Accelleron

Half-Year Report 2024

Key figures at a glance

128 USD million Operational EBITA[1]

505 USD million Revenues

25.4% Operational EBITA margin[1]

34.4% Free cash flow conversion[1]

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

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Dear Shareholders,

After a very successful year in 2023, Accelleron continued its exceptionally good development in the first half of 2024. Robust demand from the marine and energy markets coupled with an ongoing focus on costs resulted in strong revenues growth and increased profitability, outperforming the market. Accelleron continued to focus on decarbonization of the marine and energy industries, investing in expanding capabilities and capacity through acquisitions. One hundred years after the production of the first industrial turbocharger by Alfred Büchi and Brown, Boveri and Cie in 1924, Accelleron is, today, well-positioned for the energy transition, with technologies and services that can be applied to conventional, transitional and future CO_2-neutral fuels.

Oliver Riemenschneider
Chairman of the Board of Directors

Daniel Bischofberger
Chief Executive Officer

Strong financial results for first half of 2024; positive full-year guidance

The financial performance during the first six months of 2024 was above expectations, with revenues increasing by 14.5% year-on-year in constant currency (6.5% organic, i.e. excluding OMT acquired end of July 2023; 12.7% nominal). This strong performance was driven by continued robust merchant marine new business, strong growth in marine medium-speed service business, successful capacity expansion of the OMT fuel injection factory in Turin and large service orders. Furthermore, there has been growing demand from new data centers that require turbochargers for emergency power. These positive market dynamics more than offset a temporary reduction in the US gas compression business caused by customers destocking their inventories and a slight decline in the marine low-speed service business from a record high, driven by an exceptional drydocking peak in 2023. For the full year 2024, Accelleron expects constant currency revenues growth of 9% to 12%, 4% to 7% of it organic.

Accelleron also performed well in terms of operational EBITA, which was up by USD 20.2 million, or 18.7%, to USD 128.2 million. The operational EBITA margin increased by 1.3 percentage points to 25.4%. For the full year 2024, Accelleron expects an operational EBITA margin of around 25%, thanks to the strong topline growth and operational leverage.

Reduced non-operational costs for build-up and related inefficiencies led to an increase of net income by USD 41.7 million, or 88.9%, to USD 88.6 million. Free cashflow conversion stands at 34.4% (17.5% H1 2023).

For the full year 2024, we expect our improved operational performance to have a positive impact on our financial performance and dividend, in line with the newly revised capital allocation framework presented back in March this year.

Positive momentum in the markets continues

Our financial results for the first half of 2024 were supported by strong operational performance, and our business stays well-positioned to benefit from the positive trends in the markets also for the rest of the year.

In merchant marine, the shipyards' order books look healthy for the years to come, and the share of newbuilds for dual fuel capable vessels is high. We see a continuation of the positive dynamic for services in the medium-speed marine market and an increasing market interest in retrofit solutions, such as Engine Part Load Optimization (EPLO) and Flexible Integrated Turbocharging Systems for 2-stroke engines (FITS2). These solutions provide tangible fuel savings and emissions reductions for marine engines operating at varying loads and speeds.

In the cruise and ferries segment, ship utilization rates are high, as the post-pandemic rebound in travel continues. With operators reporting improved balance sheets, we expect the cruise newbuild market to improve in the next 12 months.
The demand for more advanced fuel injection systems is expected to grow rapidly over the coming years, as the requirements to decarbonize international shipping increase. With the International Maritime Organization's target to achieve net zero as early as 2050, and the EU Emissions Trading System applying to ships of more than 5,000 gross tonnage from January this year,

we expect the uptake of dual fuel vessels in shipping to continue. We believe that this will also drive further demand for turbochargers providing increased efficiency. Accelleron remains ideally positioned here.

In the energy sector, we see a continuation of the positive trend in demand for new data centers requiring turbochargers for their emergency power. While newbuild activity for medium-speed power generation remains subdued, high-speed gas newbuild activity is expected to be stable. Service activities for power generation are also expected to continue at healthy levels.

Successful strategy execution, including M&A activities

In the first half of 2024, Accelleron continued to deliver on its path to accelerate decarbonization of the marine and energy industries. As digitalization is becoming an increasingly important driver of decarbonization by making it easier to track and report on fuel consumption and emissions, we expanded our digital solutions, and extended our capabilities and footprint through the acquisition of True North Marine in Canada (TNM). TNM provides weather routing guidance and voyage optimization including consulting services from pre-voyage estimates to post-voyage claims, ensuring safe navigation and cost-efficient execution of voyages. TNM's offering will complement Accelleron's Tekomar XPERT marine and Turbo Insights to create a combined digital and consulting advisory addressing key aspects of vessel performance. This acquisition strengthens our position in the maritime digital space and supports marine decarbonization by helping customers make data driven decisions to reduce their carbon footprint while cutting costs. Our recent digital partnerships with BEMAC and Furuno Electric Co are also testimonial to our growing presence in digital solutions. At the same time, our digital team will continue to provide insights that support the development of our turbocharging service and upgrade activities.

We also strengthened our fuel injection offering through the acquisition of OMC2, a manufacturer specializing in 4-stroke fuel injection systems. The acquisition underlines Accelleron's strategy to strengthen the fuel injection business, which plays a key role in the decarbonization of the shipping industry. In the short term, OMC2 will provide OMT with additional production capacity to meet the growing demand for fuel injection systems. In the long run, the acquisition – thanks to its existing assets, including real estate – provides a strong base to support OMT's growth strategy, especially for the four-stroke, medium-speed fuel injection business.
Both new acquisitions will broaden and complement Accelleron's offering and will be important contributors to the creation of sustainable company value and shareholder returns. The net leverage remains in line with the guidance provided on March 27, 2024.

While supporting our customers on their decarbonization journey, we also received recognition for our own environmental, social and governance performance from MSCI ESG Research. In the first half of 2024, we achieved an MSCI ESG rating of A, and we will continue to strive to fulfill our targets within our 3P sustainability framework, addressing people, products & services, and the planet.

Continued focus on key priorities

With these developments, the outlook for Accelleron remains positive, and we continue to work on our key priorities. These include increasing market share in turbochargers while maximizing opportunities in dual fuel applications and upgrades. In the energy industry, we are well-placed to capitalize on the opportunities for backup power generation. As for service, we keep promoting our full-cover service agreements for turbochargers, and, with regard to fuel injection systems, we are well-positioned to benefit from the growing demand. Our digital journey continues, while investments in research and development remain a focus. Already today, the majority of our research and development is focused on turbochargers and fuel injection systems designed for engines with future CO_2-neutral fuels, on digital solutions to improve maintenance and vessel performance, and on technologies to reduce emissions.

We would like to thank all colleagues at Accelleron for their dedication and hard work during the first six months of 2024, as well as our customers, shareholders and partners for their trust and support. Our century-long commitment to innovation has made Accelleron today a leading provider not only of turbochargers but also of fuel injection systems, services and digital solutions for industries that form the backbone of modern life. We look forward to continuing the journey with you in 2024 and beyond, as we embark on our next century of innovation and growth.

Yours sincerely,

Oliver Riemenschneider
Chairman of the Board of Directors

Daniel Bischofberger
Chief Executive Officer

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Key figures and operational review

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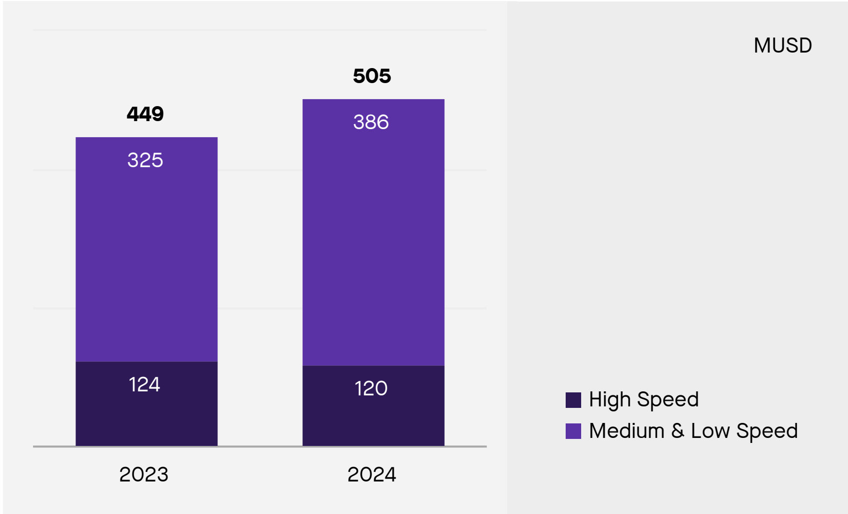
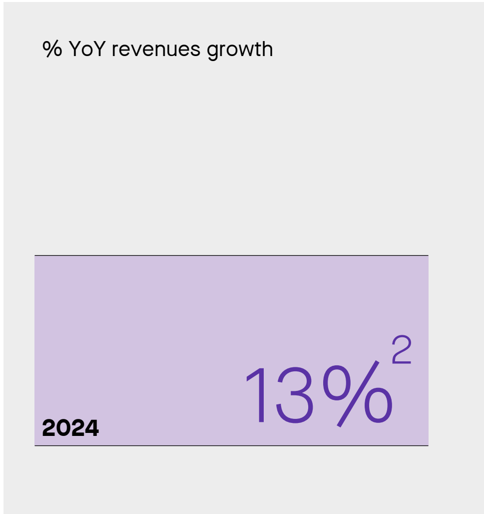
Key figures

Continuously good market development in the first half-year of 2024 contributed to organic[1] revenue growth of 6.5% with a strong operational EBITA margin[1] of 25.4%.

	Six-month period ended June 30,			
(USD in millions)	**2024**	**2023**	**Change in +/- %**	**Organic[1]**
Revenues	505.5	448.6	12.7%	6.5%
Gross profit	231.3	188.3	22.8%	
as % of revenues	45.8%	42.0%	3.8 ppts	
Income from operations	116.3	59.3	96.1%	
Operational EBITA[1]	128.2	108.0	18.7%	
as % of revenues	25.4%	24.1%	1.3 ppts	
Net income	88.6	46.9	88.9%	
as % of revenues	17.5%	10.5%	7.0 ppts	
Net cash provided by operating activities	42.5	20.7	105.3%	
Free cash flow[1]	30.5	8.2	272.0%	
Free cash flow conversion[1]	34.4%	17.5%	16.9 ppts	
Basic earnings per share (USD)	0.90	0.46	95.7%	
Net leverage[1]	0.9	1.0	(10.0%)	

Share of revenue by market segment





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

2 Thereof 8.0 ppts related to the acquisition of OMT.

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 (US 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+ megawatts (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 highway application.
- 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 the Medium & Low Speed segment.

Results of Operations

	Six-month period ended June 30,		
(USD in millions)	**2024**	**2023**	**change in %**
Revenues	505.5	448.6	12.7%
Cost of sales	(274.2)	(260.3)	5.3%
Gross profit	**231.3**	**188.3**	**22.8%**
Selling, general and administrative expenses	(88.9)	(101.7)	(12.6%)
Research and development expenses	(28.3)	(28.9)	(2.1%)
Other income, net	2.1	1.6	31.3%
Income from operations	**116.3**	**59.3**	**96.1%**
Interest and other finance expense, net	(6.0)	(0.1)	5,900.0%
Income from operations before income taxes	**110.3**	**59.2**	**86.3%**
Income tax expense	(21.7)	(12.3)	76.4%
Net income	**88.6**	**46.9**	**88.9%**
Operational EBITA	**128.2**	**108.0**	**18.7%**
Operational EBITA margin	**25.4%**	**24.1%**	**1.3 ppts**

Revenues

Revenues increased by USD 56.9 million, or 12.7% (6.5% organic), to USD 505.5 million compared to the first half-year of 2023. The growth was driven by continued robust merchant marine new business, strong growth in the merchant marine medium-speed service business and exceptionally large service orders, which are not expected to repeat at the same level in the second half of the year. A more 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 43.0 million, or 22.8%, to USD 231.3 million compared to the previous year. The gross profit margin increased by 3.8 percentage points, to 45.8%, primarily driven by operational leverage and lower non-operational one-off expenses.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased by USD 12.8 million, or 12.6%, to USD 88.9 million compared to the first half-year 2023. The decrease is mainly the result of the reduction in non-operational one-off expenses that were incurred in 2023 due to the build-up of group functions.

Research and development expenses

Research and development expenses decreased by USD 0.6 million, or 2.1%, to USD 28.3 million compared to the first half-year of 2023.

Income tax expense

Income tax expense increased by USD 9.4 million, or 76.4%, to USD 21.7 million in 2024 compared to the previous fiscal year.

The effective tax rate decreased to 19.6% in 2024, from 20.7% in the first half-year of 2023. The effects are driven mainly by a change in jurisdictional profit mix of earnings.

Net income

Net income increased by USD 41.7 million, or 88.9%, to USD 88.6 million compared to the first half-year of 2023, largely as a result of the factors set out in the previous paragraphs. Net income includes USD 11.9 million one-off and other non-operational costs in the first half-year of 2024.

Operational EBITA

Operational EBITA increased by USD 20.2 million, or 18.7%, to USD 128.2 million resulting from operating leverage and effective cost management. The operational EBITA margin solidly increased by 1.3 percentage points to 25.4% in the first half of 2024.

Liquidity and capital resources

	Six-month period ended June 30,		
(USD in millions)	**2024**	**2023**	**change in %**
Net cash provided by operating activities	42.5	20.7	105.3%
Net cash (used in) investing activities	(12.0)	(12.5)	(4.0%)
Net cash (used in) financing activities	(60.3)	(28.9)	108.7%
Effects of exchange-rate changes on cash and cash equivalents	(8.9)	1.4	(735.7%)
Cash and cash equivalents, beginning of period	234.1	189.1	23.8%
Cash and cash equivalents, end of period	**195.3**	**169.8**	**15.0%**

Net cash provided by operating activities increased by USD 21.8 million, or 105.3%, to USD 42.5 million compared to the first half-year of 2023, largely driven by reduced cash payments for build-up activities.

Net cash used in investing activities decreased by USD 0.5 million, or 4.0%, to USD 12.0 million compared to the previous year.

Net cash used by financing activities increased by USD 31.4 million, or 108.7%, to USD 60.3 million. While debt was increased by USD 58 million in the first half of 2023, no further debt increase was executed in the first half of 2024. On the opposite, a timing difference in withholding tax payment on dividends created a positive impact.

Net debt and indebtedness

	June 30,	December 31,	
(USD in millions)	**2024**	**2023**	**change in %**
Cash and cash equivalents	(195.3)	(234.1)	(16.6%)
Current debt	3.4	1.8	88.9%
Non-current debt	446.9	475.8	(6.1%)
Net debt	**255.0**	**243.5**	**4.7%**
Indebtedness	**446.9**	**475.8**	**(6.1%)**

Net debt increased by USD 11.5 million, or 4.7%, to USD 255.0 million in the first half of 2024.

Operating segments financial review

High Speed segment

The financial results of the Company's High Speed (HS) segment for June 30, 2024 compared to June 30, 2023 are as follows:

	Six-month period ended June 30,		
(USD in millions)	**2024**	**2023**	**change in %**
Revenues	119.7	123.8	(3.3%)
Operational EBITA	31.1	31.9	(2.5%)
Operational EBITA margin	26.0%	25.8%	0.2 ppts

Revenues

Revenues in the HS segment decreased by USD 4.1 million, or 3.3% (and 2.5% organic), to USD 119.7 million compared to the first half-year of 2023. The driver is a temporary reduction in the US gas compression business caused by customers destocking their inventories, which was partially compensated by growing demand from new data centers that require turbochargers for emergency power.

Operational EBITA

Operational EBITA in the HS segment decreased by USD 0.8 million, or 2.5%, to USD 31.1 million compared to the first half-year of 2023. The main reason for the decrease is the slightly reduced volume. However, due to effective cost management, the operational EBITA margin increased by 0.2 percentage points, to 26.0%, in the first half-year of 2024.

Medium & Low Speed segment

The financial results of the Company's Medium & Low Speed (M&LS) segment for June 30, 2024 compared to June 30, 2023 are as follows:

	Six-month period ended June 30,		
(USD in millions)	**2024**	**2023**	**change in %**
Revenues	385.8	324.8	18.8%
Operational EBITA	97.1	76.1	27.6%
Operational EBITA margin	25.2%	23.4%	1.8 ppts

Revenues

Revenues in the M&LS segment increased by USD 61.0 million, or 18.8% (9.9% organic), to USD 385.8 million compared to the first half-year of 2023. This growth was driven by continued robust merchant marine new business, strong growth in merchant marine medium-speed service and large service orders, which are not expected to repeat at the same level in the second half of the year. This also overcompensated for the normalization of the marine low-speed service business from a record high in 2023. USD 35.7 million was generated inorganically, following the integration of OMT in July 2023 and accelerated by a successful capacity expansion of the fuel injection factory in Turin.

Operational EBITA

Operational EBITA in the M&LS segment increased by USD 21.0 million, or 27.6%, to USD 97.1 million compared to the first half-year of 2023. In the first half of 2024, the operational EBITA margin increased by 1.8 percentage points, achieving 25.2%, due to operating leverage and effective cost management. The acquisition of OMT was seamlessly integrated, ensuring the segment's profitability remains on an attractive level.

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Interim Consolidated Financial Statements (unaudited)

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Statements of Income

(USD in thousands)	Note	Six-month period ended June 30, 2024	2023
Revenues	4	505,472	448,637
Cost of sales		(274,191)	(260,309)
Gross profit		**231,281**	**188,328**
Selling, general and administrative expenses		(88,863)	(101,705)
Research and development expenses		(28,265)	(28,917)
Other income, net		2,117	1,551
Income from operations		**116,270**	**59,257**
Interest and other finance expense, net		(5,989)	(95)
Income from operations before income taxes		**110,281**	**59,162**
Income tax expense	5	(21,668)	(12,259)
Net income		**88,613**	**46,903**
Attributable to non-controlling interests		3,936	3,698
Attributable to Accelleron		**84,677**	**43,205**
Earnings per share	**6**		
Basic EPS (USD)		0.90	0.46
Diluted EPS (USD)		0.90	0.46

See accompanying notes to the interim consolidated financial statements

Statements of Comprehensive Income

(USD in thousands)	Six-month period ended June 30, 2024	2023
Net income	88,613	46,903
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(19,542)	4,001
Pension and other postretirement plan adjustments	785	20
Total other comprehensive income (loss), net of tax	**(18,757)**	**4,021**
Total comprehensive income, net of tax	**69,856**	**50,924**
Less: total comprehensive income, net of tax attributable to non-controlling interests	3,327	2,635
Total comprehensive income attributable to Accelleron, net of tax	**66,529**	**48,289**

Balance Sheets

(USD in thousands)	Note	June 30, 2024	December 31, 2023
Cash and cash equivalents		195,334	234,058
Receivables, net		242,524	222,415
Contract assets		24,236	18,780
Inventories		234,376	251,244
Other current assets		28,599	36,834
Total current assets		**725,069**	**763,331**
Property, plant and equipment, net		171,036	183,635
Operating lease right-of-use assets, net		41,136	39,574
Goodwill and other intangible assets		78,474	82,739
Deferred tax assets		86,796	88,768
Pension asset		50,639	46,431
Other non-current assets		1,851	2,323
Total non-current assets		**429,932**	**443,470**
Total assets		**1,155,001**	**1,206,801**
Accounts payable		109,352	153,506
Contract liabilities		31,256	24,787
Current lease liabilities		6,705	11,414
Current debt	10	3,375	1,803
Current provisions		33,190	30,285
Accrued liabilities		47,487	59,084
Other current liabilities	11	87,865	46,090
Total current liabilities		**319,230**	**326,969**
Non-current debt	10	446,897	475,818
Non-current lease liabilities		35,227	29,587
Pension and other employee benefits		6,969	4,860
Deferred tax liabilities		37,484	37,822
Non-current provisions		19,082	23,376
Other non-current liabilities		4,058	5,467
Total non-current liabilities		**549,717**	**576,930**
Total liabilities		**868,947**	**903,899**
Registered ordinary shares, CHF 0.01 par value, 94,500,000 shares issued at June 30, 2024 and December 31, 2023		995	995
Treasury shares at cost, 697,584 at June 30, 2024 and 736,857 shares at December 31, 2023		(3,682)	(3,387)
Additional paid-in capital		16,408	25,550
Accumulated earnings		232,037	224,008
Accumulated other comprehensive income		21,969	40,117
Total Accelleron shareholders' equity	**8**	**267,727**	**287,283**
Non-controlling interests		**18,327**	**15,619**
Total shareholders' equity		**286,054**	**302,902**
Total liabilities and shareholders' equity		**1,155,001**	**1,206,801**

See accompanying notes to the interim consolidated financial statements

Statements of Cash Flows

(USD in thousands)	Six-month period ended June 30, 2024	2023
Operating activities:		
Net income	**88,613**	**46,903**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,327	12,929
Pension and other employee benefits	(7,130)	(7,266)
Deferred taxes	1,508	2,814
Other	1,253	779
Changes in operating assets and liabilities:		
Receivables, net	(30,597)	(38,308)
Contract assets and liabilities	1,021	(5,439)
Inventories	(4,245)	(15,856)
Accounts payable, trade	(37,351)	13,671
Accrued liabilities	(8,330)	3,843
Provisions, net	4,051	2,315
Income taxes payable and receivable	8,499	8,025
Other assets and liabilities, net	8,883	(3,669)
Net cash provided by operating activities	**42,502**	**20,741**
Investing activities:		
Purchases of property, plant and equipment and intangible assets	(12,121)	(12,610)
Proceeds from sales of property, plant and equipment	110	73
Net cash (used in) investing activities	**(12,011)**	**(12,537)**
Financing activities:		
Net transfer to Former Parent[1]	—	(10,408)
Increase in debt	—	58,021
Repayment of debt	(2,740)	—
Dividends paid to non-controlling interests	(617)	(273)
Dividends paid to Accelleron shareholders	(56,967)	(76,212)
Other financing activities	—	(22)
Net cash (used in) financing activities	**(60,324)**	**(28,894)**
Effects of exchange-rate changes on cash and cash equivalents	(8,891)	1,390
Net change in cash and cash equivalents	**(38,724)**	**(19,300)**
Cash and cash equivalents, beginning of period	**234,058**	**189,083**
Cash and cash equivalents, end of period	**195,334**	**169,783**
Supplementary disclosure of cash flows information:		
Interest paid	(3,075)	(3,119)
Income taxes paid	(7,227)	(5,187)

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

See accompanying notes to the interim 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	Accumulated comprehensive income	Total Accelleron shareholders' equity	Non-controlling interests	Total shareholders' equity
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**
Balance as of January 1, 2024	**995**	**(3,918)**	**531**	**25,550**	**224,008**	**40,117**	**287,283**	**15,619**	**302,902**
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	(619)	(619)
Change in non-controlling interest	—	—	—	—	—	—	—	—	—
Dividends to Accelleron shareholders	—	—	—	(10,994)	(76,648)	—	(87,642)	—	(87,642)
Share-based compensation	—	248	(543)	1,852	—	—	1,557	—	1,557
Net income through June 30, 2024	—	—	—	—	84,677	—	84,677	3,936	88,613
Other comprehensive income (loss), net	—	—	—	—	—	(18,148)	(18,148)	(609)	(18,757)
Balance at June 30, 2024	**995**	**(3,670)**	**(12)**	**16,408**	**232,037**	**21,969**	**267,727**	**18,327**	**286,054**

See accompanying notes to the interim consolidated financial statements

Notes to the Interim 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 more than 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.

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

The following notes relate to the Interim Consolidated Financial Statements of Accelleron for each of the six-month period ended June 30, 2024 and June 30, 2023.

The Interim Consolidated Financial Statements have not been audited. They were approved for publication by the Board of Directors on August 23, 2024.

Note 2

Basis of preparation

The Company’s unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) for interim financial information. Accordingly, these interim consolidated financial statements do not include all the information and footnotes required by US GAAP for annual financial statements. In the opinion of management, all adjustments necessary for a fair statement of these interim consolidated financial statements have been included and are of a normal and recurring nature. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023.

The results of operations for the six months ended June 30, 2024 are not necessarily indicative of the results for the full year.

The Company’s accounting policies continue unchanged from December 31, 2023. Unless otherwise stated, all financial information in US dollars ($ or USD) 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.

Note 3

New accounting pronouncements

Recently issued accounting pronouncements not yet adopted

In November 2023, the FASB issued ASU 2023-07 (Topic 280): Improvements to reportable segments disclosures. This update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopts the guidance for the fiscal year ending December 31, 2024.

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:

	Six-month period ended June 30,	
(USD in thousands)	**2024**	**2023**
Income from operations before income taxes	**110,281**	**59,162**
Add back: Interest and other finance expense, net[1]	5,988	95
Income from operations	**116,269**	**59,257**
Add back: One-off and other non-operational costs, net[2]	9,732	48,760
Add back: Acquisition related amortization	2,179	–
Operational EBITA:	**128,180**	**108,017**
Thereof High Speed	31,126	31,933
Thereof Medium & Low Speed	97,054	76,084

1 Interest and other finance expense, net includes non-operational pension income in the amount of USD 5,982 thousands (2023: USD 5,126 thousands), interest expense in the amount of USD 4,833 thousands (2023: USD 4,053 thousands) and other finance expenses (foreign exchange rate variances etc.) in the amount of USD 7,138 thousands (2023: USD 1,168 thousands).

2 One-off and other non-operational costs, net includes operational pension gains in the amount of USD 185 thousands (2023:USD 1,997 thousands), foreign exchange losses in the amount of USD 491 thousands (2023: USD 2,177 thousands gains) and build-up costs following the spin-off from Former Parent and other one-time items in the amount of USD 9,425 thousands (2023: USD 52,934 thousands).

The following table presents disaggregated revenues information for June 30, 2024 and June 30, 2023.

	Six-month period ended June 30,	
(USD in thousands)	**2024**	**2023**
Geographical markets:		
Asia, Middle East & Africa	217,766	173,543
thereof Japan	36,570	31,465
thereof China	58,510	50,652
The Americas	119,450	106,915
thereof United States of America	84,837	81,608
Europe	168,256	168,179
thereof Switzerland	9,912	11,541
	505,472	**448,637**
Segment:		
High Speed Products and Services	119,715	123,788
Medium & Low Speed Products and Services	385,757	324,849
	505,472	**448,637**
Third-party revenues	505,472	448,637
Total revenues	**505,472**	**448,637**

One of the Company's HS customers accounted for 11% and 14% of total revenues in the first halves of 2024 and 2023, respectively. Another customer of the Company's M&LS segment accounted for 10% and 8% of total revenues in the first halves of 2024 and 2023, 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's effective tax rate for the first half of 2024 was 19.6% (prior year: 20.7%). The effective tax rate was higher than the Switzerland statutory rate of 15.1% (prior year: 16.4%), largely due to the Company's profit mix of earnings in high-tax jurisdictions.

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 came into effect from January 1, 2024.

The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15% and the Group can benefit from the transitional safe harbor relief. Based on the first half-year results, the Group does not expect to be subject to material Pillar Two income taxes.

Note 6

Earnings per share

	Six-month period ended June 30,	
(USD in thousands, except share and per share numbers)	**2024**	**2023**
Numerator:		
Net income attributable to Accelleron	84,677	43,205
Denominator:		
Weighted number of outstanding shares (undiluted)	93,790,140	93,763,143
Weighted number of outstanding shares (diluted)	93,945,125	93,802,246
Basic EPS (USD)	**0.90**	**0.46**
Diluted EPS (USD)	**0.90**	**0.46**

As of June 30, 2024, 124.8 thousands shares were considered anti-dilutive and excluded from the computation of dilutive EPS for the period presented.

Note 7

Retirement benefits

	Six-month period ended June 30,	
(USD in thousands)	**2024**	**2023**
Service cost	5,325	3,909
Interest cost	2,739	3,710
Expected return on plan assets	(8,852)	(8,946)
Amortization of prior service cost	111	110
Net loss amortization	667	–
Total net periodic benefit cost	**(10)**	**(1,217)**
Thereof operational	5,972	3,909
Thereof non-operational	(5,982)	(5,126)

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.

Note 8

Shareholders' equity

Share capital

As of June 30, 2024 and December 31, 2023 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 7, 2024, shareholders approved the proposal of the Board of Directors to distribute CHF 0.85 gross per share to shareholders. The declared dividend amounted to USD 88 million, resulting in a decrease of USD 10 million of additional paid-in capital and USD 78 million of accumulated earnings, and was paid in May 2024 (excluding the withholding tax, which was paid in July 2024).

Treasury shares

During 2024, the Company awarded 39,273 treasury shares to the Board of Directors as part of their compensation program. As of June 30, 2024, the Company owned 697,584 treasury shares. As of December 31, 2023, the Company owned 736,857 treasury shares.

Note 9

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 June 30, 2024 and 2023.

Credit and market risk

The Company continually monitors the creditworthiness of our customers to whom 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 10

Current and non-current debt

	June 30,	December 31,
(USD in thousands)	**2024**	**2023**
Current debt	3,375	1,803
Non-current debt	446,897	475,818
Total debt	**450,272**	**477,621**

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 are available until September 30, 2027. 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.

Note 11

Other current liabilities

(USD in thousands)	June 30, 2024	December 31, 2023
Current tax liability	24,385	14,569
Non-trade payables	56,180	14,708
Other	7,300	16,813
Total other current liabilities	**87,865**	**46,090**

As of June 30, 2024, increase of non-trade payable is due to withholding tax liability of dividend payment in the amount of USD 31 million.

Note 12

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 June 30, 2024 and December 31, 2023, they amount to USD 6,810 thousands and USD 6,275 thousands, respectively.

Note 13

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.

Note 14

Subsequent events

On July 1, 2024, the Company announced that it had acquired O.M.C. 2 Diesel S.p.A. in Cazzago San Martino (Brescia), an Italian manufacturer of four-stroke fuel injection components. The acquisition will be part of the Company's Medium & Low Speed segment. The transaction is expected to be closed during the third quarter 2024.

On August 19, 2024, the Company announced that it had acquired True North Marine Inc. in Montreal (Quebec), a Canadian firm specializing in digital weather routing and voyage optimization for the marine industry. The acquisition will be part of the Company's Medium & Low Speed segment. The transaction is expected to be closed during the third quarter 2024.

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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 Half-Year 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	Revenue growth at constant currency and adjusted for M&A-related effects. The organic growth rate measures growth on a like-for-like 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.

Accelleron Industries AG

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

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

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