)	%	3.6	3.1	valid as from 12/31/2023; 2022 data methodology calculation has been adjusted with the same methodology as 2023 for better transparency of the reported data
Tenure in the Company	Years	10.7	10.5	valid as from 12/31/2023
Amount of worked hours	Hours	4,844,000	5,038,000	valid as from 12/31/2023

Employee benefits by significant locations

Theme	Unit	2022 data	2023 data	Explanation
Private savings contribution	–	–	–	The Swiss facility offers special conditions for their third pillar pension (3A) whereby every employee can contribute up to CHF 15,000, Accelleron adds up 3 percentage points of the interest.
Stock ownership plan	–	–	–	Global: Stock ownership plan is not applicable. LTI Plan provision for top management position (Grade 1 to 7).
Variable performance-based component to pay	–	–	–	Global: All categories of employees, except intern, trainees and apprentices, are entitled to either STIP or Local/ Sales incentives - as relevant to country eligibility rules.
Define significant location	–	–	–	Significant locations are locations which represent the vast majority of our employee base. China, Switzerland and USA represent more than 50% of our total employee baseline.
Collective bargaining	–	–	–	The following locations have a collective bargaining agreement: India, Singapore, Brazil, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland. These countries represent 59% of the total Accelleron workforce without OMT.
Other benefits specific to Switzerland	–	–	–	CH: Employees have access to a child day-care at a reduced price and Accelleron paid the equivalent of CHF 230,000 in 2023 to sponsor this price reduction. Accelleron offers a fee reduction (10%) at specific health-insurance providers and a price reduction for GPs. Partnership with car dealers allow our employees to have extra price reduction on top of the proposed reduction (13-20%). Accelleron's "Unterstützungsfond" (support fond) is a fund providing support for employees and other beneficiaries in need of support. 80 persons were helped in 2023.

Parental leave

Theme	Unit	2022 data	2023 data	Explanation
Total number of employees that were entitled to parental leave in significant locations (USA, China and Switzerland)	–	1,155	1,184	–
Total number of female employees that were entitled to parental leave in significant locations (USA, China and Switzerland)	–	184	188	–
Total number of male employees that were entitled to parental leave in significant locations (USA, China and Switzerland)	–	971	996	–
Total number of employees that took parental leave in significant locations (USA, China and Switzerland)	–	46	49	–
Total number of female employees that took parental leave in significant locations (USA, China and Switzerland)	–	6	8	–
Total number of male employees that took parental leave in significant locations (USA, China and Switzerland)	–	40	41	–
Total number of employees that returned to work in the reporting period after parental leave ended in significant locations (USA, China and Switzerland)	–	45	48	–
Return to work rate of employees that took parental leave in significant locations (USA, China and Switzerland)	%	99.2	99.2	–
Retention rate of employees that took parental leave in significant locations (USA, China and Switzerland)	%	99.2	99.2	–

Training and education

Theme	Unit	2022 data	2023 data	Explanation
Total training hours for service engineers	Hours	4,856	6,192	–
Average training hours per year per service engineer	Hours/service engineer per year	36.8	35.4	–
Percentage of employees receiving a performance review and career development review	%	>95	96.4	–
Percentage of female employees receiving a performance review and career development review	%	>95	96.8	–
Percentage of male employees receiving a performance review and career development review	%	>95	97.5	–
Percentage of management receiving a performance review and career development review	%	>95	>95	–
Percentage of non-management receiving a performance review and career development review	%	>95	>95	–

Diversity and equal opportunity

Theme	Unit	2022 data	2023 data	Explanation
Share of females on Board of Directors	%	33	33	Accelleron has surpassed the gender quota requirements for Swiss corporate law on its BoD
Share of females on Executive Committee	%	14	14	–
Share of females in management positions	%	16	16	Definition of management: senior and middle management
Share of females in senior leadership positions	%	21	20	Senior leadership position refers to people who directly report to Executive Committee members and/or are is Country Managing Directors
Share of females in the overall company	%	15	17	–

Integrity

Anti-corruption

Theme	Unit	2022 data	2023 data	Explanation
Risk assessment related to anti-corruption	–	yes	Non-applicable (NA)	In 2024, a distinct integrity risk assessment will be conducted, with a particular emphasis on anti-corruption and related topics. The assessment results will be taken into consideration in the evolution of our approach to prevent, detect and resolve integrity concerns.

Code of Conduct

Theme	Unit	2022 data	2023 data	Explanation
Total number of governance body members and EC members to whom Accelleron's Code of Conduct has been communicated	–	13	13	The six members of the BoD and the seven members of the EC have had the CoC communicated to them.
Percentage of governance body members to whom Accelleron's Code of Conduct has been communicated	%	100	100	The six members of the BoD and the seven members of the EC have had the CoC communicated to them.
Percentage of employees to whom Accelleron's Code of Conduct has been communicated	%	100	>95	All our employees were included in a mandatory e-learning course on our Code of Conduct, which includes a learning test an an explicit acknowledgment to abide by the CoC.

Confirmed incidents of corruption and actions taken

Theme	Unit	2022 data	2023 data	Explanation
Total number of confirmed incidents of corruption	–	3	0	In 2023, Accelleron did not identify any confirmed incidents of corruption. No lawsuits for anti-corruption were pending or concluded. One reported incident could not be substantiated during internal investigation.
Nature of confirmed incidents of corruption	–	–	NA	–
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	–	2	0	–
Total number of confirmed incidents where contracts with business partners were terminated or not renewed due to violations related to corruption	–	1	0	–
Public legal cases regarding corruption brought against Accelleron or its employees during the reporting period and the outcomes	–	0	0	–

Anti-competitive behavior

Theme	Unit	2022 data	2023 data	Explanation
Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violation of antitrust and monopoly legislation in which Accelleron has been identified as a participant	–	0	0	Our CoC requires Accelleron to compete fairly, protect confidential information and be mindful of antitrust risks. Adherence to competition and antitrust laws is mandatory in all business dealings. The Code offers actionable guidelines, such as instructing our staff not to share commercially sensitive information in contravention of competition laws, and to be vigilant when participating in trade associations. There were no cases and there are no pending legal actions on anti-trust.
Main outcome of completed legal actions including any decision or judgments	–	NA	NA	–

Non-discrimination

Theme	Unit	2022 data	2023 data	Explanation
Total number of discrimination cases reported	–	1	2	–
Status of the incidents and actions taken with reference to the following: A) Incident reviewed by Accelleron B) Remediation plan being implemented C) Remediation plan has been implemented with results reviewed through internal management review process D) Incident no longer subject to action	–	–	Incident no longer subject to action	Discrimination is understood as unequal or differential treatment that disfavors an individual or a group and that is based on origin, ethnicity, race or nationality, belief or gender. The two reported cases were investigated, however the allegations could not be substantiated.

Public policy

Theme	Unit	2022 data	2023 data	Explanation
Total monetary value of financial and in-kind political contributions made directly and indirectly by Accelleron by country and recipient	–	0	0	Accelleron is part of various industrial associations which are represented at the EU level (see innovation chapter). Political contribution is explained in the anti-corruption policy. No contributions shall be made without the approval of the Legal and Integrity team. In 2023, Accelleron did not make any political contributions. More details can be found in the anti-corruption policy available on our website.

Customer privacy

Theme	Unit	2022 data	2023 data	Explanation
Total number of substantiated complaints received concerning breaches of customer privacy	–	0	0	No complaints have been reported on this issue
Total number of identified leaks, theft or losses of customers data	–	2	0	

Freedom of association and collective bargaining

Theme	Unit	2022 data	2023 data	Explanation
Operations in which the right to freedom of association and collective bargaining may be at risk:	–	12	18	Based on https://fragilestatesindex.org, the following countries represent a source of risk as they have a score of at least 55 which is the starting point of the "warning" classification: Bangladesh, Pakistan, Philippines, Thailand, Indonesia, Egypt, Cameroon, Senegal, Nigeria, Myanmar, Sri Lanka, Turkey, South Africa, Saudi Arabia, India, China, Dominican Republic, Brazil. In 2022, we considered a threshold of 80. In 2023, to be aligned with our supply chain approach, we set the limit at 55.
Measures taken to support rights to exercise freedom of association and collective bargaining	–	–	–	Our policies and Code of Conduct leave the choice for any worker of any of our operations to create any type of worker association.

Child labor

Theme	Unit	2022 data	2023 data	Explanation
Amount of operations considered to have significant risks for incidents of child labor due to country fragility index status	–	12	18	Based on https://fragilestatesindex.org, the following countries represent a source of risk as they have a score of at least 55 which is the starting point of the “warning” classification: Bangladesh, Pakistan, Philippines, Thailand, Indonesia, Egypt, Cameroon, Senegal, Nigeria, Myanmar, Sri Lanka, Turkey, South Africa, Saudi Arabia, India, China, Dominican Republic, Brazil. In 2022 we considered a threshold of 80. In 2023, to be aligned with our supply chain approach, we set the limit at 55.
Amount of operations considered to have significant risks for incidents of young workers exposed to hazardous work	–	–	–	Our young workers are not exposed to hazardous work as per our internal policies.
Measures taken by Accelleron to contribute to the effective abolition of child labor	–	–	–	Our policies and CoC explicitly express the absence of tolerance related to child labor. Our global hiring procedures require evidence of the age of the future employee, and we do not hire or work with people under the age of 18 (except apprentices). On top of that, all our employee policies are aware of the regulation through the CoC. Regular visits from the management team, and human rights training sessions for the operational management team have been conducted. For more information, visit our website.

Forced or compulsory labor

Theme	Unit	2022 data	2023 data	Explanation
Amount of operations considered to have significant risks for incidents of child labor due to country fragility index status	–	12	18	Based on https://fragilestatesindex.org/, the following countries represent a source of risk as they have a score of at least 55 which is the starting point of the “warning” classification: Bangladesh, Pakistan, Philippines, Thailand, Indonesia, Egypt, Cameroon, Senegal, Nigeria, Myanmar, Sri Lanka,Turkey, South Africa, Saudi Arabia, India, China, Dominican Republic, Brazil. In 2022 we considered a threshold of 80. In 2023, to be aligned with our supply chain approach, we set the limit at 55.
Measures taken by Accelleron to contribute to the effective abolition of forced or compulsory labor	–	–	–	The Accelleron policies and Code of Conduct explicitly express our zero-tolerance towards forced labor. On top of this, all our employees are aware of the rules and their possibility to report any abuse in an anonymous manner.

Product safety

Theme	Unit	2022 data	2023 data	Explanation
Number of incidents related to product usage	–	0	0	No occupational and/or environmental incidents were reported in 2023 during usage of our products by our customers.

Give-back-to-the-community projects

Theme	Unit	2022 data	2023 data	Explanation
Number of “Give-back-to-the-community” projects	–	2	22	According to our internal guideline, the “Give back to community” initiative at Accelleron covers all projects focused on making a positive societal impact in the regions where we operate based on the local need. The act of “giving back” entails taking action without any anticipation of receiving something in return.
Funds spend in connection with “Give-back-to-community” projects	CHF	2,500	25,989	The reported funds include monies for various activities, including the purchasing of material and equipment. This amount does not consider the value of substantial internal working hours of our employees. Within the scope of our work, we are considering both direct and indirect social projects that will have a positive impact on the daily lives of individuals, including those affected by catastrophic events.

Occupational health and safety

Management system

Theme	Unit	2022 data	2023 data	Explanation
Reports of all leading and lagging indicators used to inform management about Accelleron's health and safety performance	–	–	–	At Accelleron, we actively monitor leading indicators globally, covering proactive LET (former sustainability observation tours reported in 2022 (SOT)), dedicated for line managers and supervisors. Lagging indicators cover the LTIFR, calculated per 200,000 working hours.
Definitions of different types of work-related incidents and reporting rules	–	–	–	Accelleron incident classification is in line with US OSHA rules and the reporting system covers the following categories: near miss, first-aid incident, medical treatment incident, restricted work-day incident, lost-time incident, serious-injury incident (high-consequence work-related injury), workplace fatalities. EXCLUSIONS: incidents that happened during commutes* are reported but not considered as work-related and are not recordable. *Commutes – Accelleron employees and/or contractors traveling to or from their place of work and not undertaking any work-related activities, with the exception of when the transportation agent is a contractor to Accelleron. Reporting rules: all work-related environmental, health, safety and security incidents are immediately reported to the line manager. Based on the incident severity, the line manager initiates incident communication following Accelleron's Incident Reporting Guidance and deadlines. The incident is then reported in the global reporting tool within 48 hours.
Total amount of LET	–	1,624	2,015	Total amount of all LET conducted by the line managers in the organization (manager with at least one direct report).
Define LET	–	–		LET – Learning and Engagement Talk: HSE-focused dialog between employee(s) and line manager. Its objective is to understand what works well and what makes the work of employees difficult. LETs are an opportunity to focus on feedback from the employee on how certain activities are performed, engage employees in discussion on work practices and improve them.
Percentage of sites ISO 45001 certified	%	70	46	The decrease of sites being certified is due to the transition period between the ABB certification system and the ongoing approach to have a global certification system. The Swiss and the Chinese manufacturing sites are certified in accordance with ISO 45001, as well as several service stations.
Percentage of sites ISO 14001 certified	%	57	29	The decrease of sites being certified is due to the transition period between the ABB certification system and the ongoing approach to have a global certification system. The Swiss and the Chinese manufacturing sites are certified in accordance with ISO 14001, as well as several service stations.
Number of sites ISO 50001 certified	–	1	2	The Chinese manufacturing site and the Greek site are certified in accordance with ISO 50001.
Description of the process to identify work-related hazard and assess risks on a routine and non-routine activities and to apply the hierarchy of controls including how Accelleron ensure quality of these processes and the competences. Explain how the results of these processes are used to evaluate and improve the OHS management system	–	–	–	Key process at Accelleron regarding hazard identification and risk control are defined within globally implemented HSE Management System and cover: hazards reporting and resolving, business level HSE risk register, activity-based risk assessment for own operations and last-minute risk assessment executed prior to starting the service job on customer site. The quality of those processes is ensured through: regular performance review, data sanity checks, delivery of specialist trainings, regular workplace inspections including control measures applied and various quality controls done by line managers. Relevant results are analyzed globally through collection of local management review results, data analytics (incidents, non-conformities, hazards trends, etc.), focused feedback loops, etc. Results are used to further improve the relevant safety standards, procedures and processes, contributing to improved HSE performance.

Management system

Theme	Unit	2022 data	2023 data	Explanation
Explain the "Stop work authority"	–	–	–	All Accelleron employees and contractors are authorized to apply stop work authority. They are expected to stop work whenever they believe a situation may be immediately dangerous to life and health of themselves or others, and/or result in a significant environmental damage and/or where product is at risk of damage. All stop work events shall be reported and investigated (with root cause analysis performed) regardless of the outcome. In 2023, we standardized and enforced the procedure across our operations.
Describe the process to investigate work-related incidents	–	–	–	All verified incidents and near misses shall be investigated. Incident investigation level and technique to be used are defined based on the incident severity and focus thoroughly on root cause analysis (RCA). The investigations are undertaken by trained and qualified employees. Regular investigation checks are performed to ensure focus on investigation quality, operational leadership and availability of the resources and support required for the investigation. The investigation process includes Investigation kick-off, RCA review and final incident close-out meeting led by the Operations Senior Leaders and supported by Global Investigation Expert.
Describe the process for worker participation and consultation in the development, implementation and evaluation of Accelleron OHS management system and for providing access to and communicating relevant information to workers	–	–	–	Employee consultation and participation is promoted through maintaining committees, Learning & Engagement talks, focus groups, safety briefings, toolbox talks, feedback loops and the use of visual communication means. Accelleron communicates all relevant HSE information through various channels, including regular global HSE calls, Country Managing Directors call and HSE Community calls. Relevant information is then cascaded down to the local employees as per local communication plans. In 2023, at Accelleron we held the first safety month event in November.

Health

Theme	Unit	2022 data	2023 data	Explanation
Explanation on access to health services related to non-occupational medical and healthcare services and the scope of access provided	–	–	–	Accelleron partners with the third party "International SOS" to provide travel, medical and security advice and assistance to employees on international travels and work assignments. Assistance centers offer services and advice within these categories related to health: • Epidemics/pandemic • Illnesses and injuries (cooperation with the hospitals, clinics) • Local condition in the country of destination (e.g. air quality, water potability, etc.) • Personal well-being (depression, psychological problems, stressful situations International SOS also provides e-learnings for travel-related health topics like: • Medical travel risk awareness • Stress management • Safe food and water • Tips for working from home • Emotional resilience In 2023, over 2,700 notification emails were sent by our partner to international travelers to inform them about security and medical risks in their destination country. We have 397 Assistance app users, which is approx. 60% of all international travelers that use the services proactively. There were 14 assistance cases when our partner provided help to the travelers to ensure their well-being.

Health

Theme	Unit	2022 data	2023 data	Explanation
Description of any voluntary health promotion services and programs offered to workers to address major non-work related health risks in significant location	–	–	–	Globally, Accelleron employees have access to an Employee Assistance Program. This tool is led by HR. The tool provides mental health assistance, and it helps employees to cope with a current life challenge, preparing for a new life experience, personal or work-related experiences. In the year 2023, there were 23 cases handled via EAP related to health risks and queries like stress, anxiety, relationships, anger issues, etc. On top of that, there exists a fitness program where several classes per week are available online. In 2023, Accelleron does not have full coverage for all its locations on this KPI but has information on its two manufacturing sites based in China and Switzerland. The Chinese site offers the following activities: 1. Well-being and resilience training for new employees, led by HSE Advisor 2. Continue EAP (workplace options), led by HR 3. Community game in Chongqing, led by labor union 4. Sports promotion, led by labor union 5. Continue ergonomics initiations both on the shop floor and office (power/hand tool improvement, backpack), led by the supervisors 6. Ergonomics project for PEP packing line, led by OPS 7. Continue annual employee medical checks, led by HR 8. Health guide & review for outing, led by HSE 9. Health advice and knowledge sharing via company WeChat, led by HSE The Swiss site offers the following activities: 1. Resilience Training led by medical staff from a Medical services supplier (available to all Accelleron employees globally) 2. Ergonomics training and ergonomics walks and checks led by the medical service provider and HSE Advisor 3. Fitness program – several classes per week (on-site and online) e.g. yoga, pilates, online courses available on the provider's website; several on-site workshops per year e.g. “Ready to Ski”, “Bike to Work” 4. Free seasonal flu vaccinations for employees 5. Health campaigns: “Mental health First Aider – ENSA” “Mental health training for team leaders and managers”, International SOS sessions with medical professionals on “Dealing with mental health issues” – separately for Managers and all employees 6. Fruit day – fresh fruit available for employees in lunch and coffee areas Additionally, during Accelleron Safety Month, the following health-related sessions were run across the Company: 1. Mental health webinar – a total of 185 participants 2. Resilience awareness session - a total of 153 participants

Safety

Theme	Unit	2022 data	2023 data	Explanation
Number of fatalities				
Employees	–	0	0	No case was reported in 2023
Contractors	–	0	0	No case was reported in 2023
Number of serious injuries				
Employees	–	0	1	Finger injury resulted in a partially finger amputation
Contractors	–	0	0	No case was reported in 2023
Number of of lost-time incidents				
Employees	–	11	13	–
Contractors	–	0	0	–
LTIFR (employees only)	–	0.46	0.52	Lost-time incident frequency rate (LTIFR) – calculated by finding the total number of lost-time incidents per 200,000 hours worked over a certain period.
Main types of work-related injuries (employees only)	–	–	–	Nature of our work, where the at-risk workforce work manually, the majority of workplace lost-time injuries relate to fingers and hands during manual/power tool operations.
Number of recordable incidents				
Employees	–	17	18	–
Contractors	–	0	0	–
TRIFR (employees only)	–	0.71	0.71	Total recordable incident frequency rate (TRIFR) – calculated by finding the total number of recordable incidents (fatalities, serious incidents, lost-time incidents, medical treatments, restricted work-day cases, occupational diseases) per 200,000 hours worked over a certain period.
Number of recordable work-related ill health cases				
Employees	–	0	0	No case was reported in 2023
Main types of work-related ill health	–	–	–	Non-applicable

Environment

Energy

Theme	Unit	2022 data	2023 data	Explanation
Total energy consumed	Gigajoule	135,400.7	126,189.6	–
Total amount of electricity consumed	Gigajoule	82,939.7	77,704.1	–
Total amount of oil consumed	Gigajoule	22,894.6	20,396.4	–
Total amount of gas consumed	Gigajoule	6,897.7	8,662.3	–
Total amount of coal consumed	Gigajoule	0.0	0.0	–
Total amount of district heating consumed	Gigajoule	23,468.6	18,266.3	–
Total amount of electricity from renewable sources (wind, sun, geothermal, water, biomass) and low carbon (nuclear)	Gigajoule	60,318.1	56,783.0	–
Total amount of conventional electricity	Gigajoule	22.618.5	20,917.5	–
Total amount of electricity generated on-site by solar panels	Gigajoule	49.5	55.3	–
Total amount of energy consumed per working hour	Gigajoule/hour	0.03	0.03	–
Number of sites supplied with electricity from renewable sources (wind, sun, geothermal, water, biomass) and low carbon (nuclear)	–	19	23	–
Share of sites supplied with electricity from renewable sources (wind, sun, geothermal, water, biomass) and low carbon (nuclear)	%	22.9	27.7	–
Share of electricity from renewable sources (wind, sun, geothermal, water, biomass) and low carbon (nuclear)	%	70.0	73.1	–

Water

Theme	Unit	2022 data	2023 data	Explanation
Percentage of reporting sites in areas of waster scarcity	%	50	50	–
Percentage of water withdrawal from areas of water scarcity in comparison to total amount of water withdrawn	%	8.8	15.0	–
Define water scarcity area	–	–	–	Area rated at least "high" by WRI Aqueduct website in regards to physical risk quantity parameter
Total amount of withdrawal	Cubic meter	379,227.0	183,109.0	–
Total amount of water withdrawal from third parties	Cubic meter	71,126.0	56,966.3	–
Total amount of water withdrawal from sea	Cubic meter	0	0	–
Total amount of water withdrawal from groundwater	Cubic meter	84.0	3,301.0	–
Total amount of water withdrawal from surface water	Cubic meter	308,005.0	122,622.0	–
Total amount of water used	Cubic meter	379,215.0	182,889.3	–
Total amount used for industrial purposes	Cubic meter	341,150.0	153,802.6	–
Total amount used for domestic purposes	Cubic meter	38,065.0	29,306.5	–
Total amount of water released directly to surface	Cubic meter	308,005.0	122,622.9	–
Total amount of water consumed	Cubic meter	3,407.9	120.1	–
Total amount of water used for cooling purposes without interfering with chemistry and physical characteristics	Cubic meter	312,565.5	122,983.0	–
Amount of rain water collected	Cubic meter	1,503.0	1,878.0	–
Total amount of water withdrawn per working hour	Cubic meter/hour	0.08	0.04	–
Percentage of site equipment with primary water treatment	%	59	59	–
Percentage of site equipment with secondary water treatment	%	18	18	–
Percentage of site equipment with tertiary water treatment	%	0	0	–

Waste

Theme	Unit	2022 data	2023 data	Explanation
Total amount of waste	Ton (metric)	3,530.2	4,188.2	–
Total amount of non-hazardous waste	Ton (metric)	2,984.0	3,647.3	–
Total amount of hazardous waste	Ton (metric)	553.7	541.7	–
Total amount of waste recycled	Ton (metric)	2,651.2	3,187.9	–
Total amount of waste disposed	Ton (metric)	879.0	998.0	–
Thereof total amount of waste going to landfill	Ton (metric)	169.7	291.1	–
Thereof total amount of waste going to landfill	Ton (metric)	356.9	399.4	–
Thereof total amount of waste going to third option	Ton (metric)	352.5	302.0	–
Total amount of non-hazardous waste recycled	Ton (metric)	2,440.3	2,922.4	–
Total amount of non-hazardous waste disposed of	Ton (metric)	545.2	725.5	–
Thereof total amount of non-hazardous waste going to landfill	Ton (metric)	349.0	291.1	–
Thereof total amount of non-hazardous waste going to incineration with energy recovery	Ton (metric)	169.0	399.4	–
Thereof total amount of non-hazardous waste going to incineration without energy recovery	Ton (metric)	27.3	5.4	–
Total amount of hazardous waste recycled	Ton (metric)	221.6	265.5	–
Total amount of hazardous waste disposed of	Ton (metric)	332.1	276.2	–
Total amount of waste generated per working hour	Ton (metric)/hour	0.001	0.001	–

Volatile organic compounds (VOC)

Theme	Unit	2022 data	2023 data	Explanation
Total amount of VOC emissions	Ton (metric)	3.5	3.6	–

Environmental incidents

Theme	Unit	2022 data	2023 data	Explanation
Total number of significant environmental incidents	–	0	0	Significant environmental incident (recordable) – an environmental incident is regarded as significant if at least one of the following criteria applies to the incident: 1) Accelleron is obliged to inform local authorities or a governmental agency about the incident and/or regulatory violation; 2) an inspection by an environmental agency results in a formal complaint; 3) Accelleron receives an environmental notice of violation, a consent order or a potential responsible party notification; 4) Accelleron receives a penalty or a fine; 5) someone is injured or affected due to the incident, or there is a significant impact on an ecosystem; 6) costs related to the incident exceed, or may exceed, USD 10,000; or 7) the incident is likely to bring media attention, or in some other way harm Accelleron's reputation

Supply chain

Spend and definition

Theme	Unit	2022 data	2023 data	Explanation
Percentage of direct material third party spend for the Swiss factory that is spend on local suppliers	%	90	85	The share represents the spend from the Swiss factory to European suppliers.
Percentage of direct material third party spend for the Chinese factory that is spend on local suppliers	%	73	88	The share represents the spend from the Chinese factory to Chinese suppliers.
Define “local”	–	–	–	The supplied goods are bought by the Swiss and Chinese manufacturing sites solely. Accelleron internally defines a local supplier for the Swiss site as a supplier based in Europe except Turkey and Russia. Accelleron defines a local supplier for the Chinese site as a supplier based in China.
Define “significant location”	–	–	–	The Swiss and Chinese sites are considered as significant locations because they represent the vast majority of our population (55%) and it is where the supplied goods are mainly supplied in terms of spend.

Supplier environmental issue

Theme	Unit	2022 data	2023 data	Explanation
Percentage of new direct material suppliers that went through a supplier environmental qualification questionnaire	%	100	100	All new direct material suppliers must go through a questionnaire including environmental topics related to their operations and their GHG emissions. Due to carve-out reasons, historical data is not available.
Number of suppliers having incidents related to environment	–	0	0	No incidents reported in 2023.

Freedom of association and collective bargaining in supply chain

Theme	Unit	2022 data	2023 data	Explanation
Percentage of direct material supplier spend where potential risk related to “Freedom of association and collective bargaining” could occur in high risk area and provide the list of countries	%	28	30	High-risk countries are: China, India, Turkey, Vietnam, Russia (de-sourcing of Russian supplier in progress). We used Fragile State Index and set the threshold at 55 corresponding to the “warning” level. The 2022 initial reported number was 7% because it was based on a number of suppliers. To better reflect the risk level, we changed the calculation. The percentage indicates a ratio of global direct third-party spend at direct material suppliers in defined countries vs. total direct third-party spend.
Provide the measures to support rights to exercise freedom of association and collective bargaining	–	–	–	Accelleron has a specific supplier CoC ensuring its suppliers allow their workforce to have collective bargaining and freedom of association. Accelleron considers this aspect in the on-boarding risk evaluation and it is also covered by the supplier audit process.

Child labor in supply chain

Theme	Unit	2022 data	2023 data	Explanation
Percentage of direct material suppliers where potential risk related to “child labor” could occur in high-risk area and provide the list of countries	%	28	30	High-risk countries are: China, India, Turkey, Vietnam, Russia (de-sourcing of Russian supplier in progress). We used Fragile State Index and set the threshold at 55 corresponding to the “warning” level. The 2022 initial reported number was 7% because it was based on a number of suppliers. To better reflect the risk level, we changed the calculation. The percentage indicates a ratio of global direct third-party spend at direct material suppliers in defined countries vs. total direct third-party spend.
Number of suppliers having incidents related to child labor	–	0	0	No incidents reported in 2023.
Measures taken by Accelleron to contribute to the effective abolition of child labor	–	–	–	Accelleron has a specific supplier CoC forbidding the use of child labor, a contract summarizing the obligation related to the absence of child labor, 34 process audits performed globally in 2023 as well as several supplier visits.

Forced labor in supply chain

Theme	Unit	2022 data	2023 data	Explanation
Percentage of direct material suppliers spend where potential risk related to “forced labor” could occur in high-risk area and provide the list of countries	%	28	30	High-risk countries are: China, India, Turkey, Vietnam, Russia (de-sourcing of Russian supplier in progress). We used Fragile State Index and set the threshold at 55 corresponding to the “warning” level. The 2022 initial reported number was 7% because it was based on a number of suppliers. To reflect better the risk level, we changed the calculation. The percentage indicates a ratio of global direct third-party spend at direct material suppliers in defined countries vs. total direct third-party spend.
Number of direct material suppliers demonstrating forced or compulsory labor	–	0	0	No incidents reported in 2023.
Measures taken by Accelleron to contribute to the effective abolition of forced or compulsory labor	–	–	–	Accelleron has a specific supplier CoC forbidding the use of forced or compulsory labor, a contract summarizing the obligation related to the absence of forced or compulsory labor. 34 process audits performed globally in 2023, one sustainability audit as well as several supplier visits.

Supplier social issues

Theme	Unit	2022 data	2023 data	Explanation
Percentage of new direct material suppliers that were screened using social criteria	%	100	100	All new direct material suppliers must go through a questionnaire including social topics related to their operations. Due to carve-out reason, historical data is not available.

Supplier Code of Conduct

Theme	Unit	2022 data	2023 data	Explanation
Percentage of direct suppliers who signed our Supplier Code of Conduct including anti-corruption policies	%	100	100	Supplier means every company working in our premises or delivering goods and/or services to us

Risks related to materials

Material as per score intensity in the materiality matrix

Material topic	Risk if left unaddressed (non-exhaustive)	Action
Responsible innovation	Failure to offer products and services that align with our customers' decarbonization journeys would risk economic consequences and loss of employee engagement.	We have set a target of offering alternative fuel-ready products by 2030. We have delivered the first products on applications that will be operated on alternative fuels and commit a substantial part of our R&D resources to optimizing our products for use with alternative fuels.
Environmental impact of our products	Failure to address impacts would increase the cost of environmental externalities and the pressure on the environment, as well as failing to meet the expectations of our business partners.	We have set targets related to our GHG emissions as well as waste. Also, we are assessing targets related to energy and water.
Product quality and product safety	Failure to address quality and safety would make our products a potential source of hazard to the end-user or lead to risk of power failure.	As part of our product quality and safety strategy, targets have been set and implemented in previous years. As a result, we have already achieved a high level of risk management maturity, but we continue to identify potential opportunities for further improvement.
Employee learning, development, and well-being	Failure to develop our people would affect our business performance and employee engagement.	We developed a target related to learning and growth.
Responsible sourcing and human rights	Failure to address human rights and climate change risks in our supply chain could increase the risk of supply chain disruption in our targeted markets.	We set a target to improve supplier monitoring through an audit program in high-risk countries where we want to reduce the risk of supply chain disruption by including climate risk in their business continuity planning and better control human rights violation risks.
Ethics and integrity	Failure to address may result in breach of laws, financial consequences and reputation damage.	We have achieved a high level of maturity in the years prior to this report. While we do not set new targets in this category, we continue to identify the potential for further improvement.
Digitalization	Failure to address may result in unfulfilled potential in competitiveness and productivity.	Digital platforms are already part of our solution portfolio and are addressed as part of our business targets.
Circular economy	Our service business takes this material into account. Failure to address this would lead to a significantly lower reduction of CO_2 footprint at our level but also the level of our customers.	We provide a concept how circularity could contribute to Accelleron's sustainability targets, further support customers while still providing a business case in line with our growth strategy.
Diversity and inclusion	Failure to address these issues can lead to lower levels of engagement, innovation, and revenue, resulting in a less attractive employer reputation and less effective talent attraction and retention.	We set a global target related to senior leadership positions.
Community engagement	Failure to address this may expose us to untapped stakeholder relationship potential, a potential bad reputation in local communities, as well as a potentially lower percentage of our local staff identifying with their employer.	We set a global target to contribute to community initiatives in a "giving back" approach.

Accelleron Industries AG

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