



Acce/eron

Capital Markets Day

August 31, 2022

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ABB Turbocharging, ex. President
V-ZUG, Chairman



Monika G. Krüsi

Chair AC

Burckhardt Compression, Chair NCC
Repower, Chairwoman



Gabriele Sons

Chair NCC

ElringKlinger, BoD Member
TK Elevator, ex. EC Member



Bo Cerup-Simonsen

Member

Maersk Mc-Kinney Moller Center
for Zero Carbon Shipping, CEO



Detlef A. Trefzger

Member

Kuehne+Nagel, ex. CEO



Stefano Pampalone

Member

CNH Industrial,
President Construction

Experienced leadership team with fit for purpose organization



Daniel Bischofberger
Chief Executive Officer



Adrian Grossenbacher
Chief Financial Officer



Christoph Rofka
Head of Medium & Low Speed
Products



Herbert Müller
Head of High Speed Products



Roland Schwarz
Head of Turbocharging Service



Dirk Bergmann
Chief Technology Officer



Annika Parkkonen
Chief Human Resource Officer

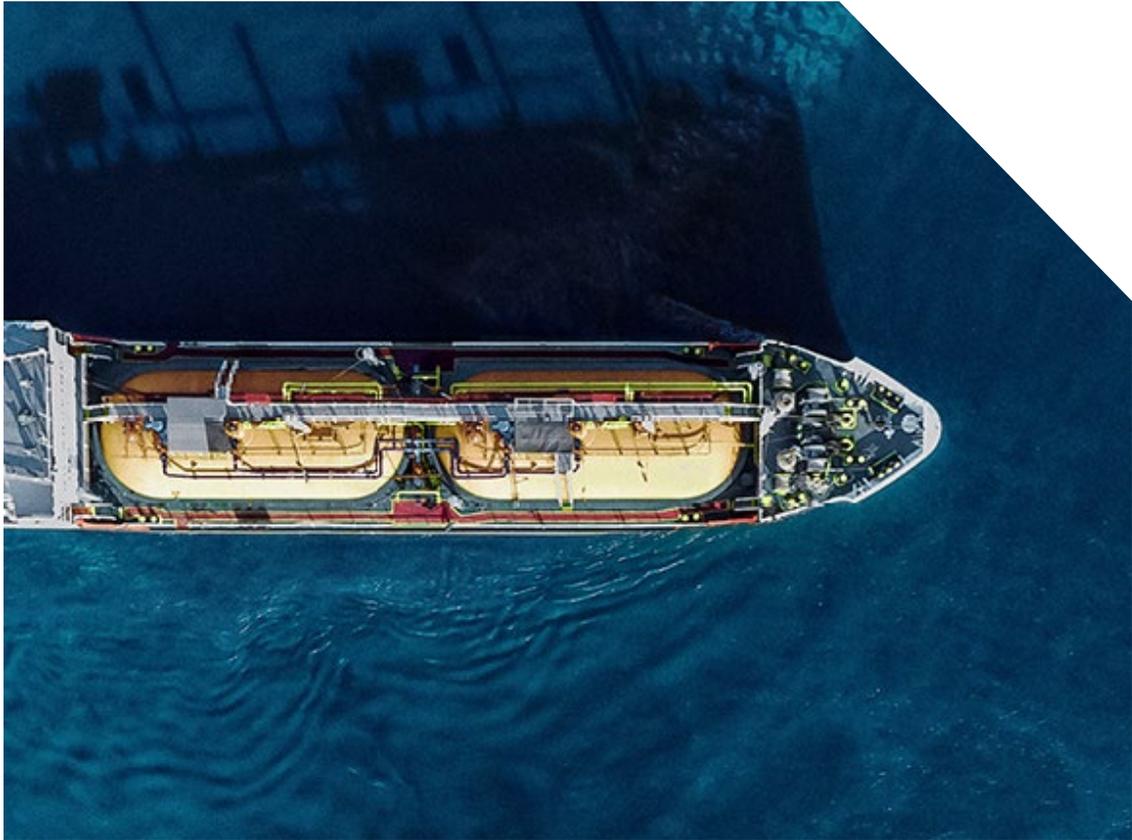
Agenda for the day

Time (CET)	Topic	Presenter
11:00 - 12:00	1. Introduction to Accelleron	
	2. Leading position in attractive markets	Daniel Bischofberger (CEO)
	3. The energy transition in our markets	
	4. Our technology for the future	Dirk Bergmann (CTO)
12:00 - 12:30	Break	
12:30 - 14:00	5. Business strategy	Christoph Rofka (Medium & Low Speed Products) Herbert Müller (High Speed Products) Roland Schwarz (Turbocharging Service)
	6. Financials	Adrian Grossenbacher (CFO)
	7. Transaction overview and concluding remarks	Daniel Bischofberger (CEO)
14:00 - 14:30	Q&As	
14:30 - 15:30	Factory tour	

01

Introduction to Accelleron

A global leader in high power turbochargers for mission-critical applications



#1 position across segments



Industry leading technology offering



Preferred partner to both OEMs¹ and operators



>180k turbocharger installed base



>100 service stations globally

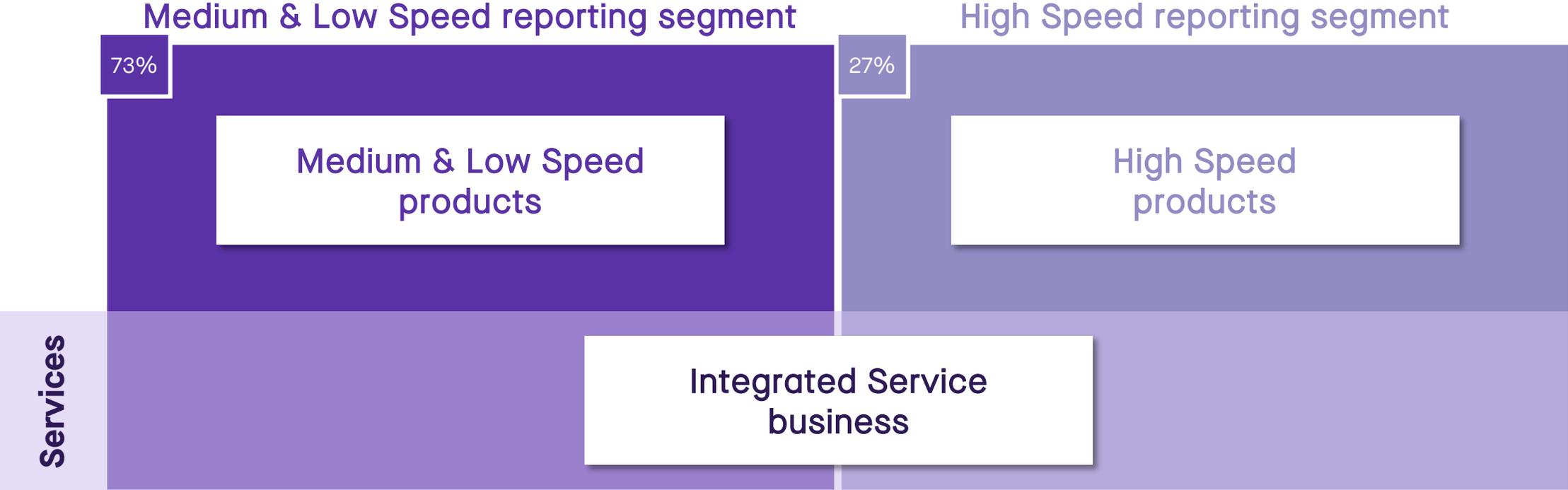


~75% recurring service-driven revenues



Strong cash conversion

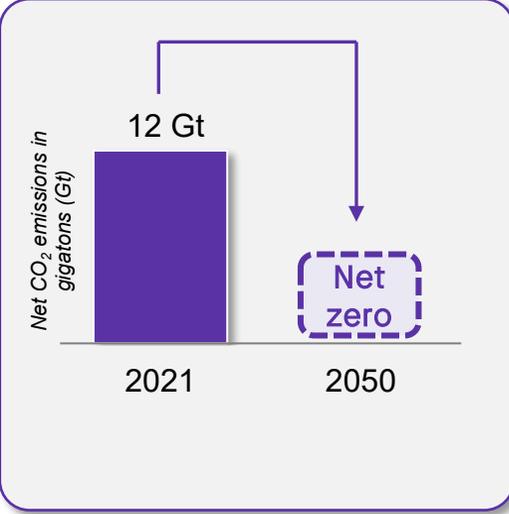
We are organized into two reporting segments with three operating divisions working hand in hand



Service business is intrinsically linked with our product businesses' value chain

World requires massive emission reduction and Accelleron provides solutions for hard-to-decarbonize sectors

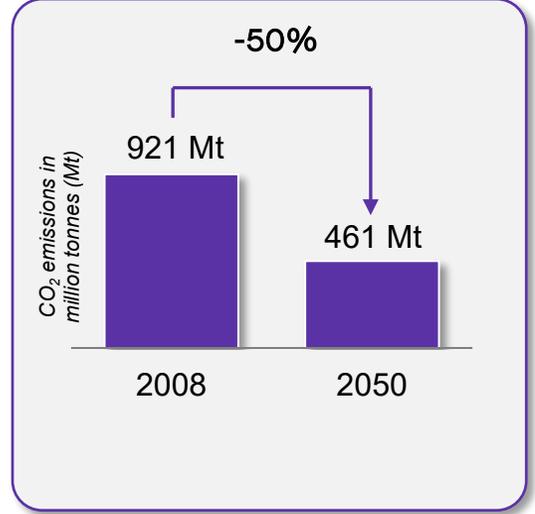
Energy emissions reduction required by 2050¹



Accelleron revenues by core end-markets



Marine emissions reduction required by 2050²



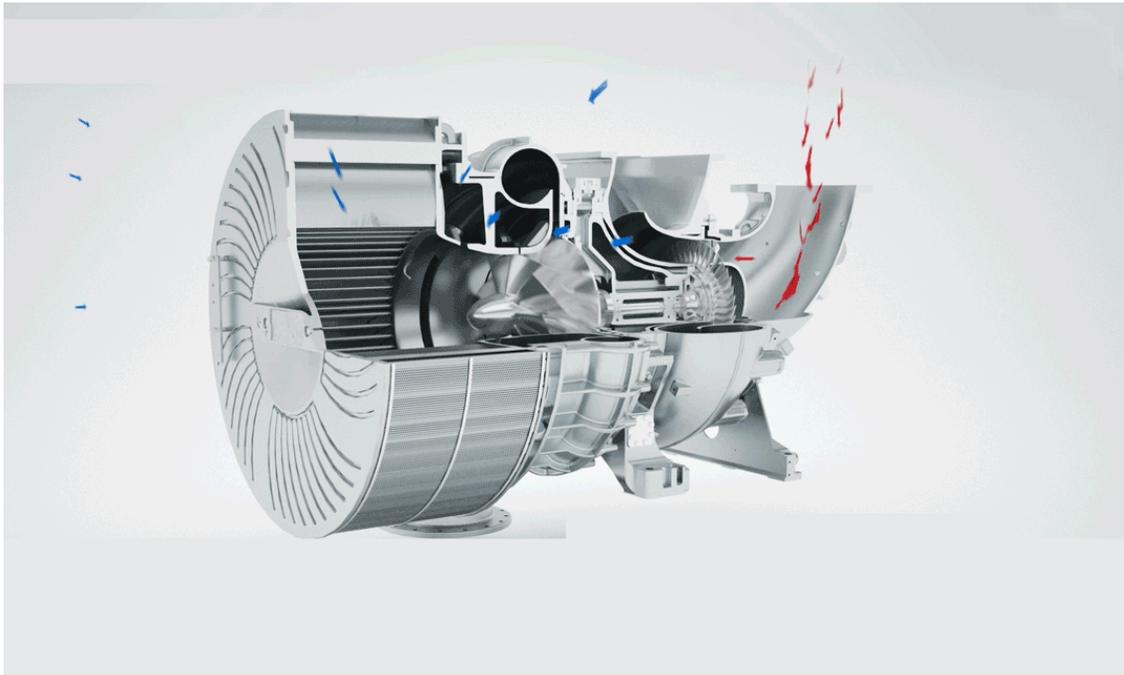
Source: Company information, BloombergNEF and International Maritime Organization

1. Based on net zero 2050 emission targets outlined in Paris agreement
2. Based on IMO targets



Turbocharging technology helps end users achieve key decarbonization and financial KPIs

How does a turbocharger improve engine performance?



Adding a turbocharger to an engine helps to...

... increase power by up to 300%

... lower fuel consumption and CO₂ emissions by up to 10%

... reduce NO_x emissions by up to 60%

... save OpEx of up to ~\$3m¹ per annum, being multiple times of the initial outlay

Source: Company information

1. For a large container vessel; calculated as 250t of fuel per day at \$500/t for 250 days of operation per annum and assuming 10% fuel savings. Upside potential from carbon credits

Accelleron has the most comprehensive range of products on the market

Smallest product: TPX



Size



Weight
100 kg

Power
500kW

Applications
Diversified end
markets

Largest product: A100 / 200- L



Size

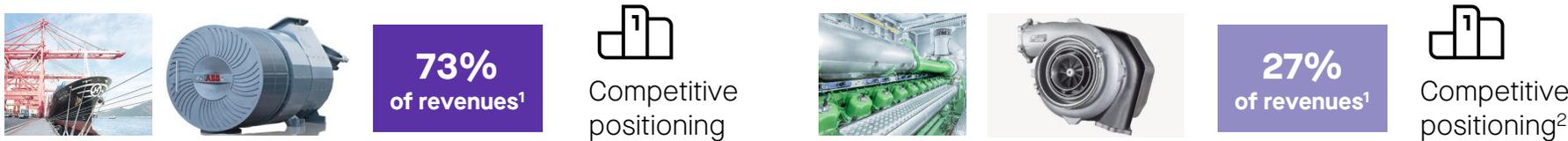


Weight
10 tons

Power
25,000kW

Applications
Marine end
markets

Accelleron has focused applications with market leading positions



	Medium & Low Speed	High Speed
Industry ³	Marine Energy Rail	Energy Off-highway
Average useful life of a TC	20 – 30 years	~15 years
Differentiation	Highly customized	Small series production
Key competitors include		

Source: Company information, Company internal estimates, third party analysis and Audited Combined Carve-out Financial Statements

1. Based on 2021 revenues
2. Position in High Speed Gas Engines segment only, excluding High Speed Diesel Engines
3. Main focus industries in black

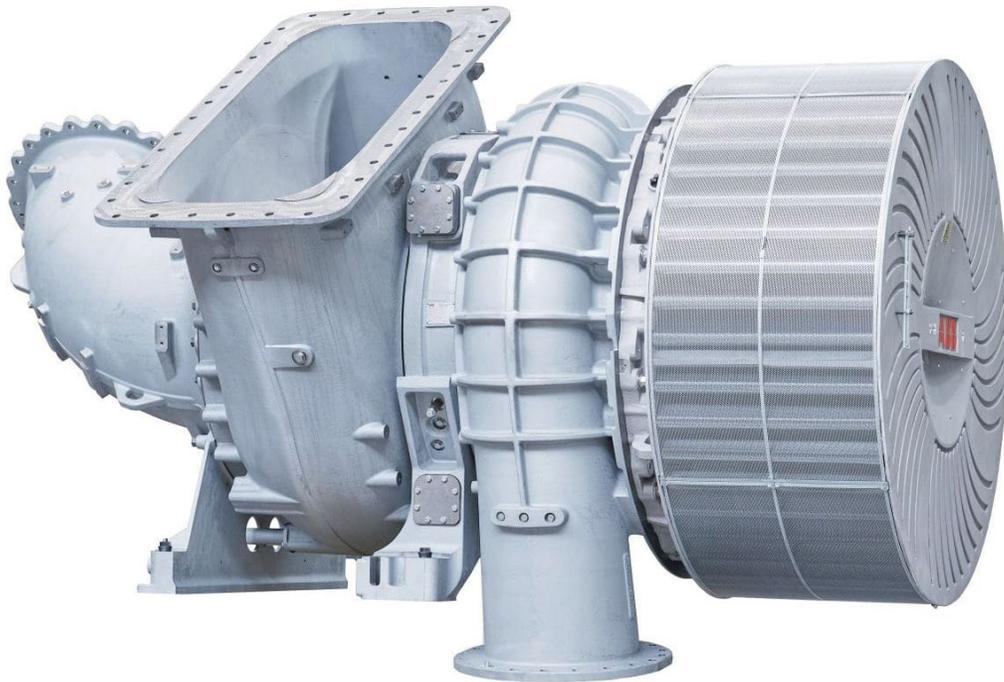
The overall lifecycle implies long timelines for development and yielding returns

It takes more than 10 years to build a sizeable installed base which yields returns

	 Product development	 Product business	 Service business
Timeline	>3 years	10-15 years	30+ years
Objective	Develop industry leading product with key technological differentiation	Maximize installed base through leading salesforce and customer relationships	Retain installed base and create a resilient service business with loyal customer base
Investment	High upfront investment required No immediate returns	Continuous manufacturing footprint Investments required Lower returns	Continuous service footprint investments required Higher returns

Attractive business model with significant scale and high share of recurring service revenues

Best-in-class technology enabling leading product and service offering



Best-in-class efficiency (up to 2% above peers) with up to 25% higher power density¹ compared to closest peer

Supporting our OEM customers with industry leading emission reduction competences

Digital capabilities enabling predictive maintenance and remote monitoring / diagnostics

~7%² of annual revenues spent on R&D and 119 patent families with 30 – 50 patents filed per year³

Source: Company information and Audited Combined Carve-out Financial Statements

1. Power density refers to power per unit of volume (e.g. W/m³)
2. Based on 2021
3. 10-year average

Our skills and competence is the basis for our success

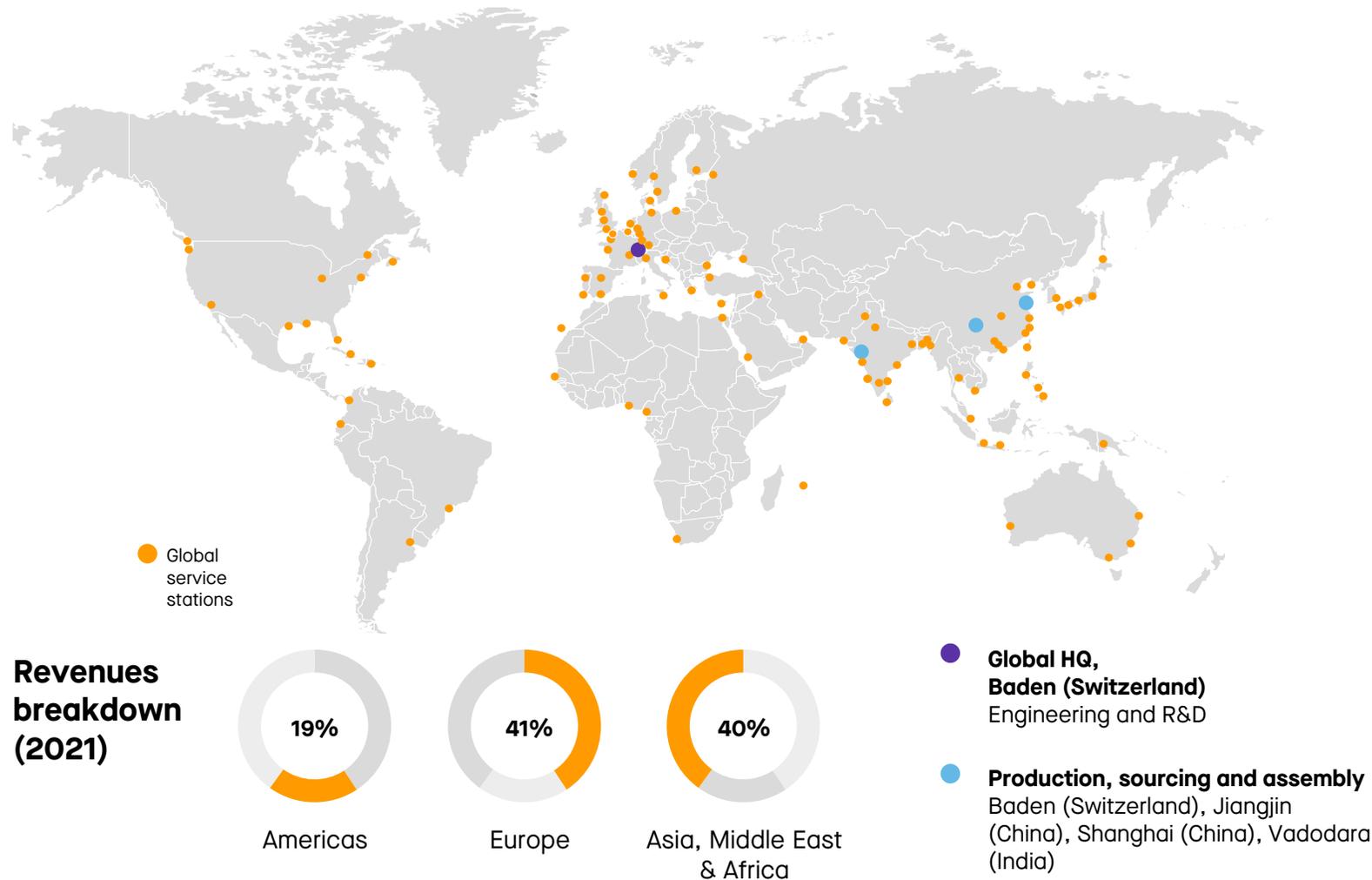
- ~2,300¹ people with clear goals
- ~185 R&D employees
- >500 service engineers
- 80 training hours per annum per engineer
- Investing in our local peoples' training & development to meet exacting Swiss standards
- ~7% R&D as % of revenues²
- 119 patent families



Source: Company information and Audited Combined Carve-out Financial Statements

1. Includes externals
2. Based on 2021

We serve global markets and operate on a global basis



Resilient supply chain

Dual sourcing is in place for key components

Efficient manufacturing & sourcing

4 global hubs

~10,000 turbochargers manufactured per year

Central service center Baden

100,000 orderlines per year

Global service network

>100 service locations globally

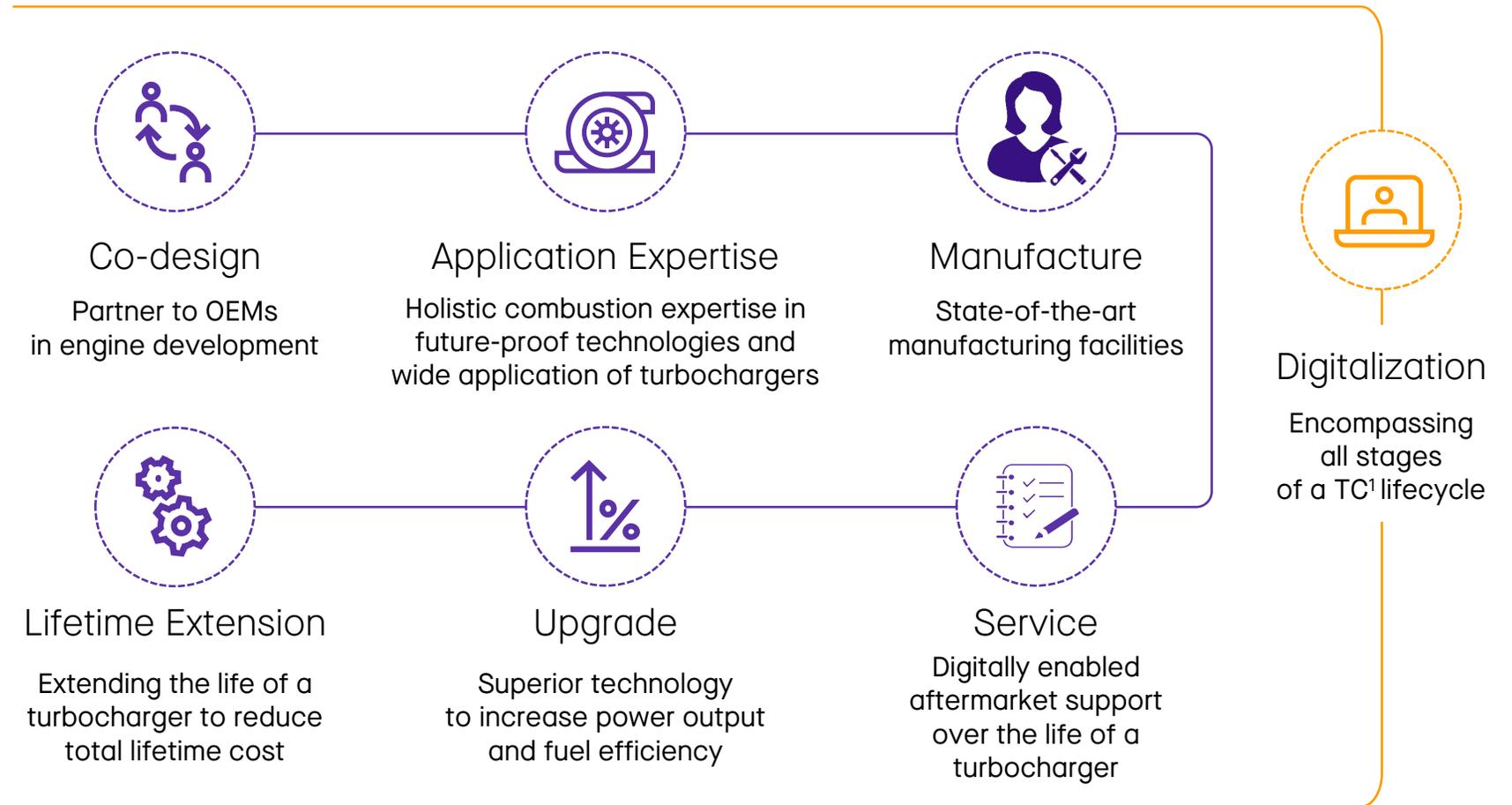
Service availability

Assembly of orders **24/7**

Parts availability

Within **48 hours** at every airport

Our value proposition:
support customers
through entire product
lifecycle with
digitalization
encompassing
every step



Megatrends are forcing our markets to transition and creating opportunities for Accelleron

Now

Future

Decarbonization

If maritime industry was a country, it would be the world's 6th largest CO₂ polluter

- **Trends:** synthetic fuels, fossil fuel decarbonization, bio fuels, blends, increased efficiency
- **Power:** grid balancing for intermittent renewables
- **Heavy-duty:** carbon neutral fuels where batteries are not a solution

1% reduction in maritime industry fuel use is equivalent to:

1. ~\$2bn of annual savings
2. CO₂ reduction from taking ~2 million cars off the road

Digitalization

Frequent manual data collection

- Device connection & data collection
- Smart service contracts & monitoring
- Shared benefits & risks model
- Operational knowledge drives design

Remotely connected engines

Sustainability is at the core of our strategy and operations



We aim to improve the Environmental impact of...

...our own operations:

- ✓ **Scope 1 & 2 CO₂ emissions reduced by 50%** since 2019. **Further 60% reduction planned by 2030**
- ✓ **New test facilities to operate with alternative green fuels from 2022** (e.g. H₂)¹
- ✓ **Transition 80% of test center operations to green fuels by 2030**

...our customers' operations:

- ✓ **Improving customers' efficiency** by reducing their fuel consumption and combustion engine size
- ✓ **Enabling longer usage of customer assets** via prioritizing repairs and upgrades over replacements
- ✓ **Helping our customers to decarbonize further** by leading the transition to green fuels



We take Social responsibility for...

...our employees:

- ✓ **Global development opportunities for local talent** at one worldwide standard (e.g. >80h of training per year for service engineers)
- ✓ **Worker safety:** LTIFR² of 0.45³ in 2021, plan to achieve 0.2 by 2024
- ✓ **Diversity:** 2021/22 Female share of 15% across senior leadership⁴, >20% across new hires. Employees from 80 nationalities in 50 countries

... our external stakeholders:

- ✓ Ethical and social **supplier due diligence**
- ✓ **Support local communities** in which we are active, e.g. China, UK, Ecuador, Philippines and India

**Executive compensation will be linked to environmental and social targets;
Support of UN Sustainable Development Goals, to be laid-out in dedicated Sustainability Report**

Source: Company information

1. H₂ stands for Hydrogen
2. Lost time injury frequency rate

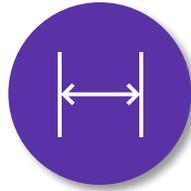
3. Per 200k hours worked

4. Senior leadership defined as highest graded 4% of employees

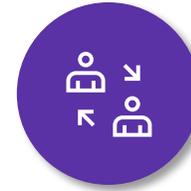
We plan to strategically target key areas in order to achieve our goals:



Increase percentage share in our marine and power core markets



Expand our business offering into adjacent areas where we can differentiate



Grow long-term customer engagement through lifetime service offering



Increase digital scope and facilitate customer energy transition

Attractive financial profile with resilient margins and strong cash flow



2021 revenues
\$756m
 24.8% operational EBIT margin^{3,4}



Mid-term targets¹

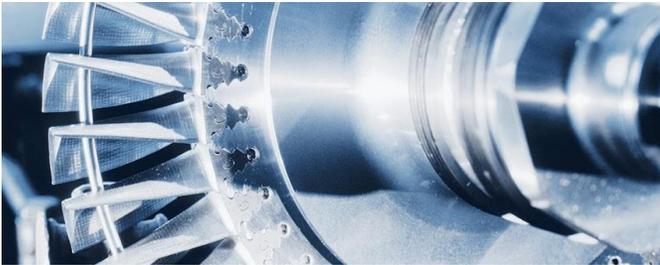
Organic revenues growth^{2,3}
2-4% CAGR

Operational EBITA margin³
23-26%

Free cash flow conversion³
90-100%



2022 organic revenues growth^{2,3}
~6%
 ~24% operational EBITA margin³



Source: Company information, Audited Combined Carve-out Financial Statements

- 1. Referring to mid-term period of 4-5 years
- 2. At constant currency and adjusted for M&A

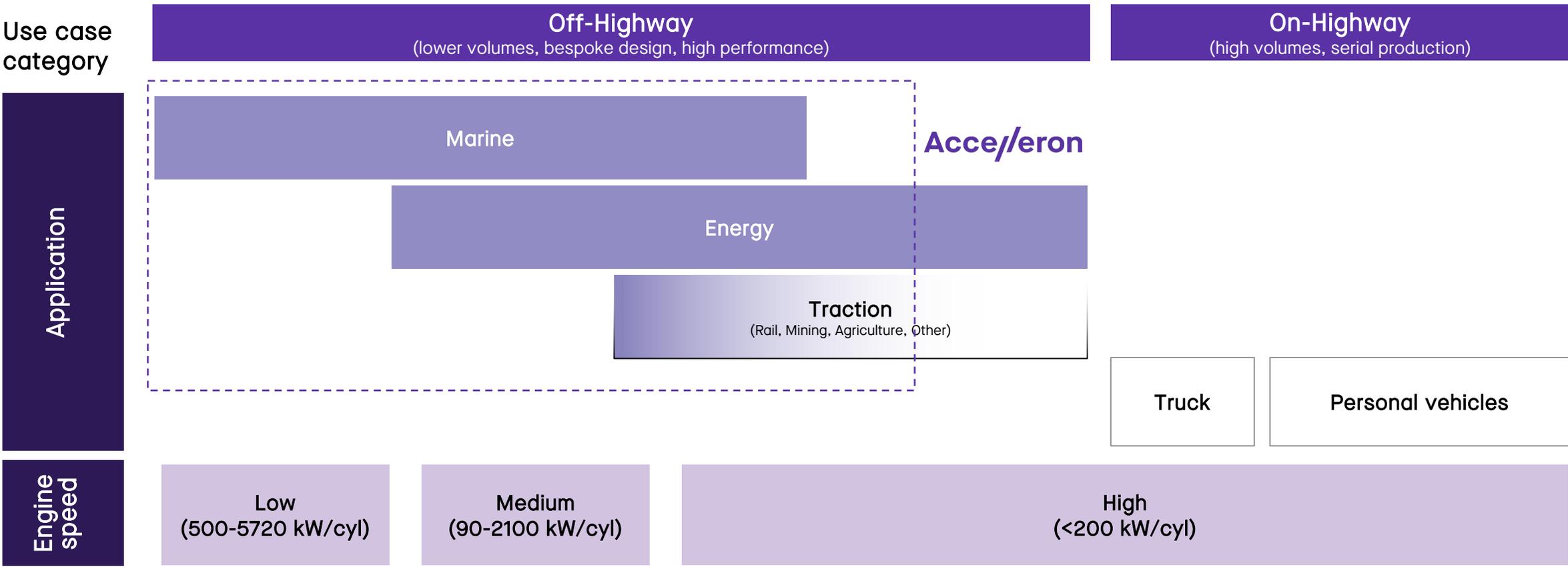
- 3. Non-U.S. GAAP financial metric, as defined on page 106
- 4. Equivalent to operational EBITA margin, as there has been no acquisition-related amortization in 2021



02

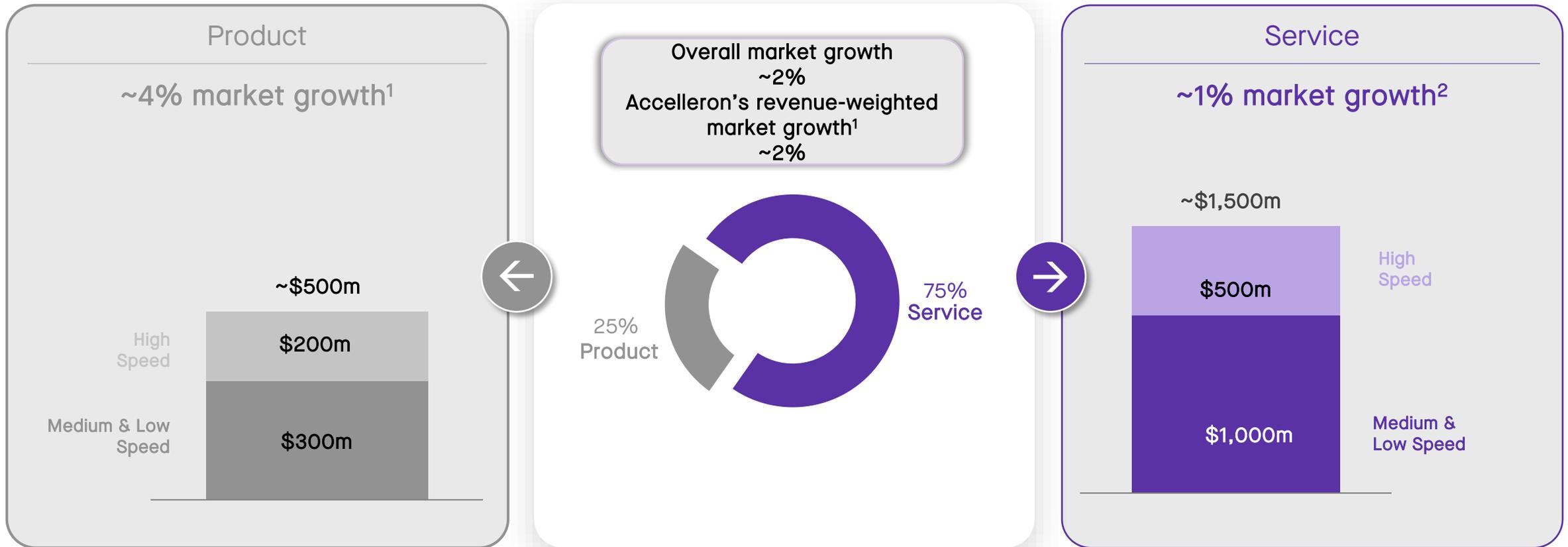
Leading Position in Attractive Markets

We are positioned in critical applications and the sustaining segment of the turbocharger market



Product led growth is expected across our markets

Addressable Off-Highway Market:
~\$2bn¹ in 2020

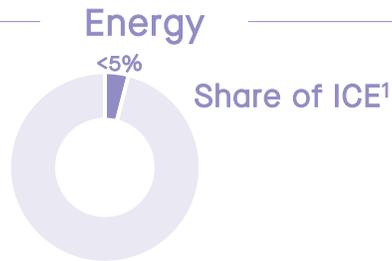


Source: Company internal estimates and third party analysis and Audited Combined Carve-out Financial Statements

Note: Traction not included in addressable market size

1. Excluding rail
2. FY20 – FY26E CAGR, excludes inflation and FX impact

Trends in core market segments support the growth trajectory



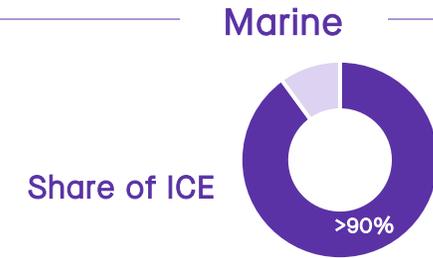
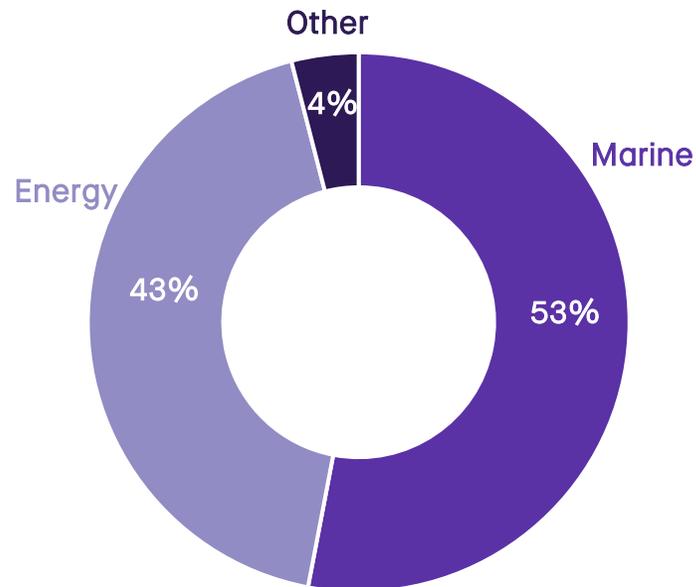
Energy transition increases turbocharger applications

- Grid balancing from ICE critical with
- Accelerating shift to renewables
 - Overall electrification trend

Back-up power ever more important for critical infrastructure (inc. data centers)

Continuous demand for baseload in emerging markets

Accelleron's revenue by core market segments



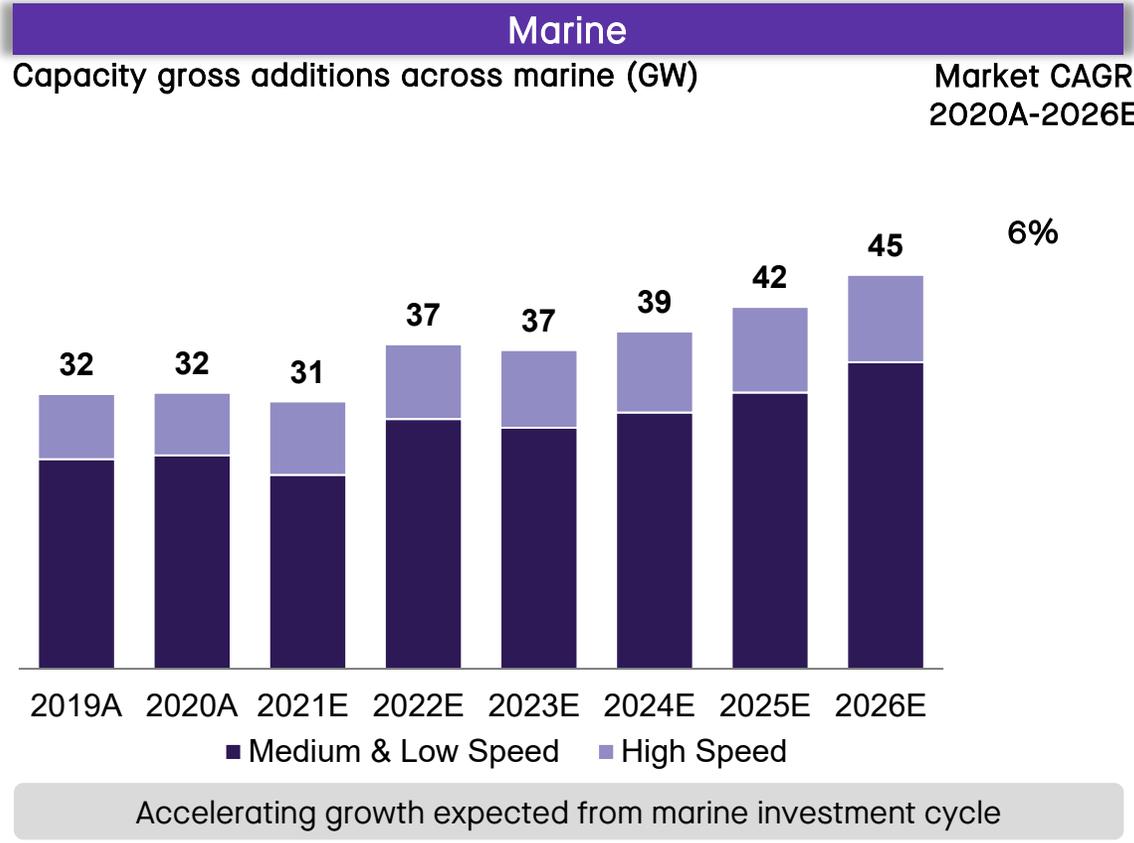
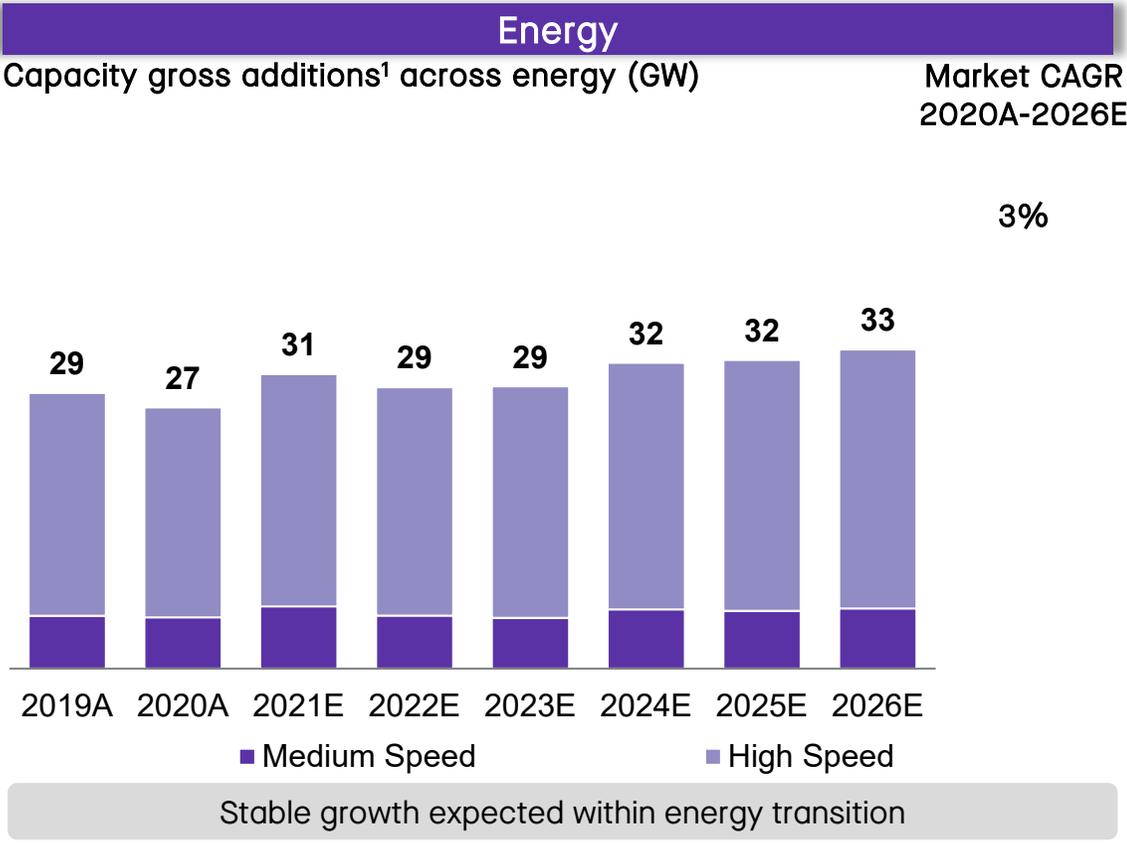
Segment growth increases turbocharger applications

Strong investment in shipping supported by global trade

Stricter CO₂ emission regulations for propulsion systems create new technology opportunity

New propulsion systems and alternative fuels emerging

We benefit from new capacity across our core end markets



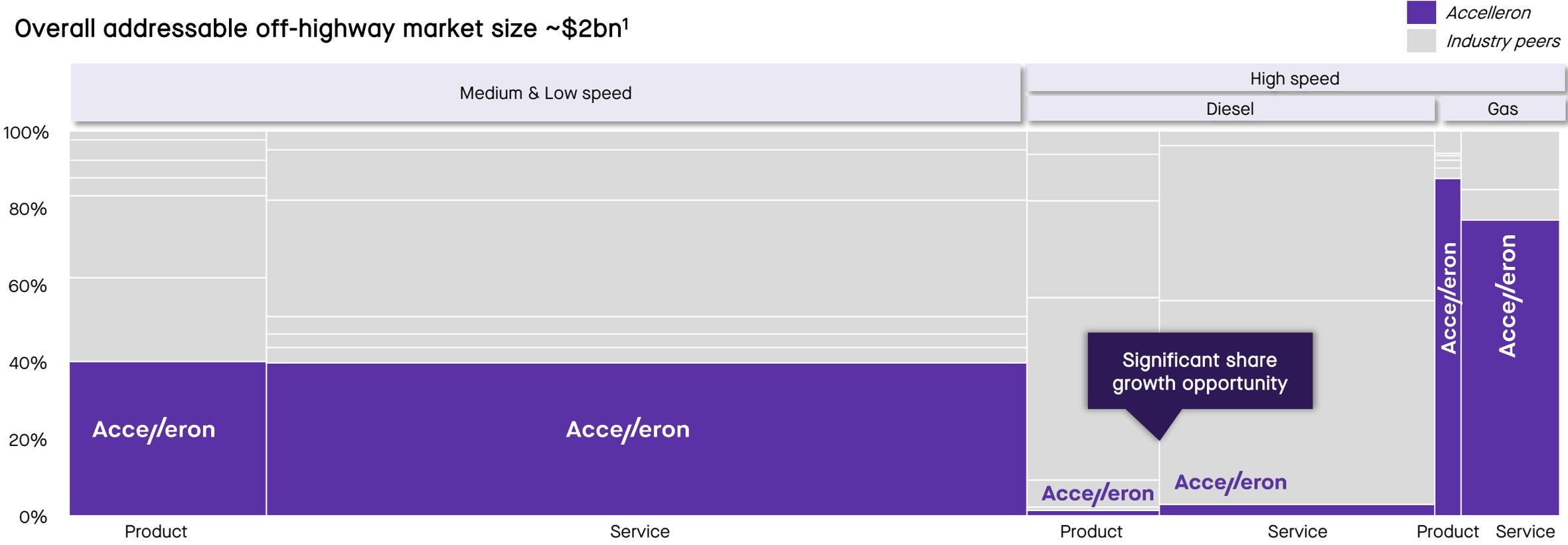
Source: Third party analysis

1. Capacity gross additions refers to aggregate power of new engines on the market



Strong share in key products and services, with High Speed providing growth opportunities

Overall addressable off-highway market size ~\$2bn¹



03

The energy transition in our markets

The energy transition provides us with multiple opportunities

1 ICE upgrades / retrofits



We reduce emissions across our end markets and expect to do so for many years to come

2 Transition fuels



We are a leader in transition fuels and enable gradual decarbonization of installed products through blending with green fuels

3 Future technology



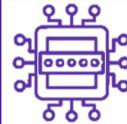
Customer focused development of future technologies, including power generation and propulsion systems operating on 100% green fuels and digital offerings that pave the way to “net zero”

Regulation started the decarbonization trend across our markets with customers now highly focused on their CO₂ footprint



Regulation

- ✓ International Maritime Organisation aims to reduce CO₂ emissions by 50% by 2050
- ✓ Regulation within energy focuses on achieving Paris Agreement 2015 targets



Technology

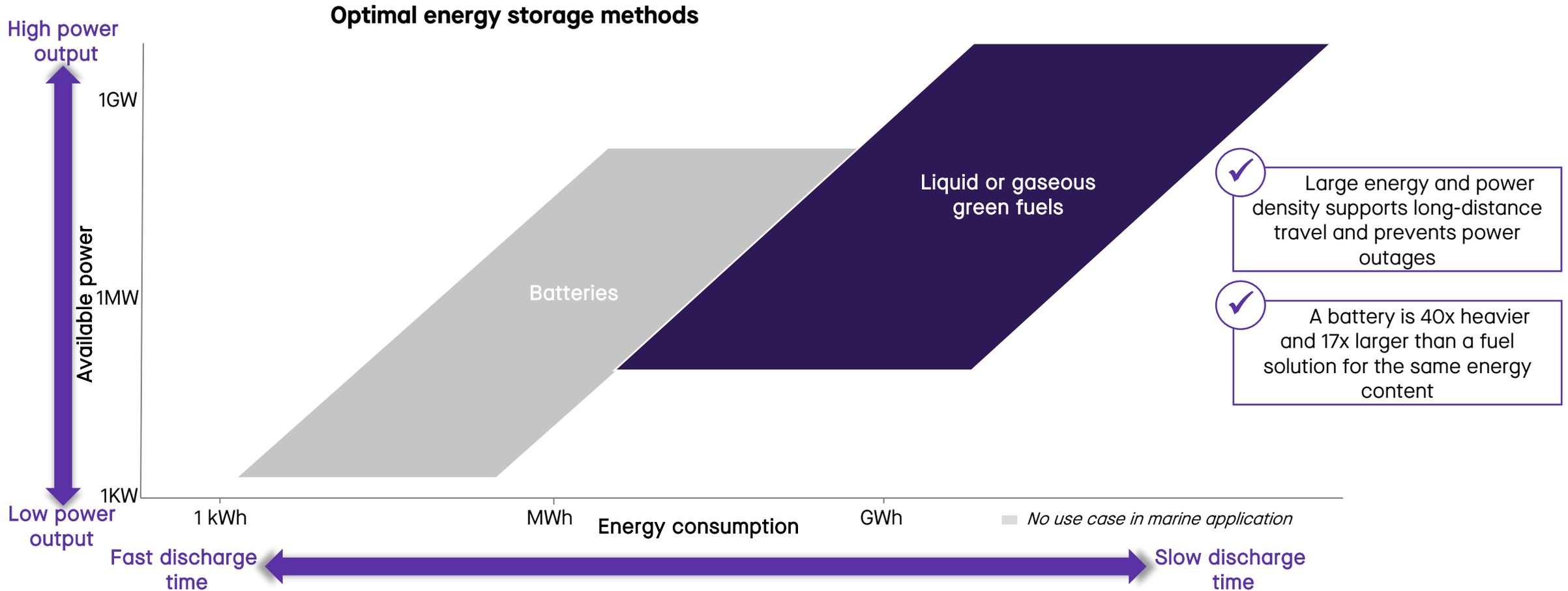
- ✓ Alternative, green fuels emerging
- ✓ New technologies for propulsion and power generation with different use cases (e.g. fuel cell)
- ✓ Digital solutions increasing engine efficiency further



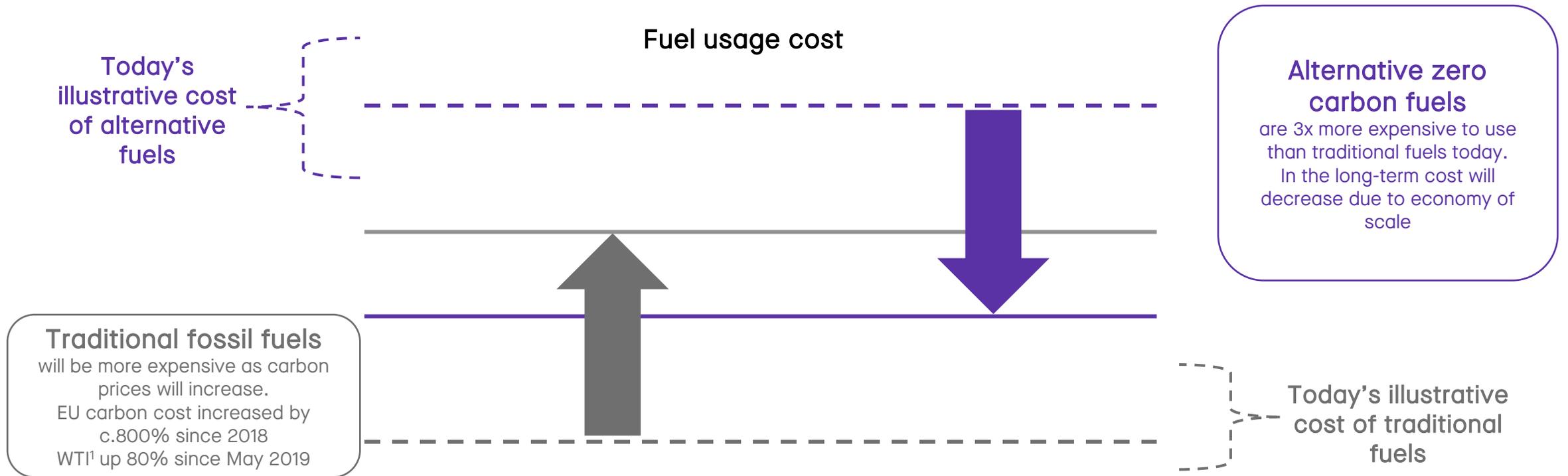
Customer Patterns

- ✓ Ship-owners / operators demands more efficient and green technologies due to IMO¹ regulations
- ✓ End-customers (e.g. IKEA) are moving to greener transport to reduce Scope 3 CO₂ footprint given heightened focus on ESG

There is a strong use case for ICEs run with green fuels



The use of traditional fuels will become more expensive



Owing to increasing CO₂ pricing and economies of scale, green fuel will become competitive vs. fossil fuel

04

Our technology for the future

As an industry leader we shape the energy transition across Accelleron's markets and segments



A track record of innovation



Holistic engine performance
expertise

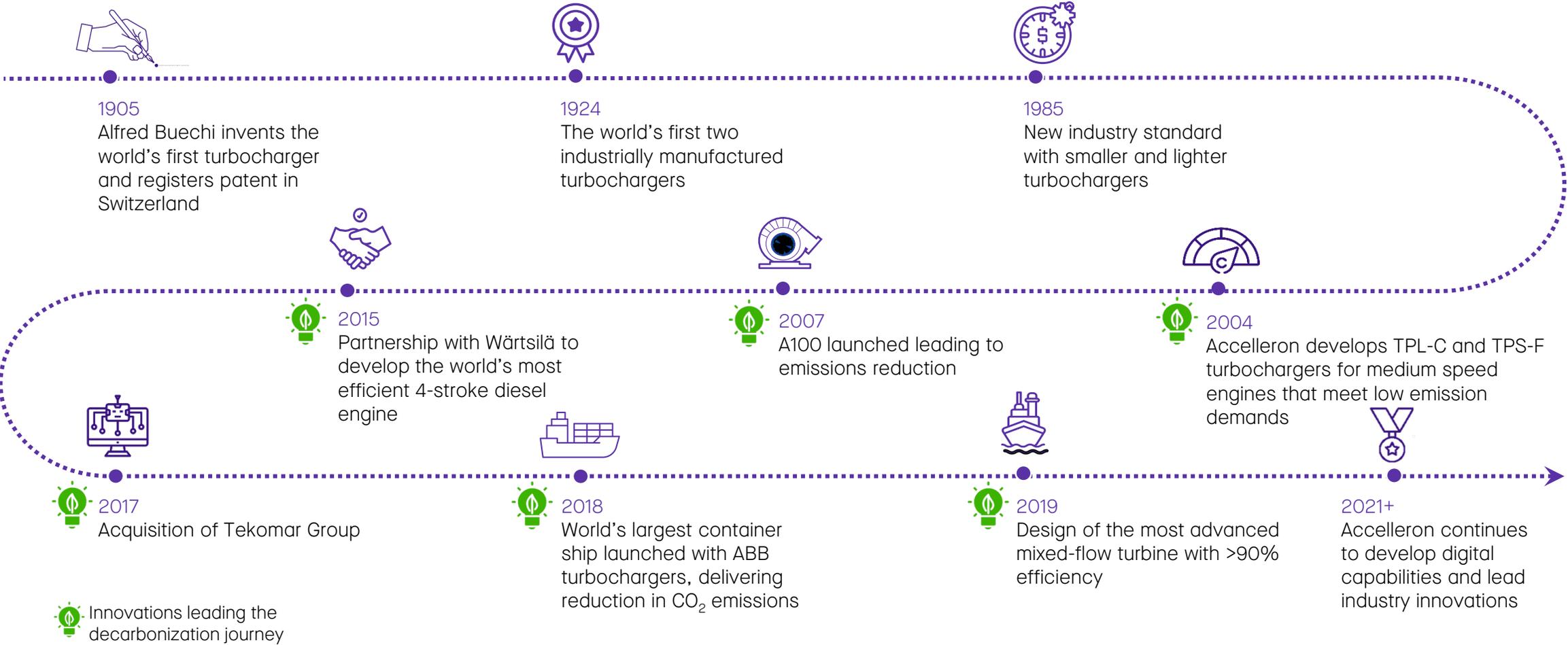


Partner of choice for OEMs to
collaborate on most efficient future
system design



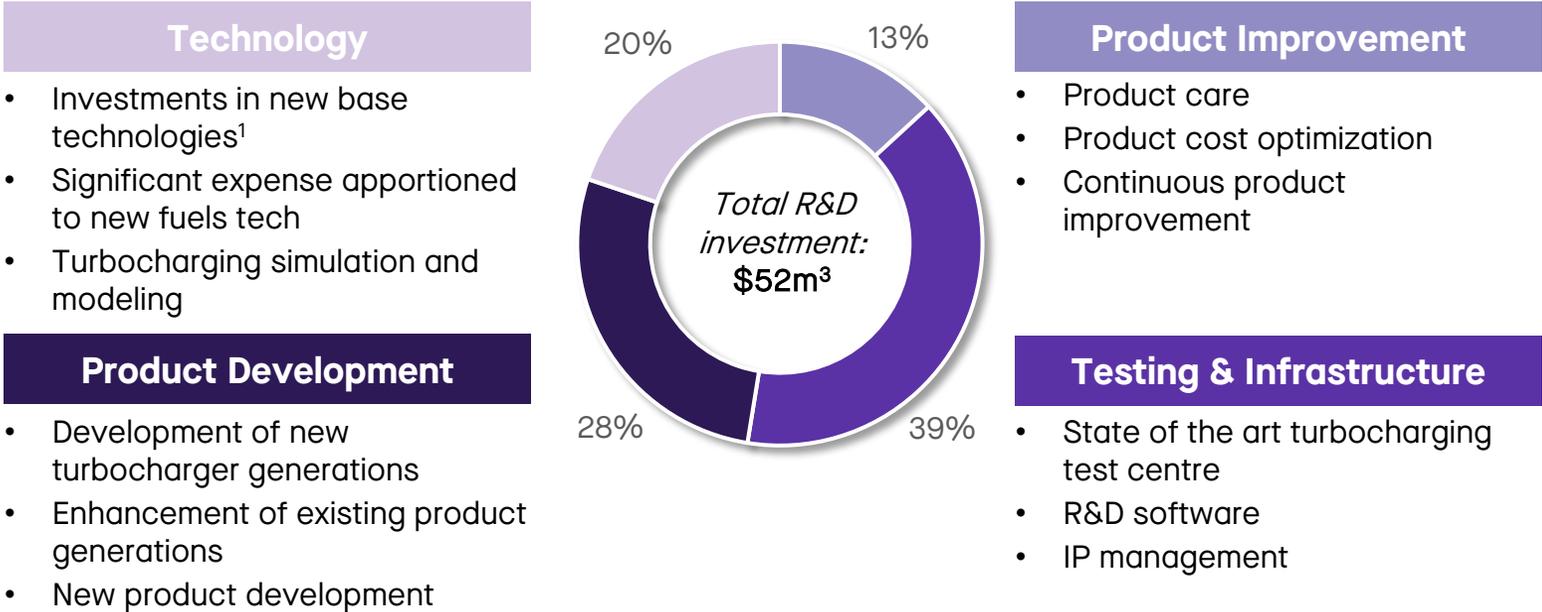
Future-proof technology with
applications beyond 2040

Accelleron has industry leading R&D innovation capabilities with a strong track record



Accelleron invests in highest turbocharger performance – today and tomorrow

R&D Spend by Category



Source: Company information, Company estimates, third party data and Audited Combined Carve-out Financial Statements

- Including turbocharger components and advanced technologies
- 10-year average
- 2021A spend



2021 R&D spending: 7% of revenue



R&D staff: ~185 FTEs loyal, with diverse experience, and >90% higher education



Patents filed p.a.²: 30-50



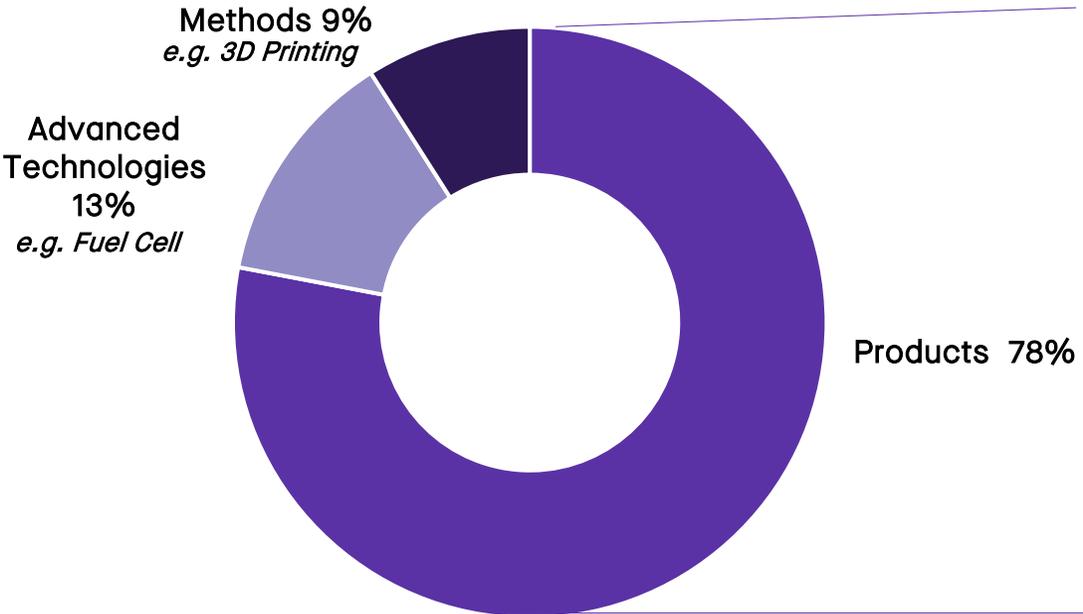
of Patent families: 119



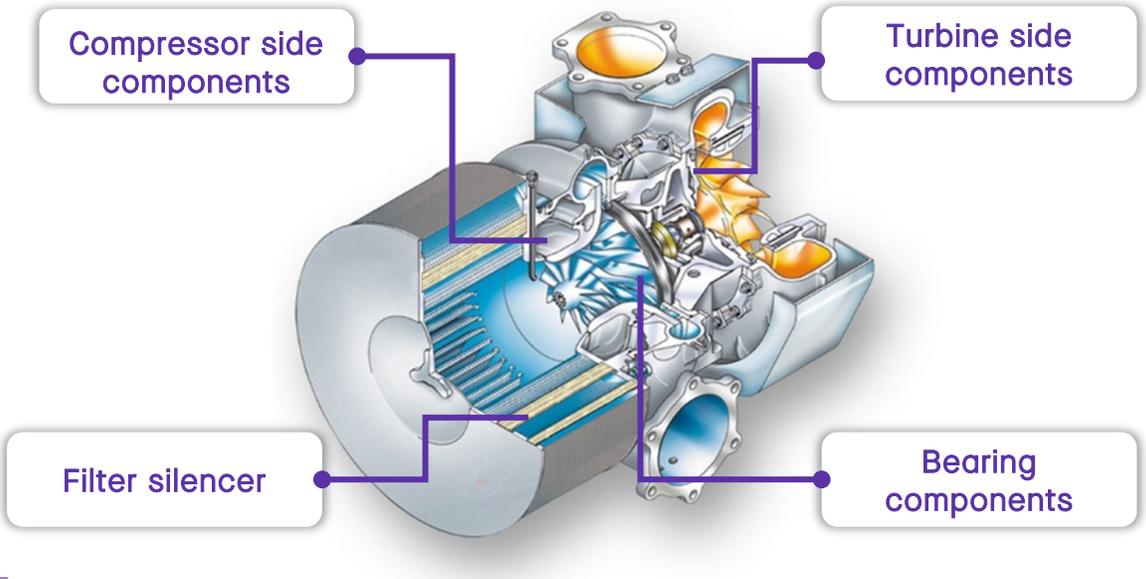
~\$3m of total R&D focused on digital products and offerings

Accelleron's 119 patent families demonstrate its strong innovation capabilities across the broader turbocharging field

Patent Families by Type



Product Patent Overview



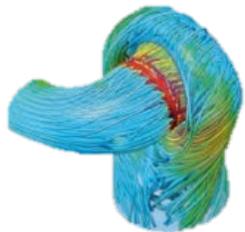
Most relevant geographies for patent protection include Europe, China, Japan, Korea and USA

Optimizing core component designs through integrated workflow

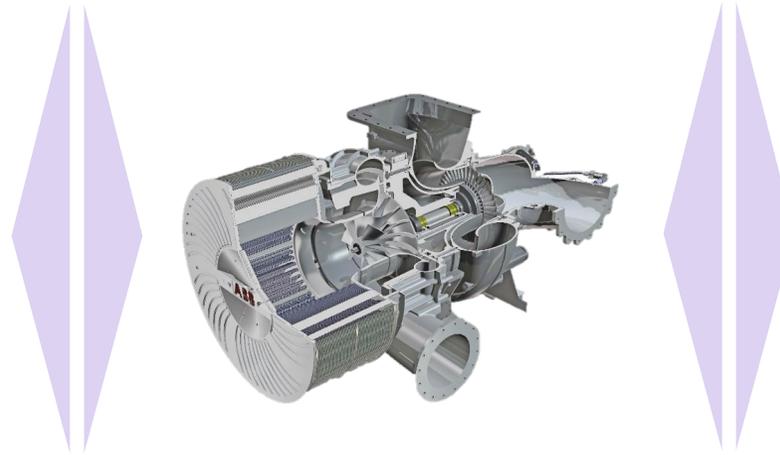


Product Development

- Machine learning for design optimization
- Simulation of customer's performance
- Professional test centre for product validation

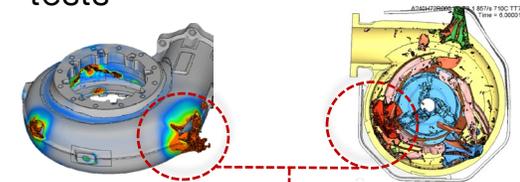


Flange-to-flange turbine computational fluid dynamics simulation



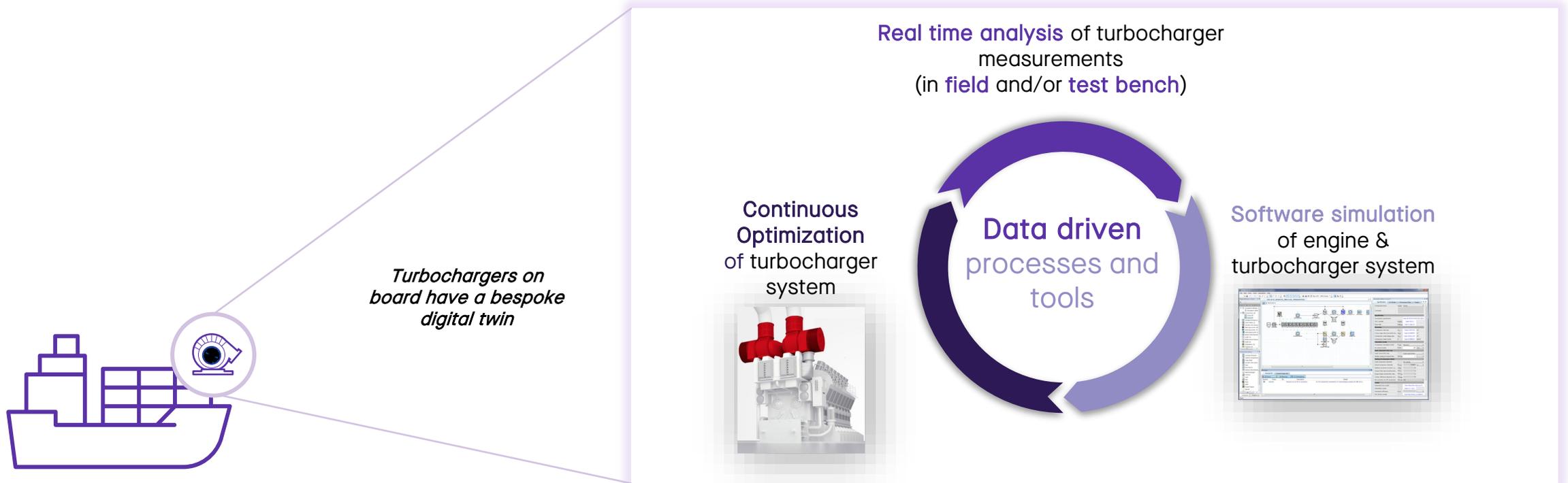
Product Reliability & Safety

- Turbochargers designed for up to 100,000 operating hours (depending on load & application)
- Service and exchange concept over life time
- Containment simulation for classification proven by dedicated tests

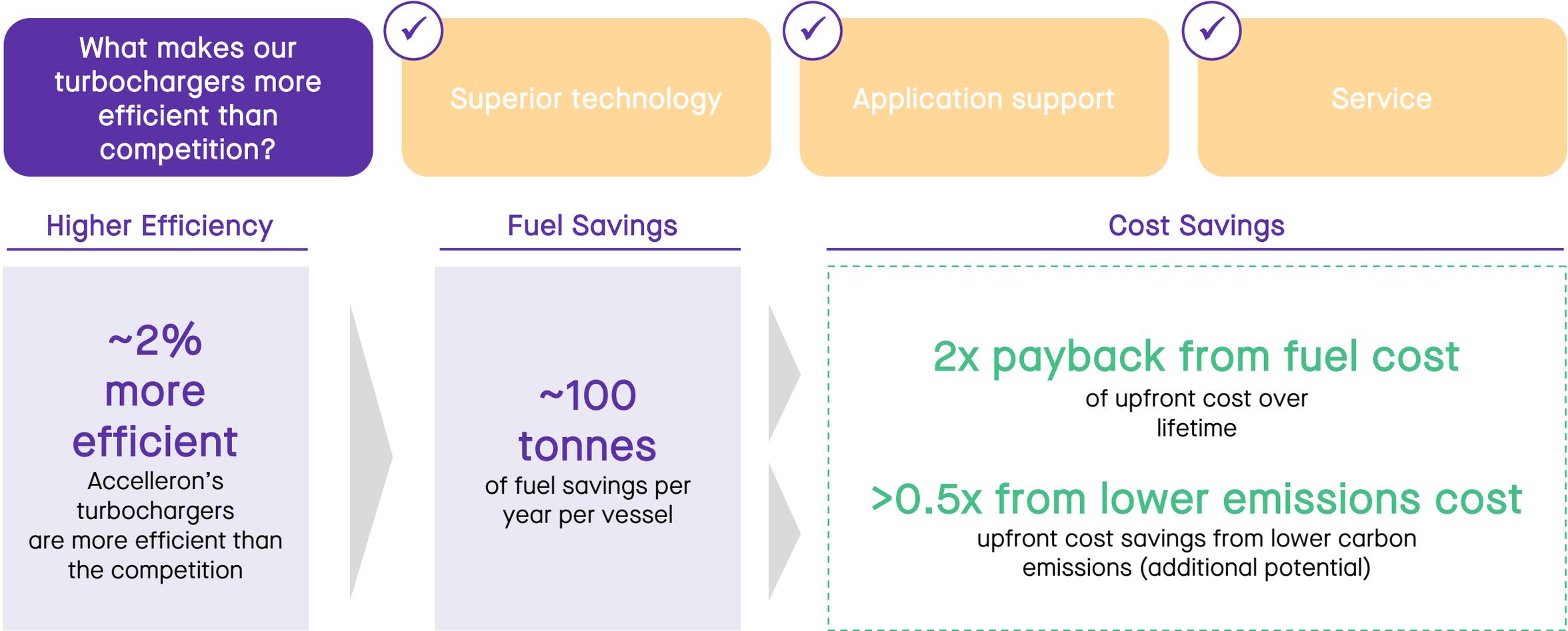


Turbine casing penetration after turbine burst, visualised through simulation

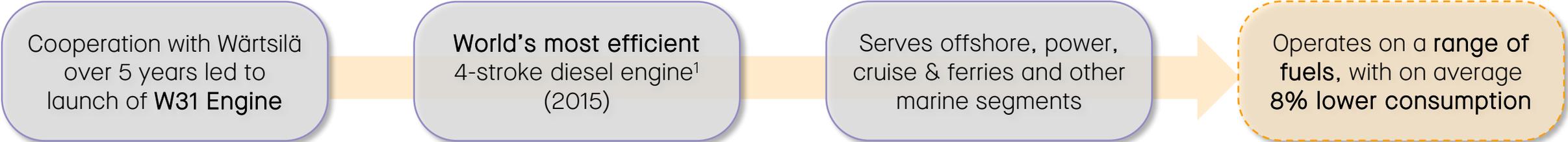
Continuous optimization loop will be driven by Accelleron's Digital Twin and computer-aided engineering abilities



Accelleron's products achieve cost savings through increased turbocharger efficiency



Collaboration with Wärtsilä: a showcase of partnership development with engine OEMs in the decarbonization megatrend



High efficiency gains through best fit between turbocharger and base engine



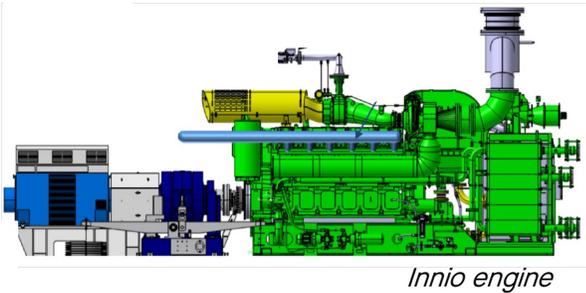
- Two-stage turbocharging
- High-pressure fuel injection system
- Adjustable valve actuation
- Next-generation engine control system

Broad applications



Accelleron are at the forefront of key industry developments with strategic partners

Large Engine Technology & Fuel Flexibility

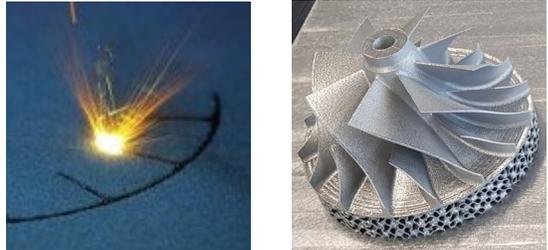


Large Engine Competence Center, Graz

EvoLET project ongoing since 2015; collaboration to shift natural gas engines to hydrogen

Fuel flexibility crucial in energy transition

3D Printing



Collaboration on additive manufacturing and computer aided engineering

Optimizing manufacturing & inventory

Institutional Knowledge

✓ Strong Cooperation Network with **Universities and Institutes:**

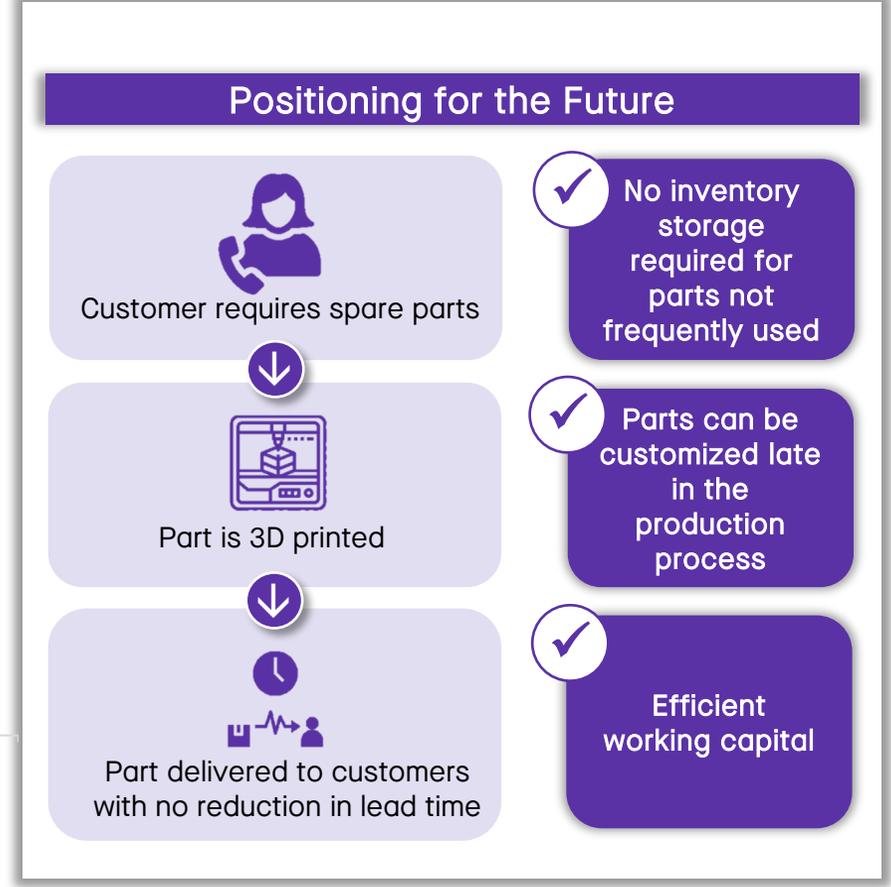
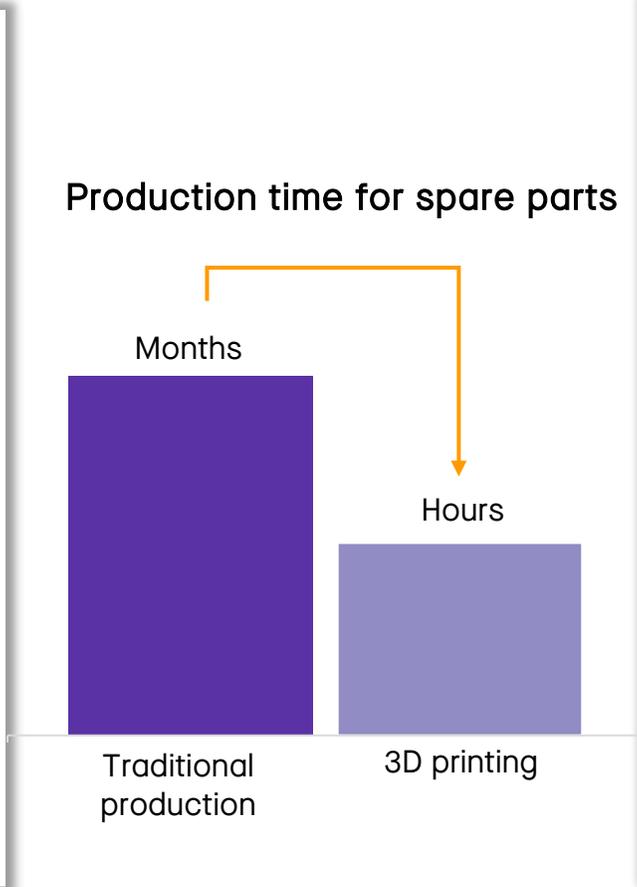
Empa **ETH** zürich **EPFL** PAUL SCHERRER INSTITUT PSI 

✓ **Industry Associations:**

 **CIMAC**  **SWISSMEM**  **VDMA**  **FVV**

✓ Cooperation partnerships with various **customers and suppliers**

Market leading 3D-printing technology enhances operational efficiency



Accelleron's core segments will transition to various alternative fuels

	2030	2050
Marine	<p>Liquefied natural gas + Green fuel blends Fossil diesel</p>	<p>Green liquid fuel Green gas / fuel gas</p>
Energy	<p>Natural gas Natural gas + Hydrogen blending</p>	<p>Green gaseous fuel Green liquid fuel</p>

Bold = dominant fuel

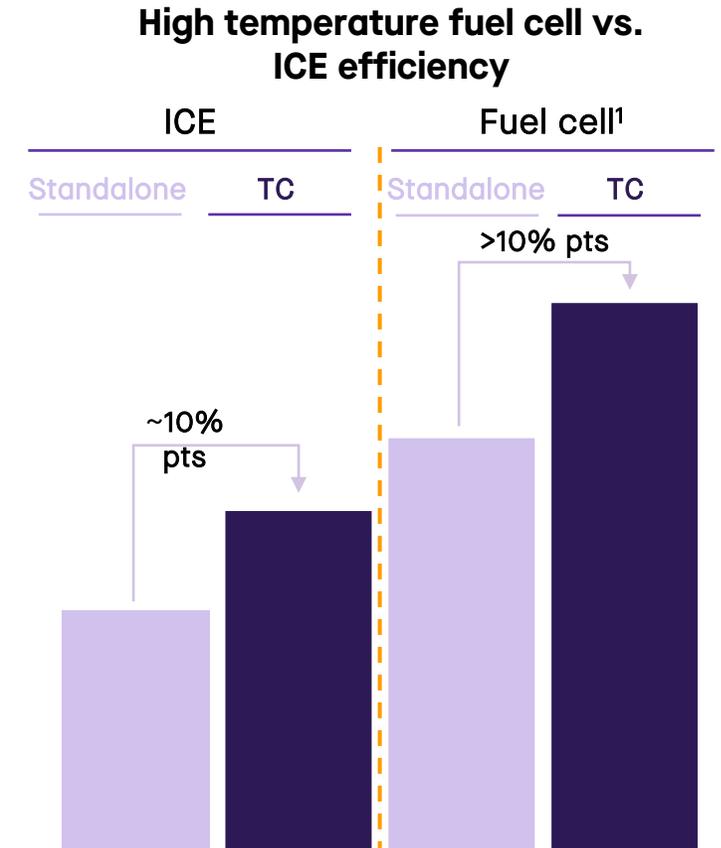
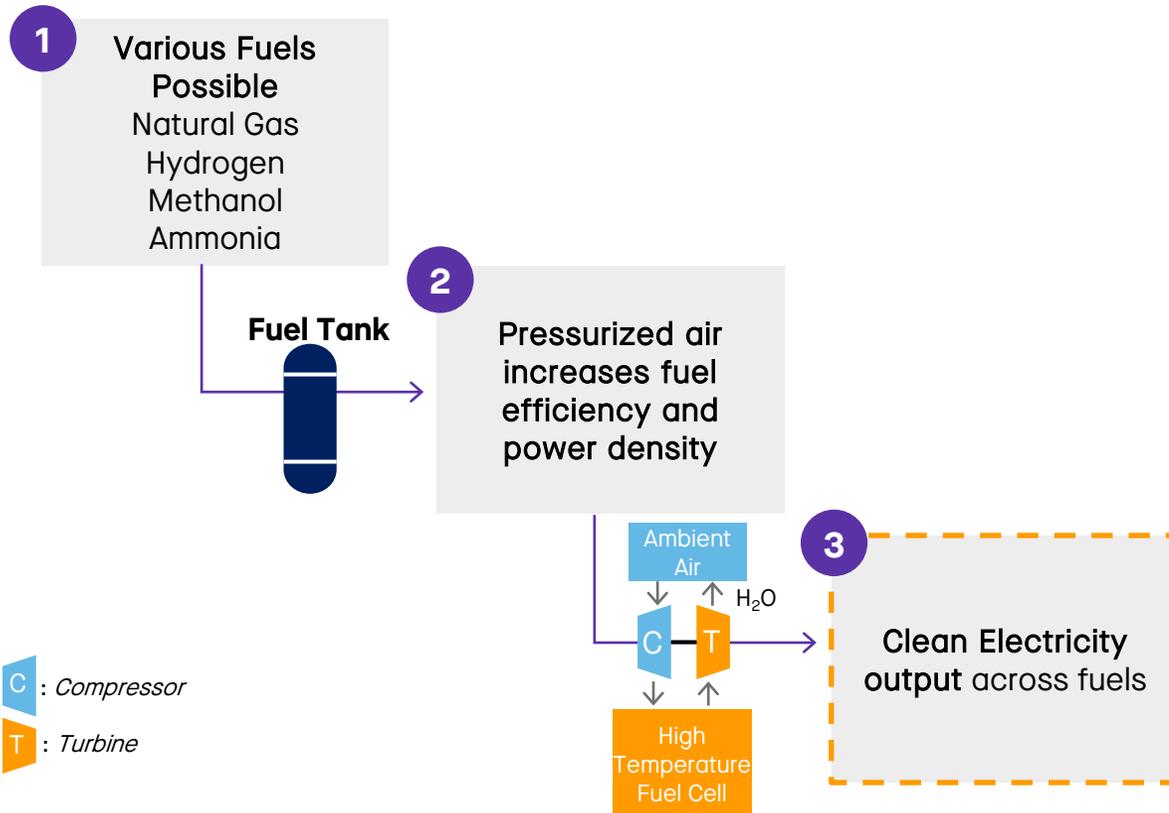
Customer and industry focus on moving to a cleaner future

Fossil liquid fuels and natural gas transition to green fuel blends, and ultimately, green fuels

Accelleron's R&D investment and technological capabilities will lead the transition



Expanding turbocharger applications to fuel cells will be a market shaping innovation



Opportunity for ships with a high electrical energy demand to replace auxiliary engines with fuel cells

Accelleron's continuous R&D efforts support our strong market position

R&D yields clear benefits across our offering



Superior Performance



Product Reliability and Uptime



Decarbonization and Fuel Flexibility



Digital Offerings Enhancing Products and Operations

05

Business strategy

05.01

Medium & Low Speed

The industries we serve with our Medium & Low Speed products

Merchant Marine



Cruise & Ferries



Offshore

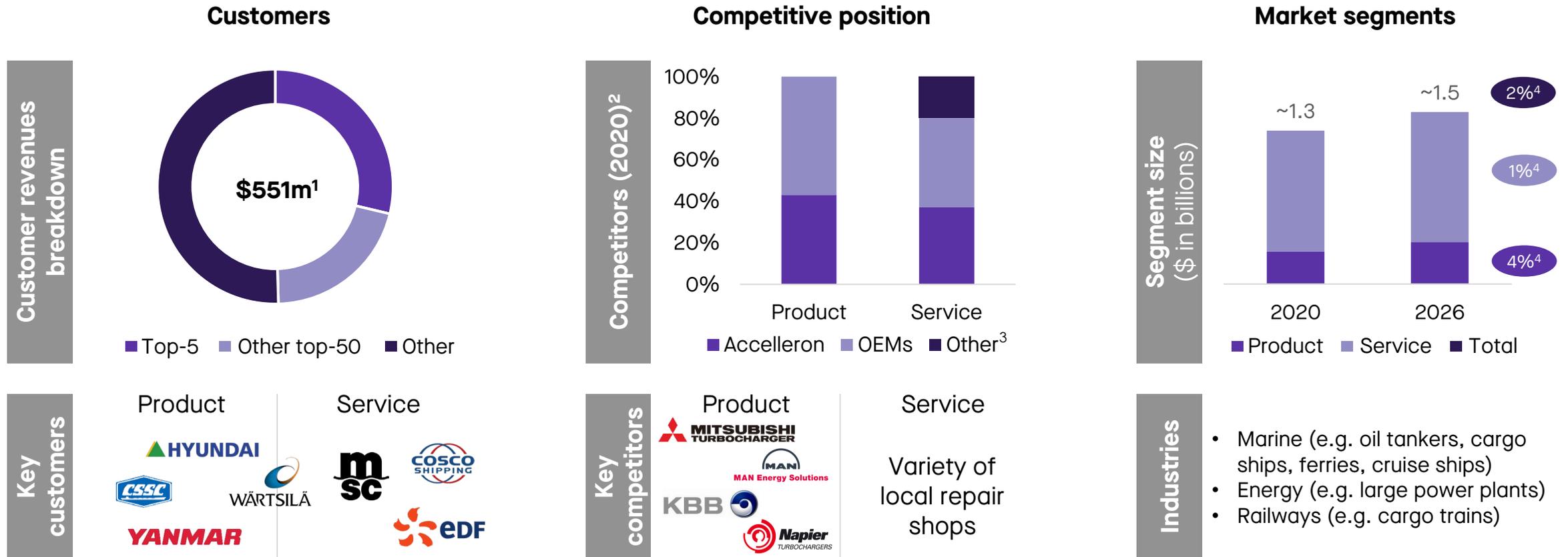


Power Generation



Division Medium & Low Speed

Customer overview, competitive position and market segments

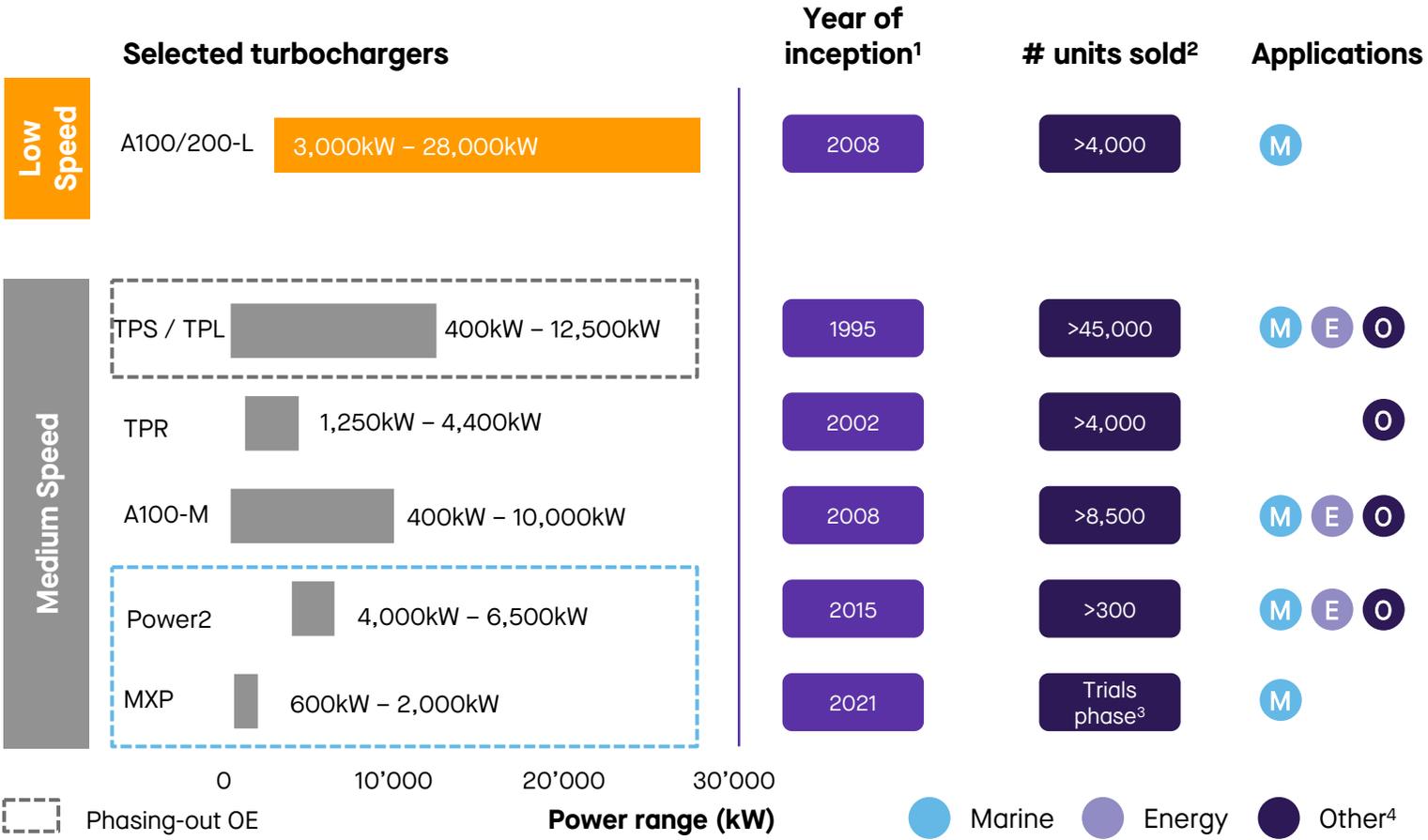


Source: Company information, Company internal estimates, third party analysis and Audited Combined Carve-out Financial Statements

Note: Figures include rail

- 2021 revenues; includes 3rd party service and rail
- Based on 2020 revenues
- Includes 3rd party service providers and internal servicing
- Expected FY20 - FY26 market CAGR

A comprehensive and well-balanced portfolio of products to cover all heavy-duty applications



- ✓ Broadest power range in the industry
- ✓ Tailored for specific applications to achieve maximum performance
- ✓ Leading technology

Example:

Wärtsilä W31 with Power2



“Recognized by Guinness World Records as being the world’s most efficient 4-stroke diesel engine”

Source: Company information, Company internal estimates and third party analysis
 Note: Power range refers to a single turbocharger and both axial and radial setup where applicable

1. Year of 1st release
2. Cumulative volume from date of inception until end of 2021
3. First vessel sea trials done
4. Includes oil and gas offshore, earthmoving, mining equipment and rail
5. OE = original equipment



Latest product release: MXP, an optimized solution for auxiliary power

Need

- Small bore medium-speed marine auxiliary diesel engine
- **TC solution to fulfill the specific needs of up to a 2MW auxiliary engine** in operation, efficiency & maintenance
- Addressable market of 3-4GW

Solution

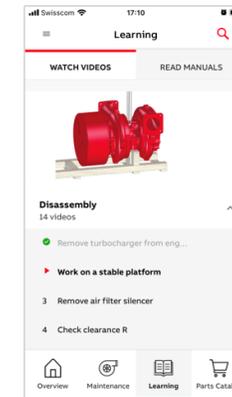
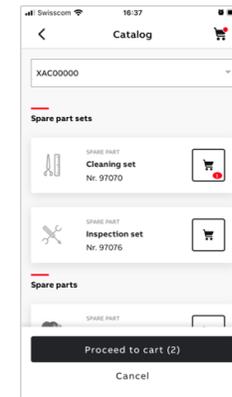
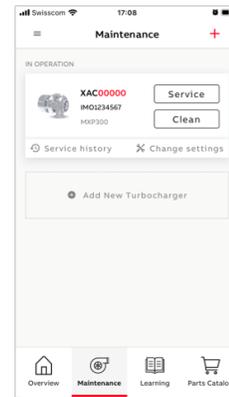
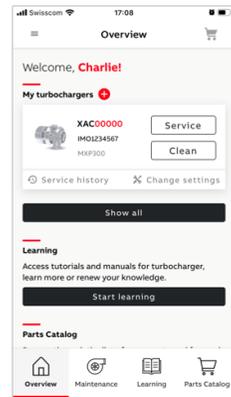
- ✓ **Simple, robust and cost-efficient** design
- ✓ **Excellent performance** characteristic
- ✓ Designed in **cooperation with IHI Corporation**

Digital angle

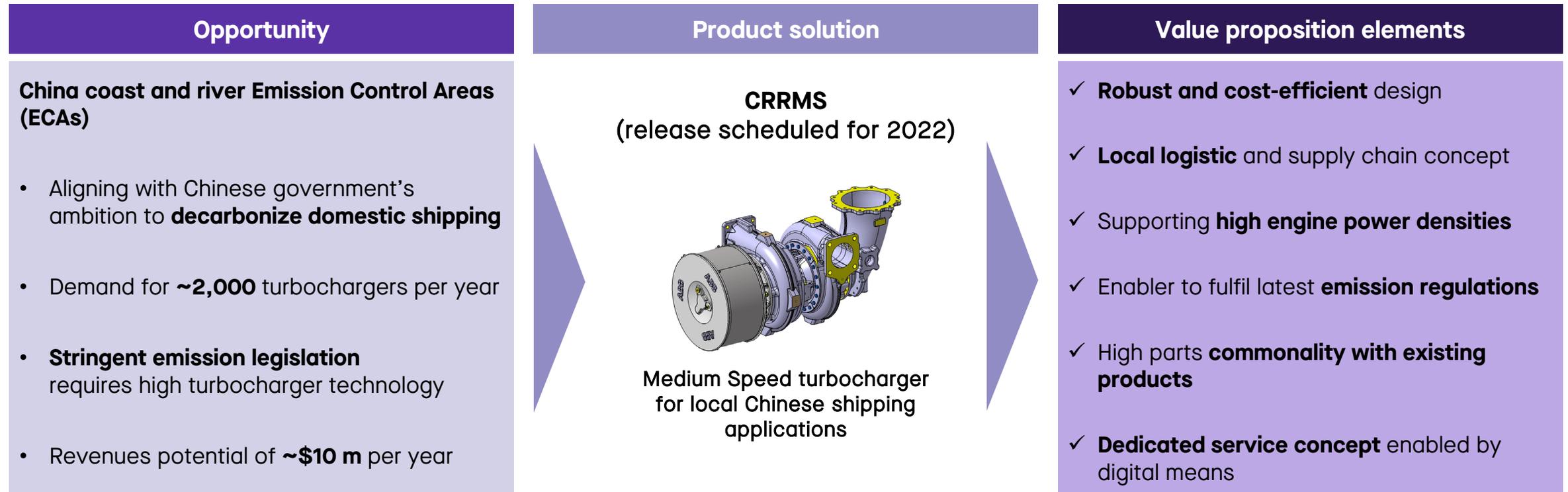
- + **Integration of digital solutions**, including self-service app, GS1 code and LOREKA Portal¹
- + Easily **troubleshoot solutions**
- + **Seamlessly order spare parts** via digital service support app

Benefit

- ✓ **Optimized load response behavior**
- ✓ **IMO II & IMO III Compliance**
- ✓ **Easy maintenance**

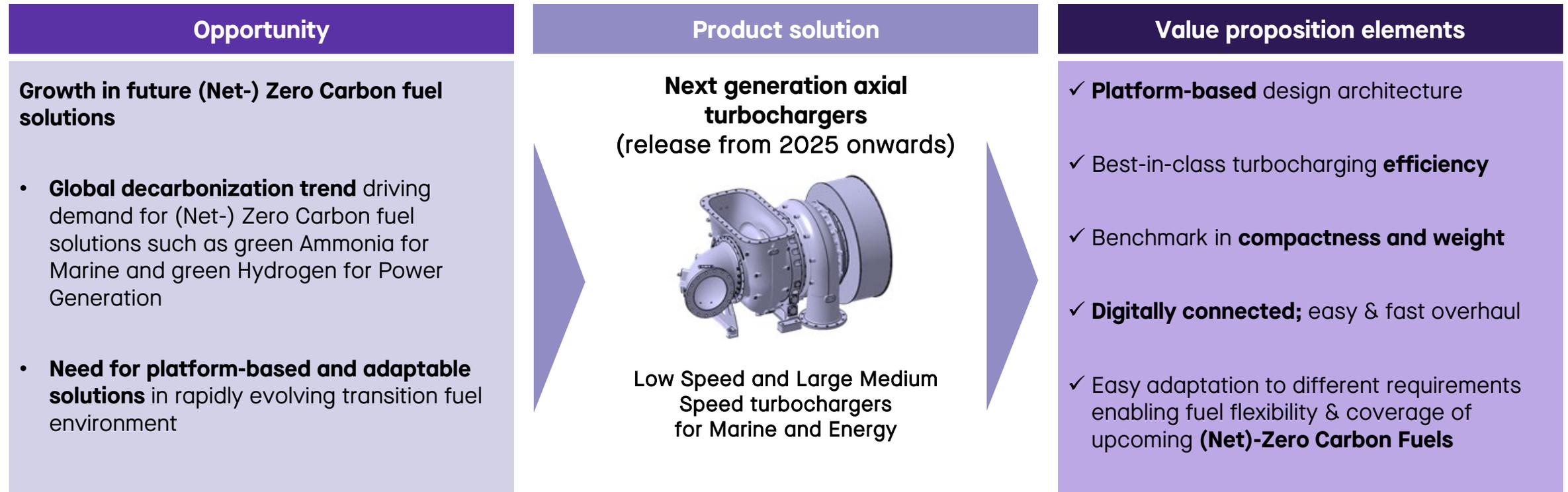


Upcoming product release: CRRMS, tailored solution for local Chinese shipping market



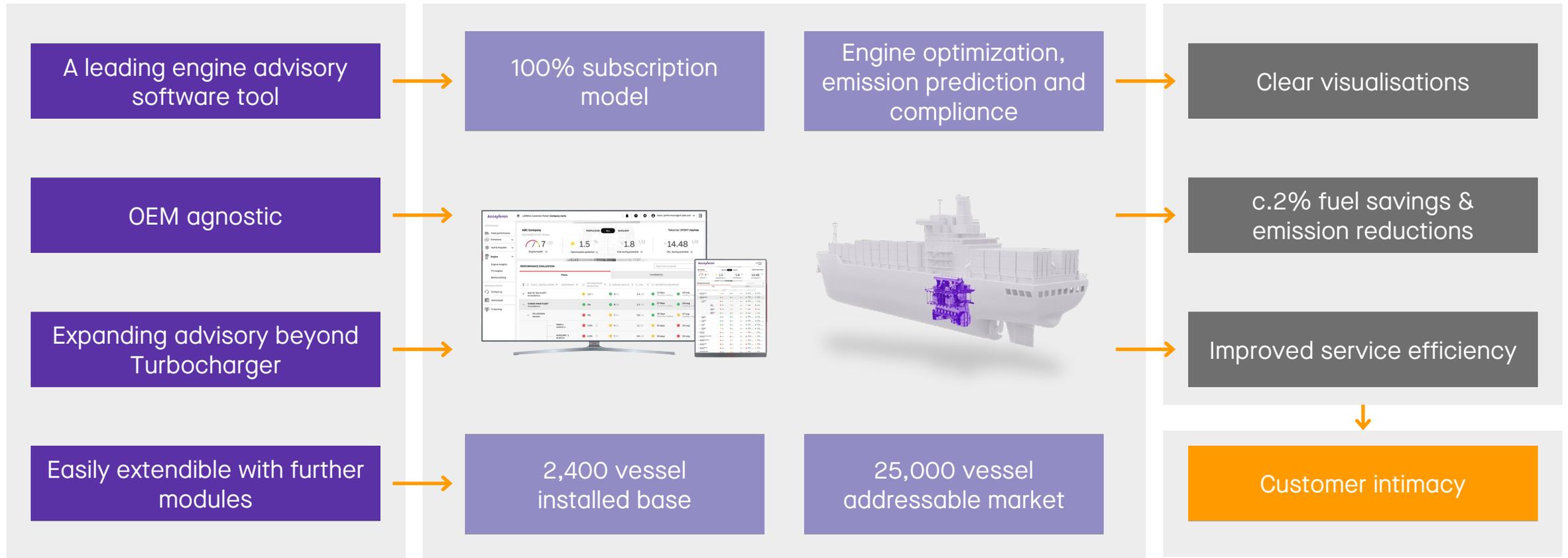
Full development in 1.5 years, thanks to parts commonality with existing products

Upcoming product release: Next generation axial turbochargers, platform-based solution for (Net-)Zero Carbon Fuel applications



A 2-year core technology development & platform approach significantly shortens traditional 10-year development & ramp-up phase

Tekomar XPERT provides a strong digital service solution to enhance customer offering



Turbo Insights: the key bridge to lifetime digitalization around the Turbocharger

✓ Standard on all new low speed turbochargers

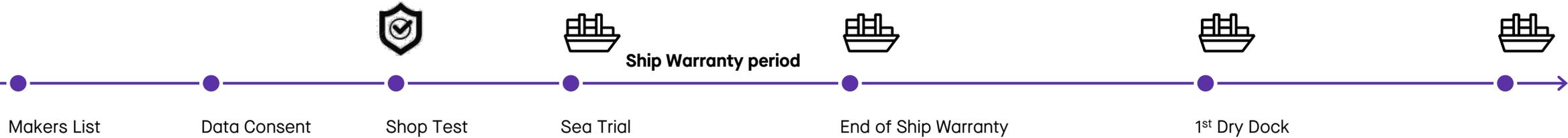
✓ Easily upgraded to Tekomar XPERT for engine advice and optimization

✓ Utilizing LOREKA customer portal for clear data visualization

✓ Enables Turbo MarineCare post warranty for digitally enabled servicing

✓ Gives real-time insights on turbocharger performance ensuring viability

✓ Provides engine data to Accelleron for lifecycle of a Turbocharger



Pressure is rising to decarbonize Accelleron's core segments...

Corporations are committing to net zero carbon

Significant cargo users			
			
Utilities			
			
			

Accelleron can help customers to achieve their net zero goals through:

- ✓ Superior power density
- ✓ Fuel efficiency and flexibility
- ✓ Engine performance advisory

Accelleron is the partner of choice...

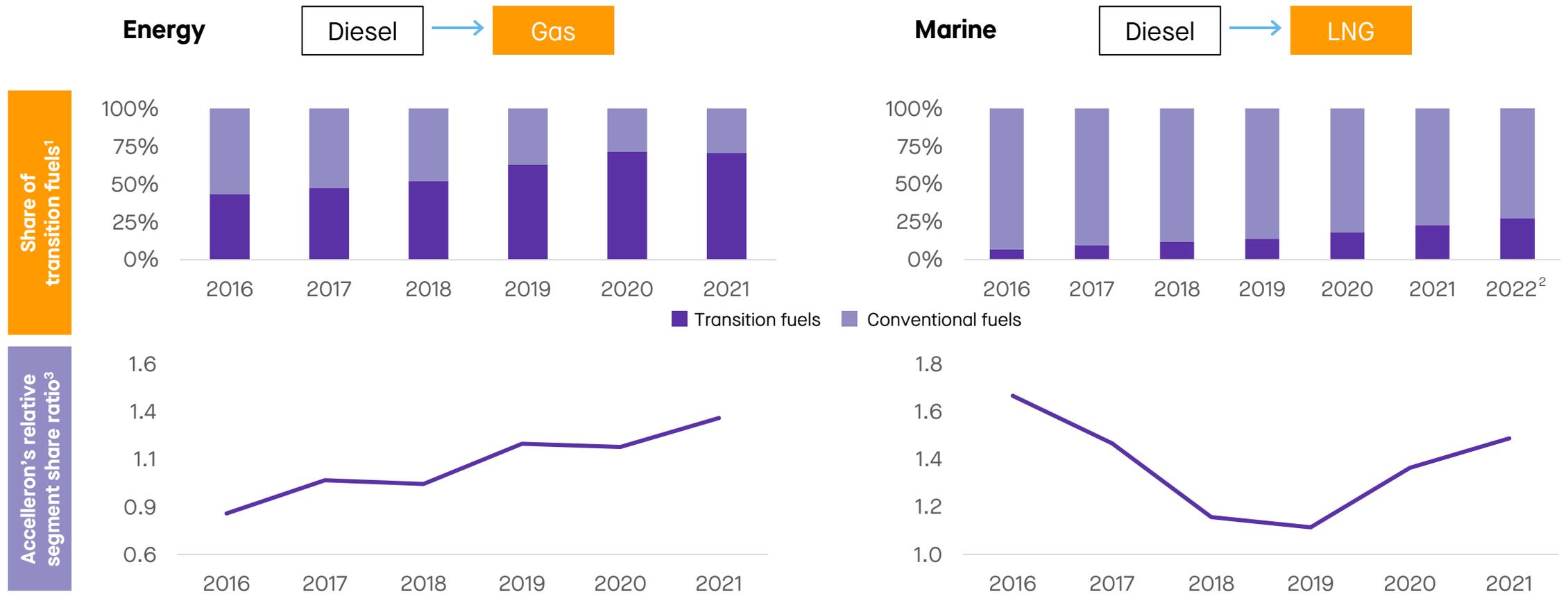
... for the world's first carbon neutral liner vessel coming into operation by 2023 and running on green Methanol

... on 1st major container vessel series running on green Methanol for Auxiliary engines

... on 1st newbuild Methanol-fueled Wärtsilä engines for an Offshore Wind Installation Vessel



... and we are the partner of choice for low carbon fuels to enable this decarbonization



A segment share ratio of above 1.0 indicates Accelleron's share in transition fuel engines is greater than its share in the broader market

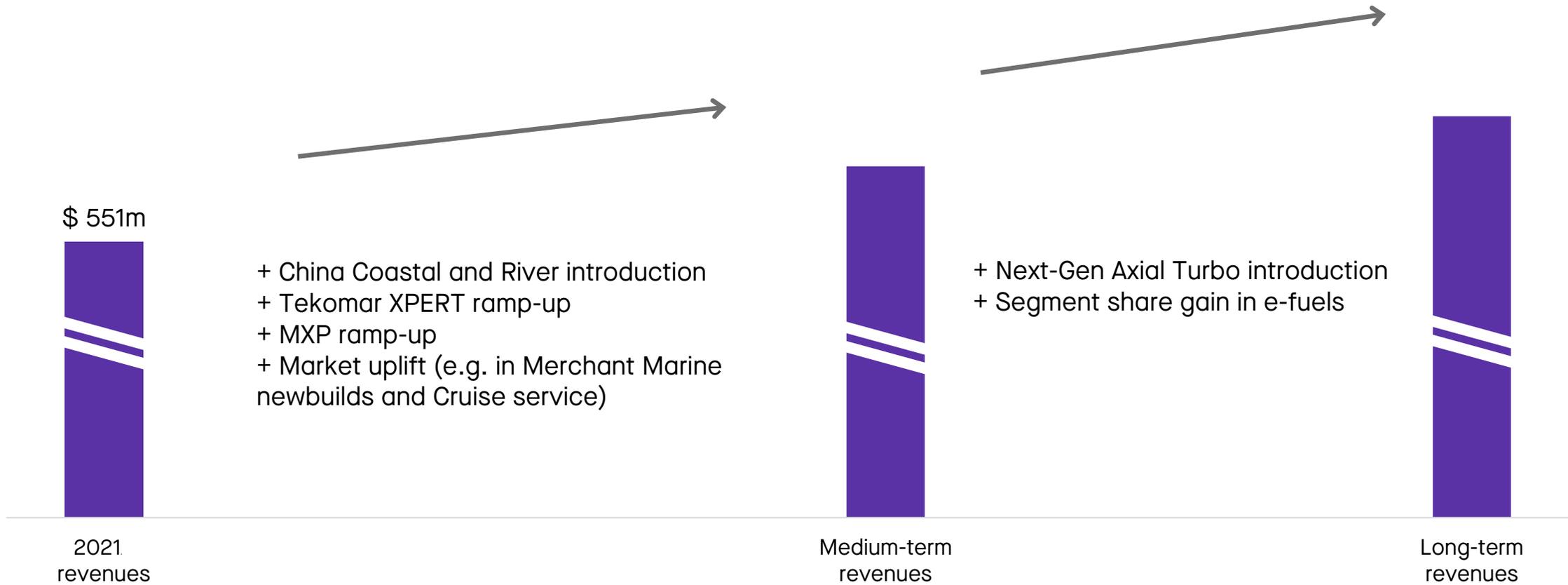
Source: Third party analysis and Company information

1. Based on produced engines output

2. 2022 based on Low Speed only

3. Accelleron segment share in transition fuels / total Accelleron segment share

Vision for Medium & Low Speed: Changing industry landscape leading to significant growth opportunity



Source: Company information and Audited Combined Carve-out Financial Statements
Note: Medium-term refers to a 4-5 year horizon. Long-term refers to a 5-year+ horizon
Revenues provided include product and service revenues

05.02

High Speed

The industries we serve with our High Speed products

Energy



Gas fuelled applications

Marine



Diesel fuelled applications

Off-Highway



Favorable market drivers

Market growth drivers

- Increasing electricity demand
- Power density increase
- Efficiency increase
- Energy transition to CO₂ neutrality

Impact of Energy Transition

- Increasing demand for balancing power
- Increasing total cost of fuel
- Increasing portfolio of fuels
- Gas as transition fuel

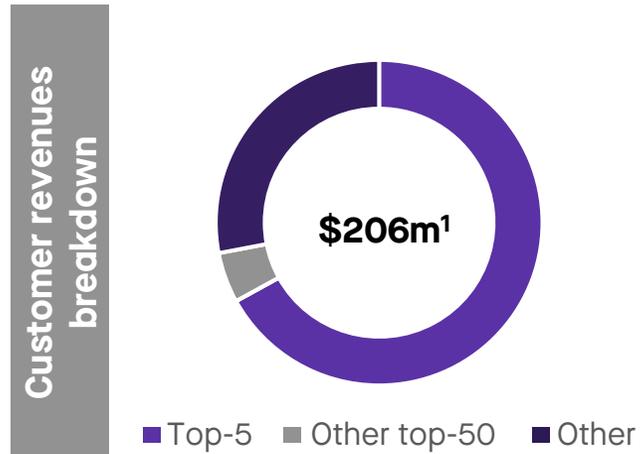
Accelleron is well positioned to deliver solutions for the future

- ✓ High pressure ratio to increase power density
 - Reduction of CAPEX / kW
- ✓ High efficiency to reduce fuel consumption
 - Reduction of OPEX / kWh
 - Reduction of emissions
- ✓ High performance for operational flexibility
 - Fuel flexibility
 - Running CO₂ neutral fuels today

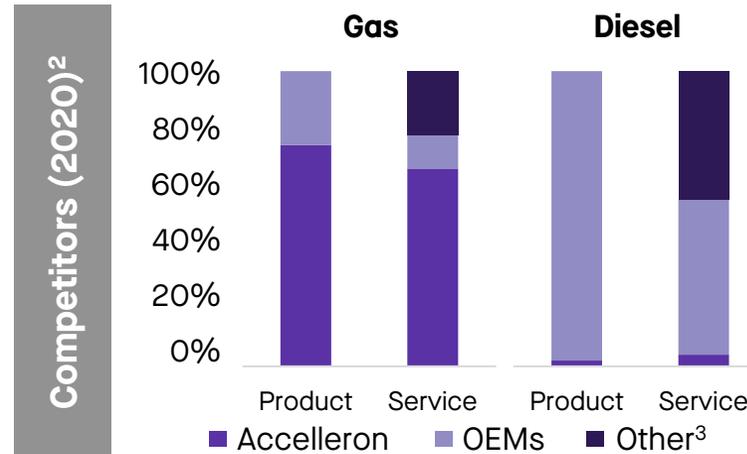
Division High Speed

Customer overview, competitive position and market segments

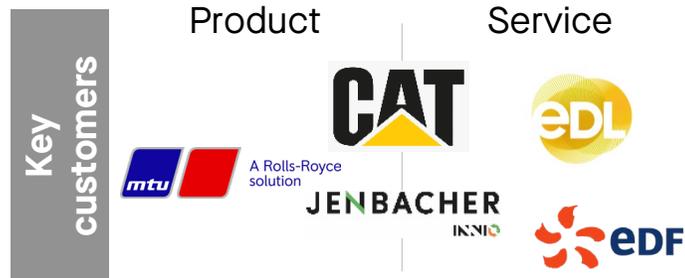
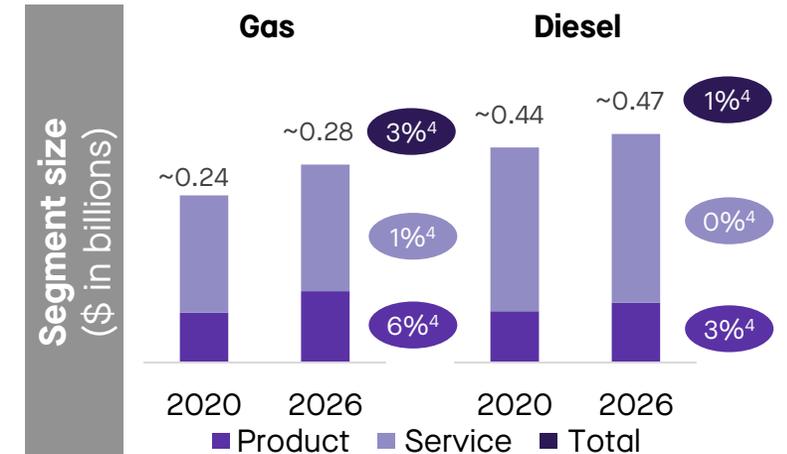
Customers



Competitive position



Market segments



Industries

- Predominantly energy** (e.g. decentralized power, biogas, combined heat & power (CHP), balancing, gas compression)

Source: Company information, Company internal estimates, third party analysis and Audited Combined Carve-out Financial Statements

- 2021 revenues
- Based on 2020 revenues
- Includes 3rd party service providers
- Expected FY20 - FY26 market CAGR

A comprehensive portfolio of products to cover all heavy-duty applications



- ✓ Broadest and newest gas portfolio in High Speed – largest installed base
- ✓ Tailored for specific applications to create maximum value
- ✓ Leading in technology and reliability
- ✓ Broadest experience in burning CO₂-neutral gases
- ✓ Dedicated diesel portfolio with TPX introduced In 2019

Source: Company information, Company internal estimates and third party analysis
 Note: Power range refers to a single turbocharger and both axial and radial setup where applicable
 1. Cumulative volume until end of 2021
 2. In High Speed Off Highway Market. Includes mining, construction, agriculture and industrial



Overview of product pipeline

Product	Description / Application	Value Proposition Elements
<p>High Speed Diesel</p>	<p>Current product: TPX</p> <p>Mainly used for EPG¹ stand-by applications</p> <div style="text-align: center;">  <p>TPX <i>(launched in 2020)</i></p> </div>	<ul style="list-style-type: none"> ✓ TPX peak pressure ratio ~30% higher than current similar turbochargers ✓ 20% increased engine power density – 16% lower space requirement and 30% lower weight ✓ Lower CAPEX per kW
	<p>Future product: A101-R</p> <p>For larger multipurpose High Speed diesel engines</p> <div style="text-align: center;">  <p>A101-R <i>(final validation)</i></p> </div>	<ul style="list-style-type: none"> ✓ Best-in-class performance ✓ Dedicated to cyclical diesel applications ✓ Tailored to various applications
<p>High Speed Gas</p>	<p>Future product: A200-H</p> <p>Next generation single-stage turbochargers for High Speed gas engines in energy applications</p> <div style="text-align: center;">  <p>A200-H <i>(commercial launch in 12-18 months)</i></p> </div>	<ul style="list-style-type: none"> ✓ At least 5% improvement on competition's peak pressure ratio and peak efficiency ✓ Higher engine power density and lower capex per kW ✓ Lower fuel consumption per kWh

High Speed Engines running today on future fuels

Selected applications

High Hydrogen (H₂) Blend

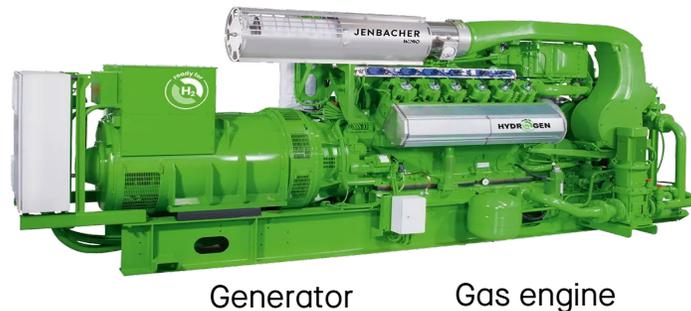
- ✓ 10 years of experience
- ✓ 9 engines with 18 turbochargers
- ✓ 1,600,000 running hours
- ✓ H₂ blend rate > 50%
- ✓ Industrial application
- ✓ Reliable operations

100% Natural Gas - 100% H₂

- ✓ First 1 MW engine capable to run on 100% H₂
- ✓ Full flexibility from 0% to 100% H₂

Biogas

- ✓ Several thousand engines with Accelleron turbochargers in operations for more than 10 years
- ✓ Sources of gas include: organic waste, organic material, wastewater treatment, farms



Accelleron is ready for future fuel solutions already today

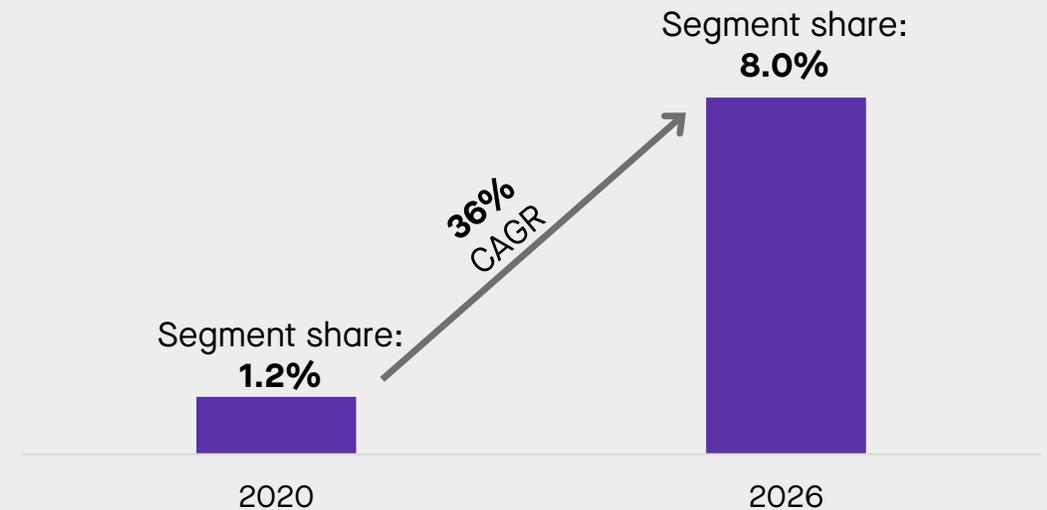
- In 2020 Accelleron supplied a turbocharger for the first 100% Hydrogen fuelled MW industrial scale reciprocating engine by INNIO / Jenbacher
- Accelleron has >1,600,000 running hours of experience in working with hydrogen blends beyond 50%

Opportunity to grow our market position in High Speed diesel with a dedicated product portfolio

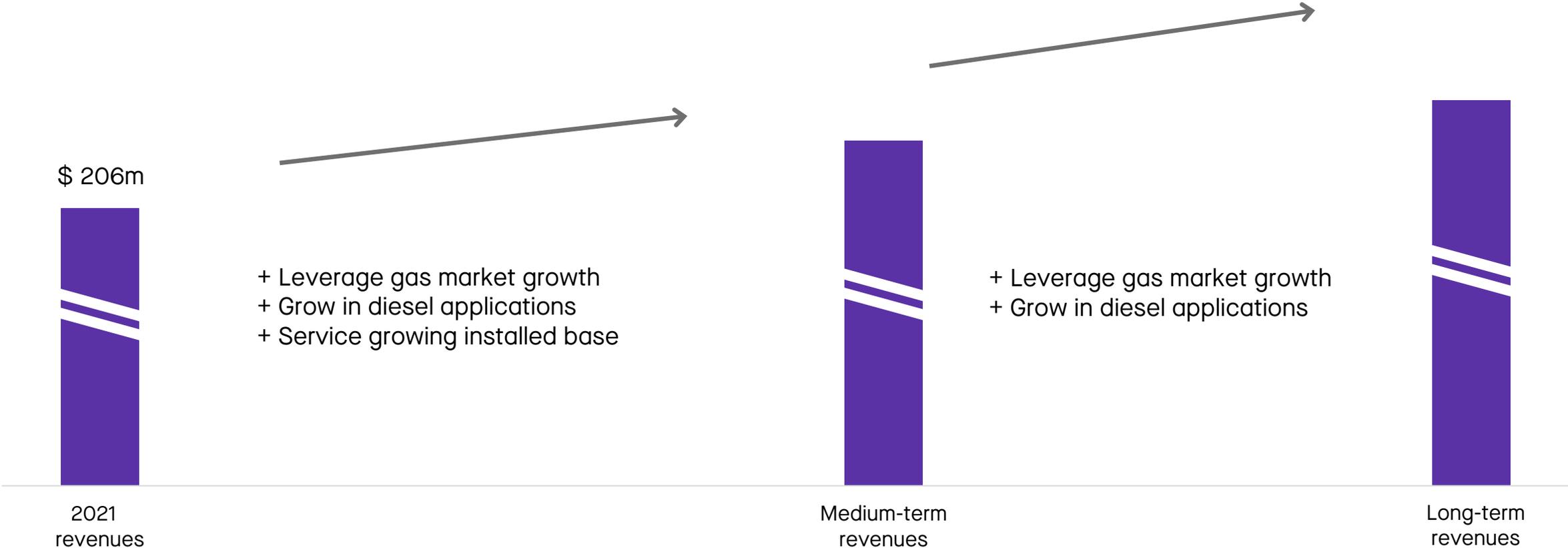
- ✓ The rising total cost of fuel is driving need for efficiency
- ✓ Next level turbocharger performance required to keep engines competitive (power density)
- ✓ While ICE will continue be prevalent in a fair share of applications, the fuel of choice will expand
- ✓ Current turbocharger market players face disruption in their on-highway core market

Accelleron share in High Speed diesel segment

Accelleron deliveries⁽¹⁾



Vision for High Speed: We expect to excel in the market with outsized growth through our initiatives



Source: Company information and Audited Combined Carve-out Financial Statements
Note: Medium-term refers to a 4-5 year horizon. Long-term refers to a 5-year+ horizon
Revenues provided include product and service revenues



05.03

Service

Market leading global service business with highly attractive customer value proposition



Steadily
growing
installed base



Exclusive
“full cover”
service model



High customer
loyalty with
frequent
engagement



Recurring revenues demonstrating resilience & predictability

Accelleron provides the best lifecycle support to its customers

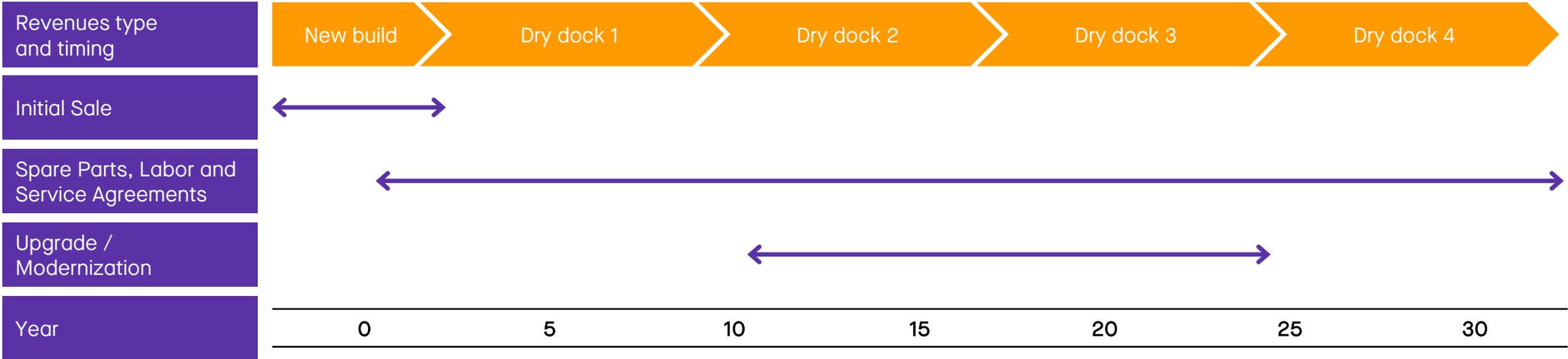


There are many opportunities to generate revenues streams with a Turbocharger, from inception, to routine maintenance and upgrades / modifications



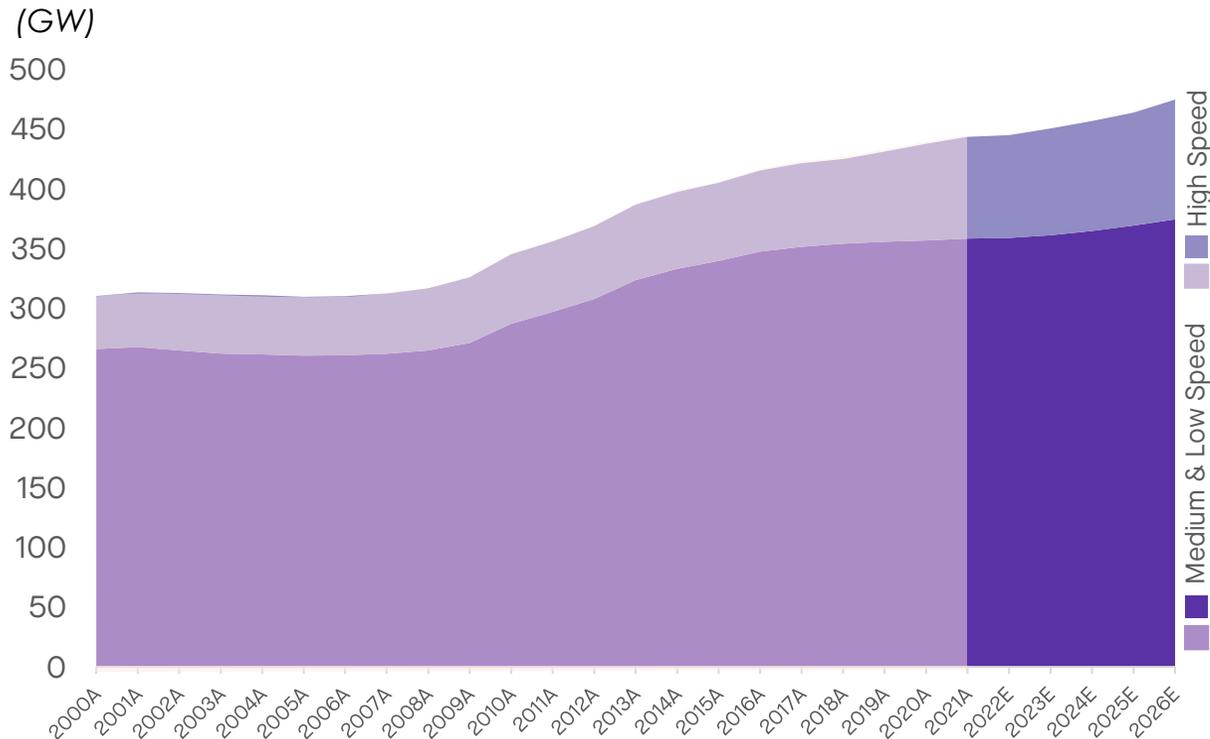
New service business models enabled by digitalization provide further opportunities to entrench Accelleron with the end users and engine builders

Illustrative Revenues Model of Marine Turbocharger



Continuously growing installed base securing service business with further potential for growth

Development of Accelleron charged power



- Assumed lifetime¹:
 - Medium & Low Speed: **~25 years**
 - High Speed: **~15 years**

- Continuous **growth of charged power**
- Accelleron - charged power in GW is expected to grow with a **~1% CAGR²**

- Accelleron Service revenues expected to outperform the market**, benefiting from growth in service agreements

Source: Company information

1. Average turbocharger age by the end of 2021: High Speed = 6-7 years; Medium & Low Speed = 11-12 years

2. 2020 – 2026E

Our proprietary global service network is continually optimized to changing market demands

2000

45 countries
75 locations



2022

53 countries
109 locations

We regularly assess suitability of sites based on:

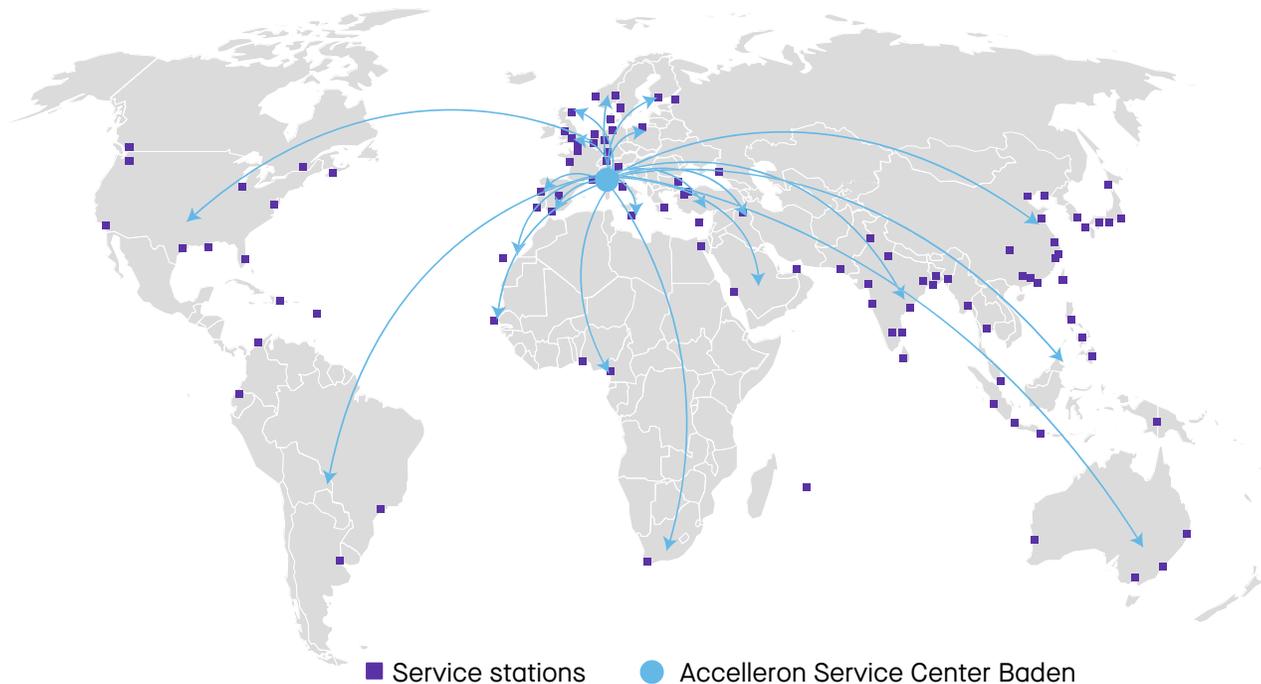
- ✓ Customer proximity
- ✓ Business opportunities
- ✓ Changing markets



>500 highly trained service engineers



>200 dedicated service sales experts



Our service excellence is enhanced by Accelleron Service Center Baden



98% on-time delivery

Shipping statistics yearly:

- ✓ 23,000 shipments
- ✓ 100,000 orderlines
- ✓ 2,100 tons of material sent
- ✓ 4,600 same day deliveries



Within 48 hours at every airport

Warehouse & logistics:

- ✓ 15,000 components on stock
- ✓ 180,000 turbocharger installed base
- ✓ ~10,000 different specifications
- ✓ On-call team 24/7



Continuous innovation

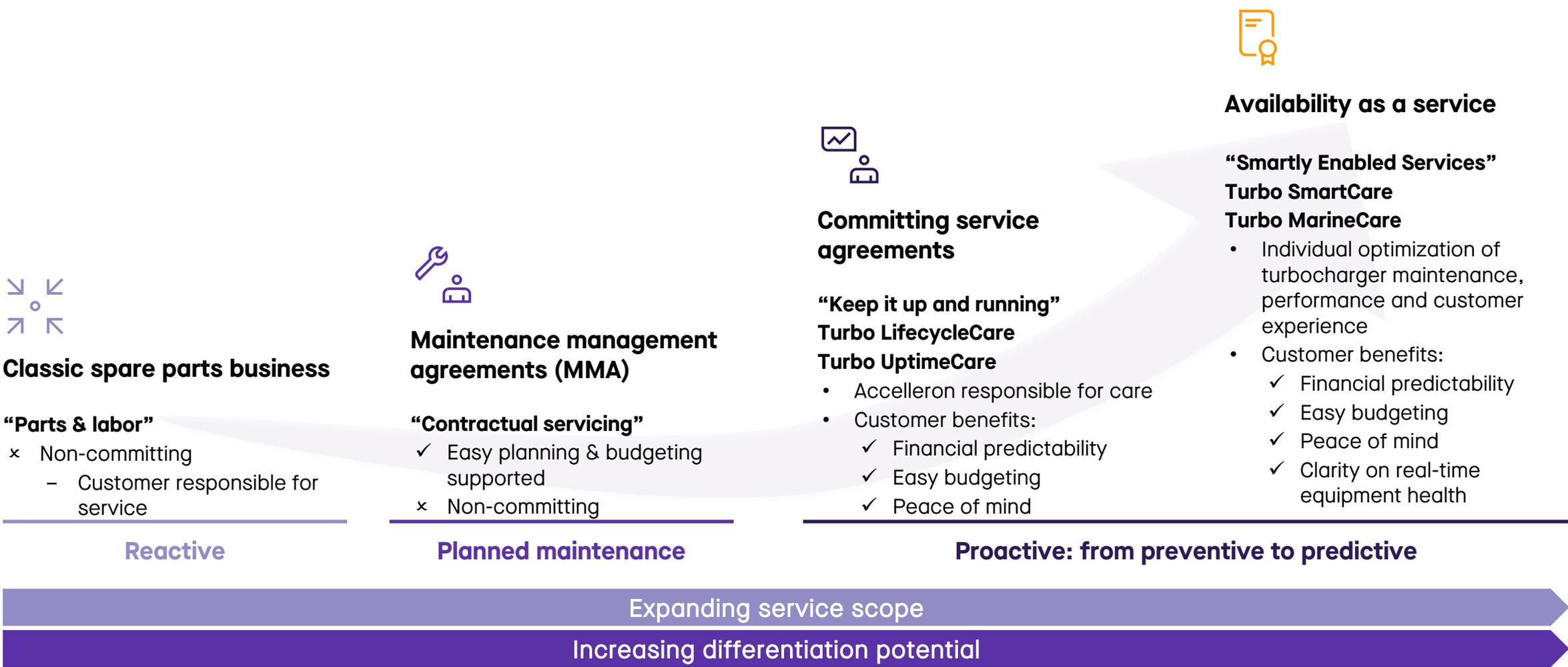
Investments:

- ✓ Automated small parts warehouse
- ✓ Additive manufacturing
- ✓ Automated order processing
- ✓ Further process automation

Reasons for having a central spare parts center in Baden

- ✓ Proximity to factory
- ✓ Excellent logistics capabilities
- ✓ Highly efficient operational set-up
- ✓ Constantly moving equipment

Accelleron's service evolution from a classic spare parts business to a smartly enabled, "availability as a service" model



Turbo MarineCare provides digitally enhanced service for merchant marine

Benefits for customers



Financial predictability



Peace of mind



Ease of doing business



Real time equipment health clarity

Daily opportunity costs for a shipowner in case of a break-down are \$35k-\$100k depending on the ship type¹

Benefits for Accelleron



Closer customer relationships



Improved lifetime revenues



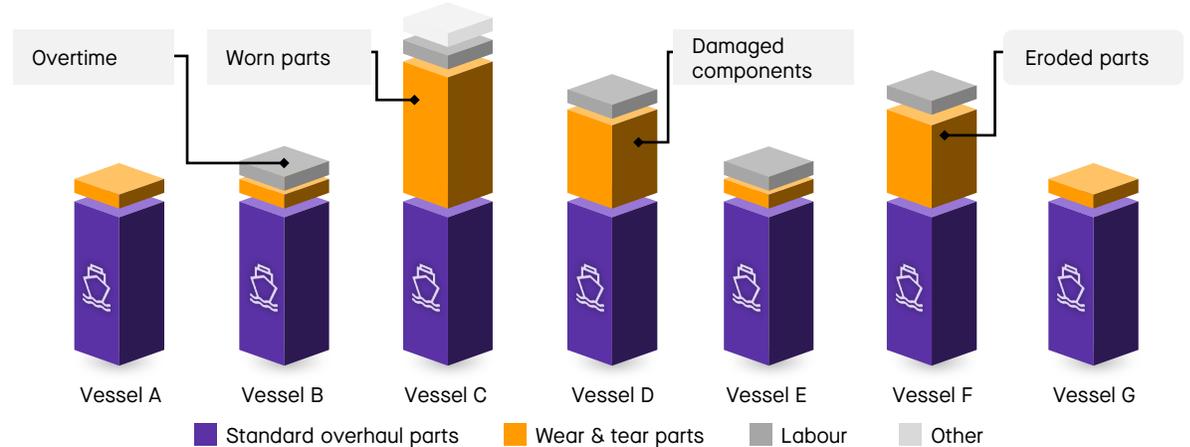
Further digital penetration to unlock



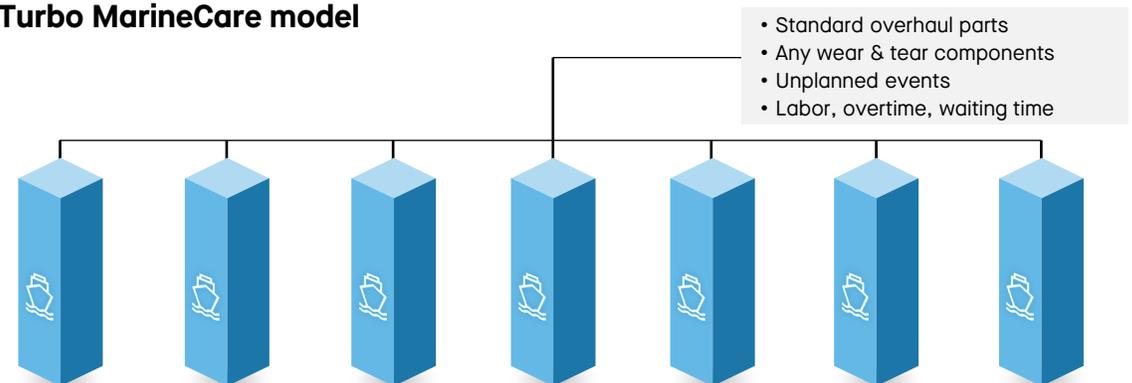
Deeper insights on operational data

Relative lifetime cost of turbocharger ownership with...

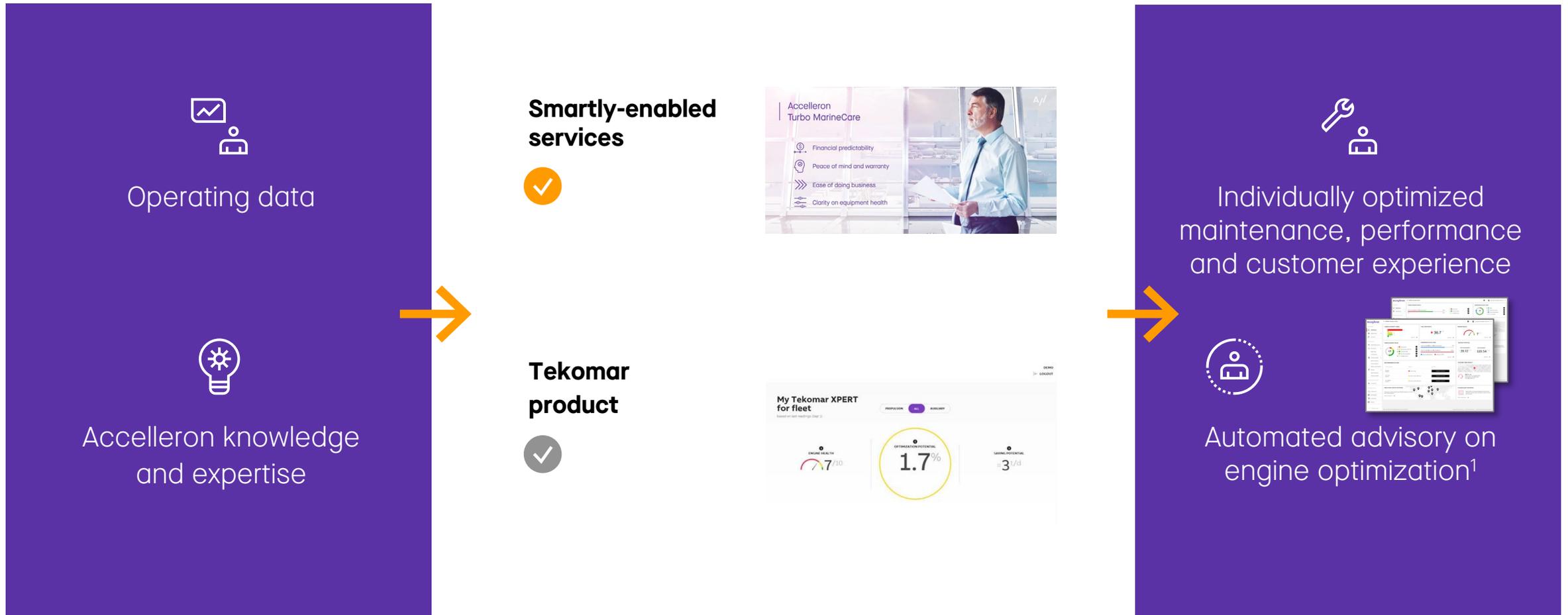
... traditional business model



... Turbo MarineCare model



Smartly-enabled Engine, Advisory, and Turbocharging Services



Developing the upgrade business to support decarbonization

Key upgrade benefits



Reduce engine and TC¹ component wear



Reduce fuel consumption, lower emissions



Remove load limitation, more power output

Tangible real-world benefits - ferry vessel case study²



Investment cost of \$ 800,000 per vessel



Expected annual fuel savings of \$ 200,000



1,400 tons CO₂ reduction per year, equivalent to >22,000 trees planted every year



Return on investment in less than four years

Source: Company information

1. TC = turbocharger
2. Calculations are based on a normalized fuel price environment
3. CII stands for Carbon Intensity Indicator regulation framework
4. EEXI stands for Energy Efficiency Existing Ships regulation

Regulatory impact

- Regulatory and social pressure towards decarbonization in shipping industry (CII³, EEXI⁴) is continuously increasing
- The need for upgrades in the marine industry is increasing, Accelleron is well positioned:
 - Cooperation with OEMs
 - Capability to provide complete solution directly to end user, including certification

Accelleron works with OEMs to provide comprehensive upgrade packages



Thermodynamic components



Entire turbocharger



Retrofit of non-Accelleron TC

Further initiatives to propel Accelleron's highly profitable service business

Increase servicing of non-Accelleron turbochargers

The opportunity:

Service of non-Accelleron turbochargers thanks to our extensive service network

The benefits:

- ✓ Single point of service for a turbocharger
- ✓ Increase of installed base
- ✓ Utilize our well-established Service organization and well-trained people

Strategy:

- ✓ Focus on loyal customers with mixed fleets
- ✓ Attract further customers with the offering to increase covered installed base

Fleet management initiative

The opportunity:

Service entire fleets, rather than single turbochargers

>1,400 ship management companies (SMC)
>40,000 vessels

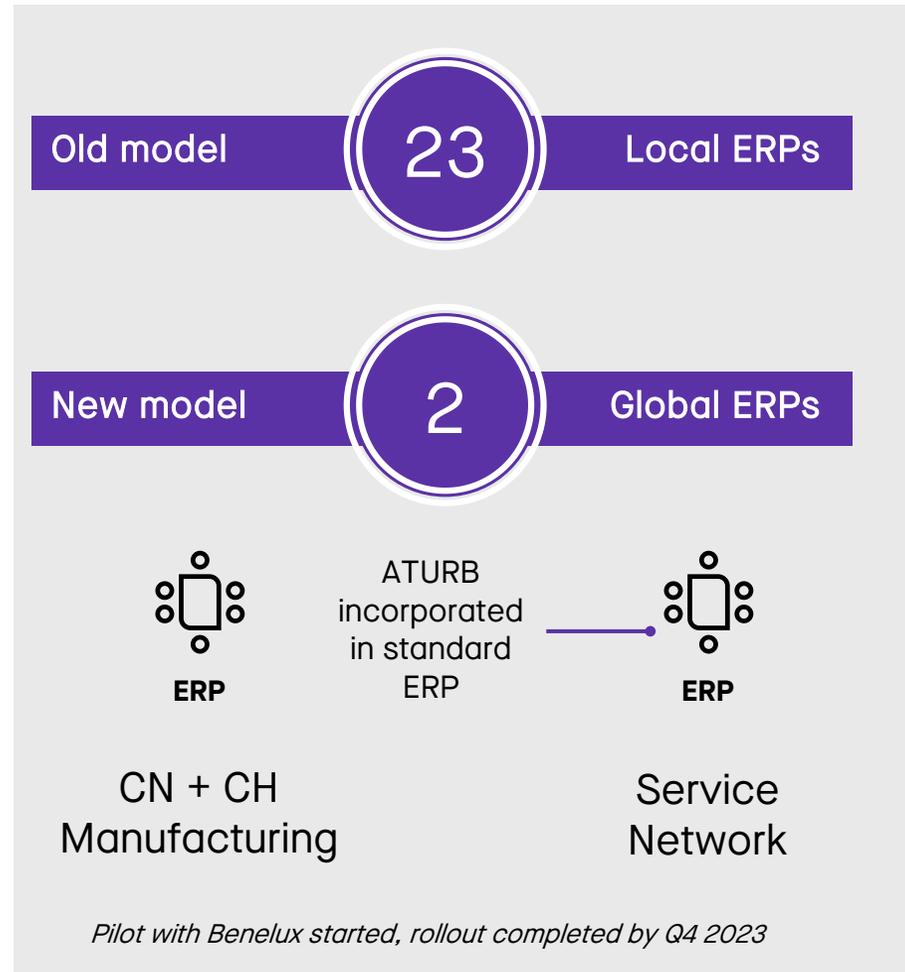
The benefits:

- ✓ Optimize business communications and reduce administrative efforts for both Accelleron and a customer
- ✓ Tailored service agreements
- ✓ Maximize value by combining with other offerings (service of non-Accelleron turbochargers, Tekomar)

Strategy:

- ✓ Dedicated offering for channel ship management companies
- ✓ Retain and increase market penetration in competitive marine industry

Operational efficiency through implementation of a global ERP system



Characteristics

- ✓ Global single source of data
- ✓ Improved global collaboration
- ✓ Productivity and operational excellence
- ✓ Management reporting and transparency

Benefits for customers

Process standardization and automation



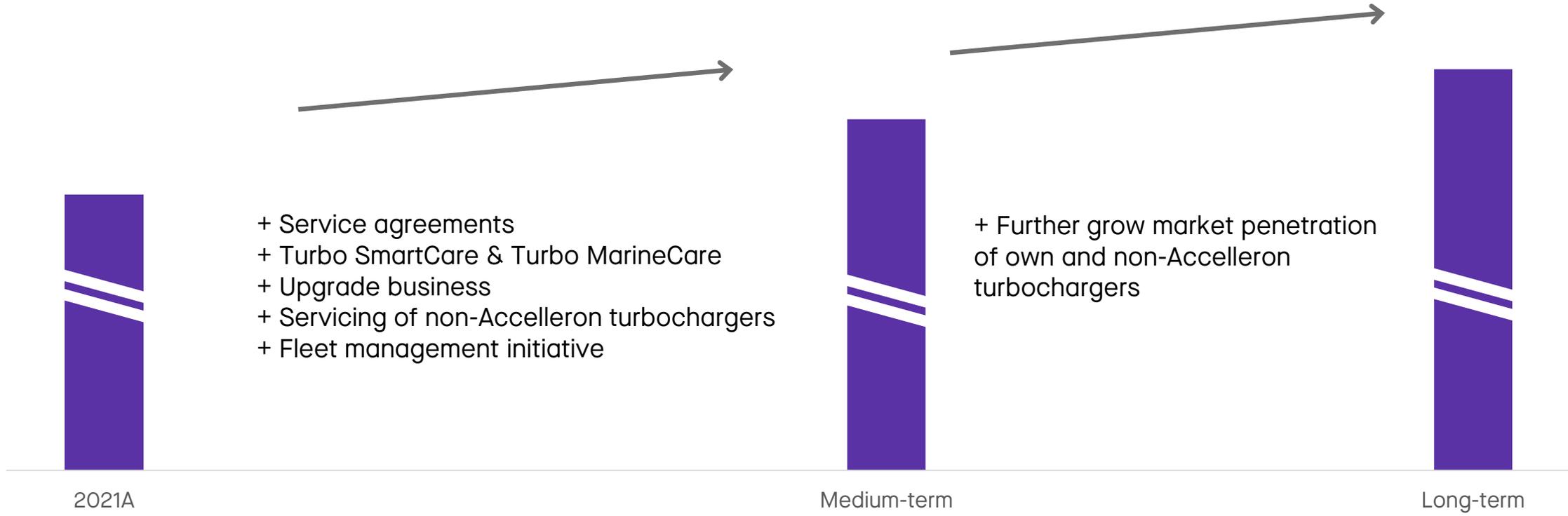
Enhanced inventory transparency



Faster customer order execution and higher service quality



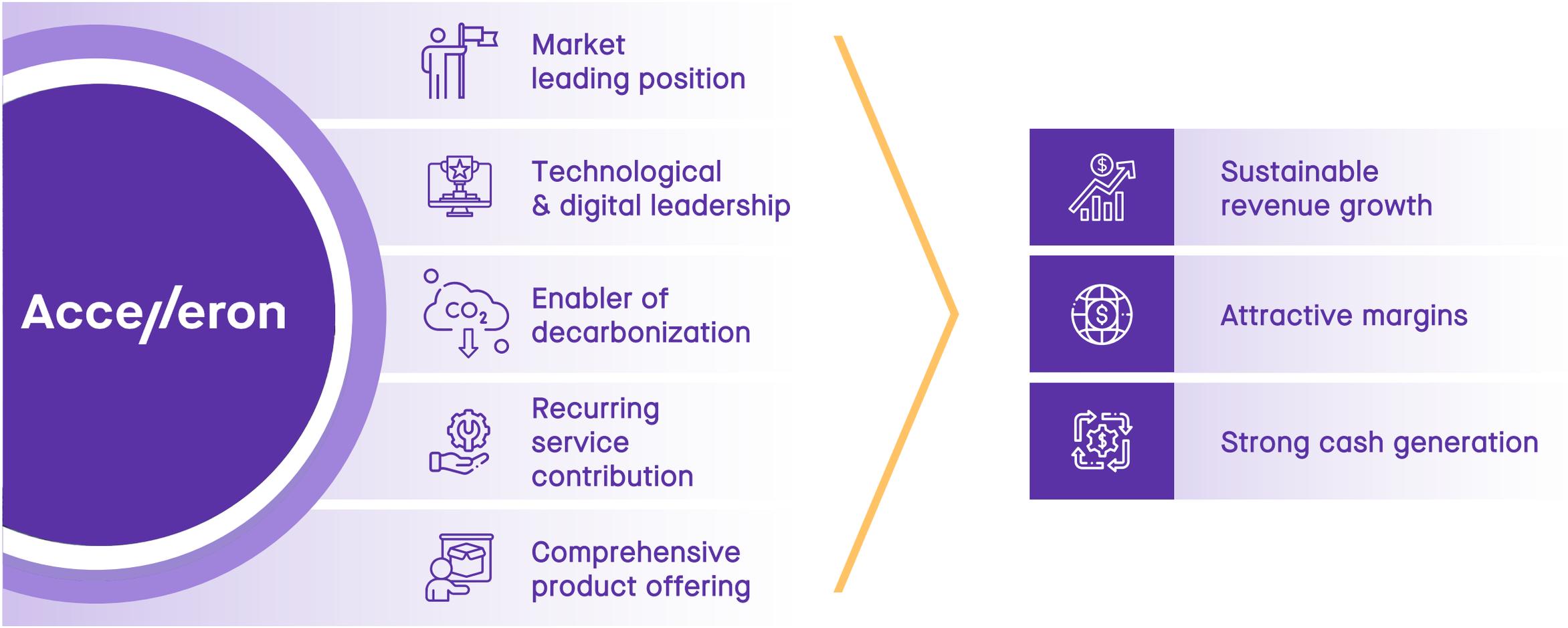
Vision for Service: Steady growth through continually optimized best-in-class service offering



06

Financials

Compelling investment proposition translating into attractive financial profile



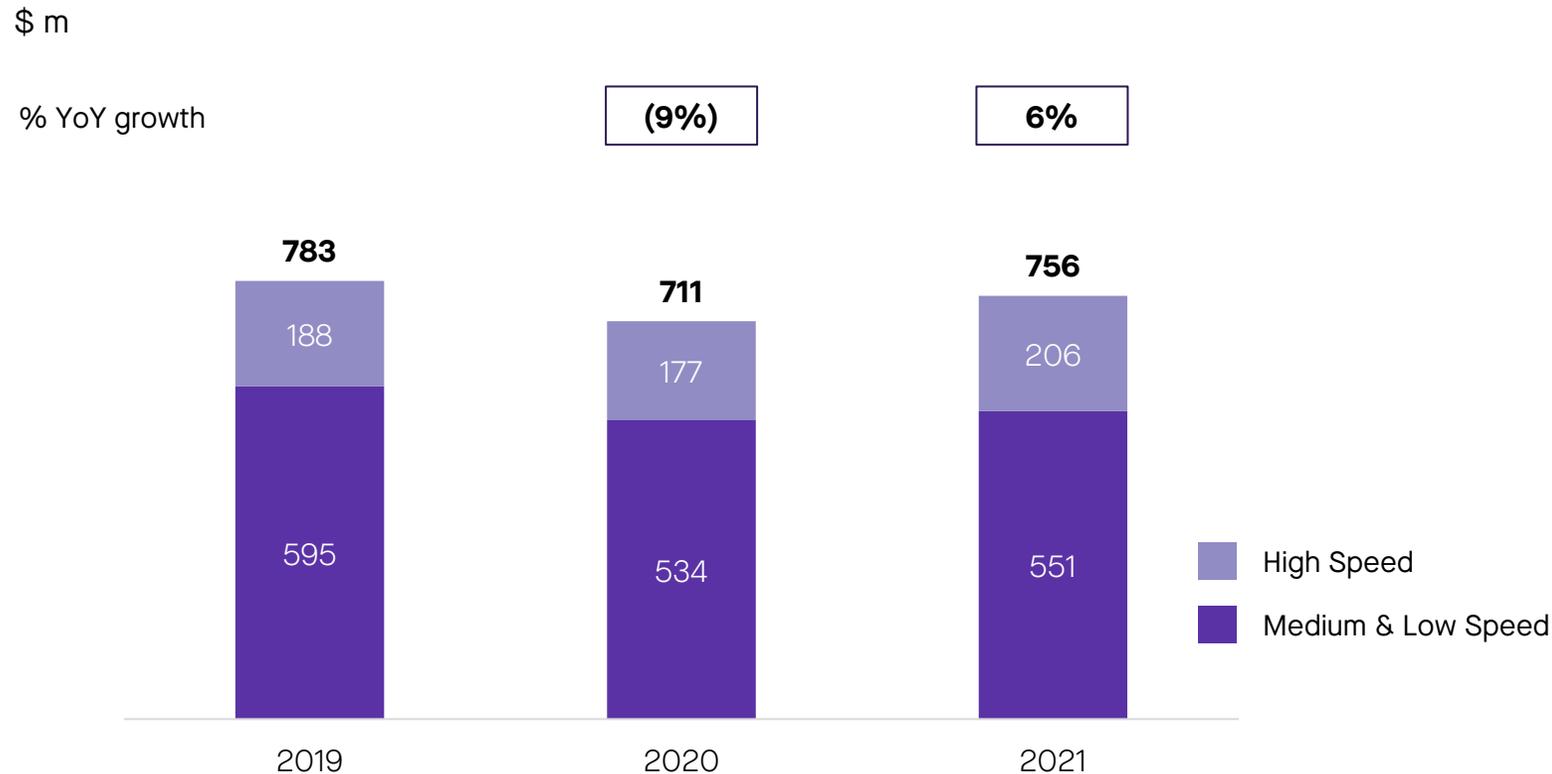
Resilient revenues performance with solid acceleration in H2 2021

FY historical financials

Current trading

Outlook

Revenues and growth



Highlights

2020

- Revenues mainly impacted by pandemic-driven weakness in consumer-facing businesses (e.g. cruise)
- Low point middle of the year, with first visible recovery towards end of the year as most industries started to pick up

2021

- Continuing recovery, sequentially up
- Medium & Low Speed: Overall volume improved, cruise business not yet normalized
- High Speed: Strong gas compression demand, clearly above pre-pandemic level while power generation slightly up

Gross margin recovered to pre-pandemic level already in 2021

FY historical financials

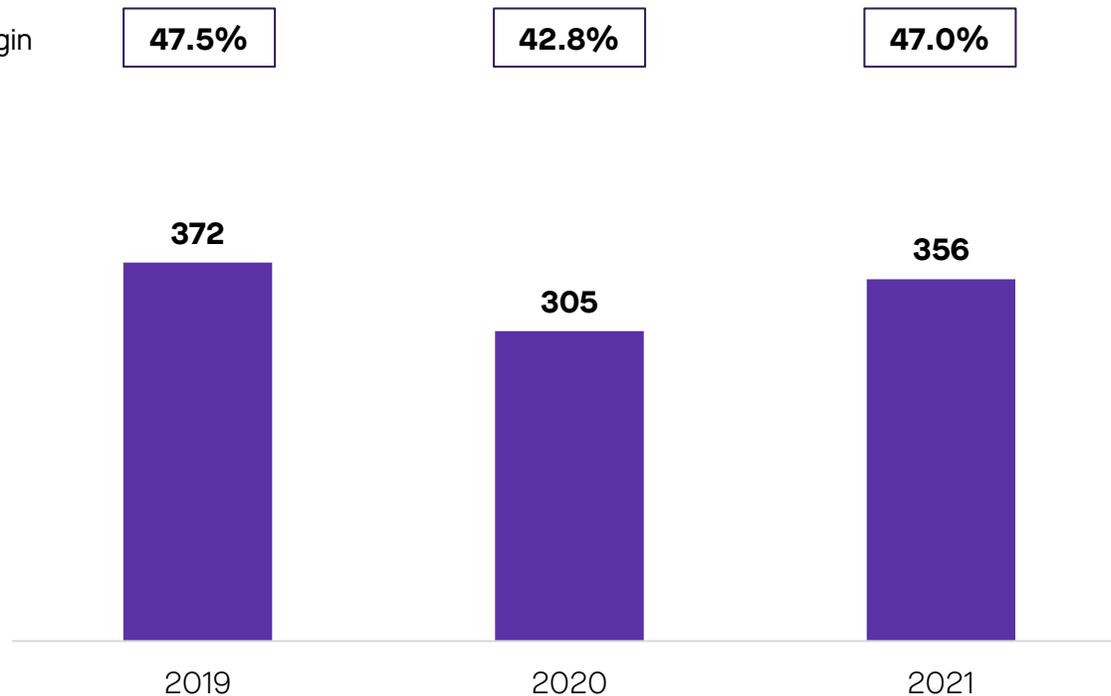
Current trading

Outlook

Gross profit and margin

\$ m

% margin



Highlights

2020

- Decline driven by lower volume, under absorption of fixed costs and adverse product mix

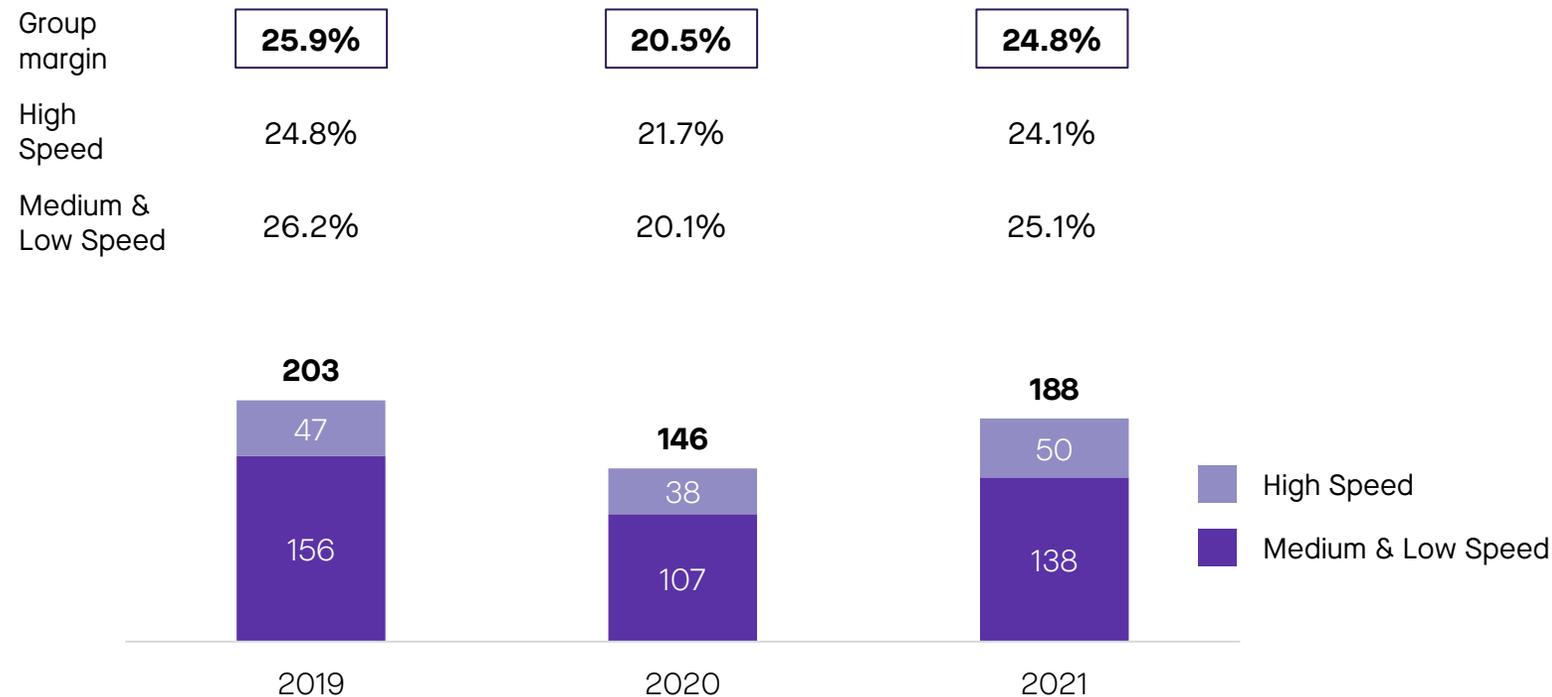
2021

- Operating leverage, leaner cost base and better product mix supporting swift margin recovery to pre-pandemic level

Operational EBIT margin significantly expanded across both segments in 2021

Operational EBIT and margin¹

\$ m



Source: Audited Combined Carve-out Financial Statements
 Note: Non-U.S. GAAP financial metric, as defined on page 106.
 Numbers might not add up due to rounding

1. Equivalent to operational EBITA margin, as there has been no acquisition-related amortization in 2019, 2020 and 2021
 2. Referring to Selling, General and Administrative expenses

Highlights

2020

- Volume decline could only be partially offset by swift implementation of cost measures
- Medium & Low Speed segment during pandemic more heavily impacted than the High Speed one, largely due to cruise business exposure

2021

- Medium & Low Speed: Robust recovery across most industries/businesses
- High Speed: Reaching pre-pandemic level
- Overall SG&A² as % of revenues back to pre-pandemic level, while R&D slightly up in \$ to elevate our innovation leadership

Strong free cash flow conversion over net income in past 3 years

Free cash flow and conversion over net income

\$ m	2019	2020	2021
Net income	159	112	144
Depreciation & amortization	21	24	24
Change in net working capital and other ¹	9	16	(5)
Net cash provided by operating activities	189	151	163
Capital expenditure	(23)	(26)	(29)
Other ¹	(5)	0	1
Net cash used in investing activities	(28)	(25)	(28)
Total free cash flow	161	126	136
% conversion over net income	101%	113%	94%

Highlights

2020

- Increase in capital expenditure mainly resulting from real estate investments²
- Stringent net working capital management in challenging environment

2021

- Real estate investments² main driver for elevated capital expenditure level, project expected to finish in 2022
- Net working capital kept stable in growing scenario, demonstrating strong operational excellence culture

Source: Audited Combined Carve-out Financial Statements

Note: Non-U.S. GAAP financial metric, as defined on page 106. Numbers might not add up due to rounding

1. For detailed breakdown, please refer to the "Statements of cash flows" in the Appendix

2. Related to the Swiss office facility

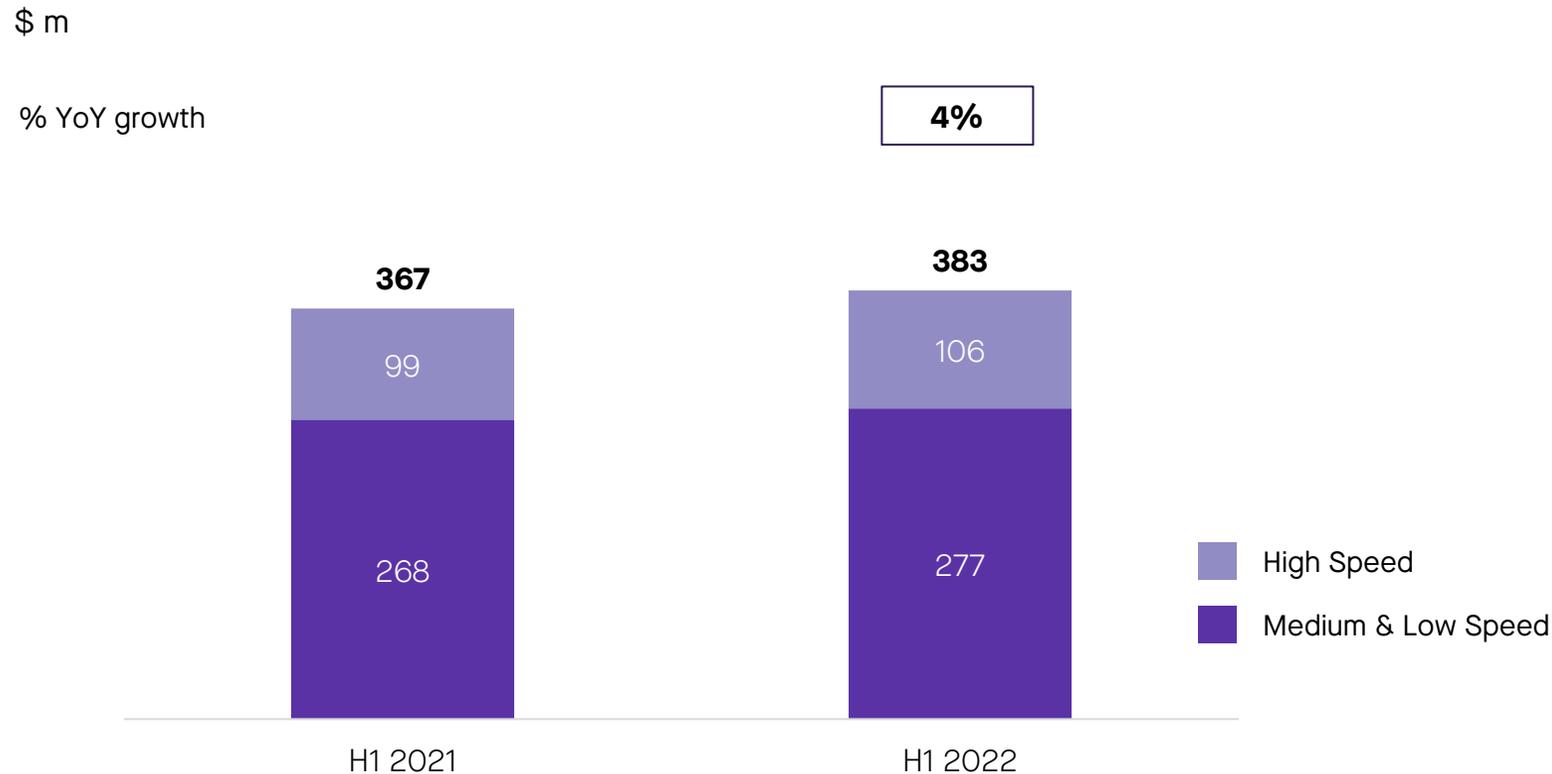
Strong market momentum resulting in positive revenues development in H1 2022

FY historical financials

Current trading

Outlook

Revenues and growth

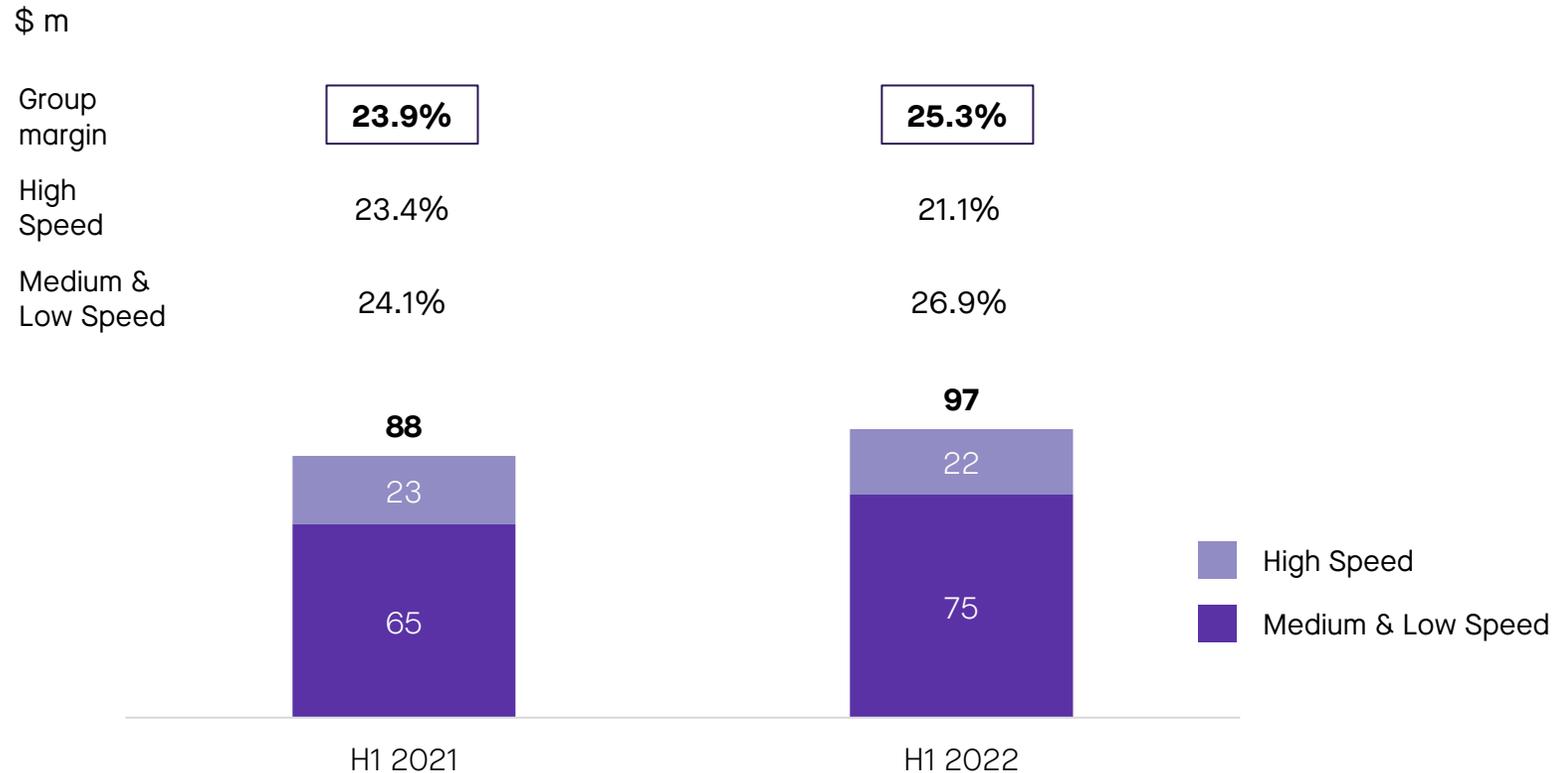


Highlights

- In H1 2022, revenues grew strongly as a result of increased customer demand and further recovery from the pandemic (+4% in \$ m, +11% on a constant currency basis), combined with favorable pricing dynamics
- The growth at constant currency was partly offset by a strengthening of the US Dollar against almost all major currencies
- Medium & Low Speed: Increase mainly related to strong marine demand in merchant and cruise business, latter further recovering from the pandemic
- High Speed: Strong energy demand related to gas compression business clearly above pre-pandemic levels

Continuous operational EBIT margin improvement in H1 2022

Operational EBIT and margin¹



Source: Unaudited Condensed Combined Interim Carve-out Financial Statements

Note: Non-U.S. GAAP financial metric, as defined on page 106. Numbers might not add up due to rounding

1. Equivalent to operational EBITA margin, as there has been no acquisition-related amortization in H1 2021 and H1 2022

Highlights

- The operational EBIT margin¹ improved by ~130bps in H1 2022, mainly as a result of operating leverage
- Medium & Low Speed: Favorable product mix with a higher share of service revenues further strengthened the operational EBIT margin
- High Speed: A higher share of product revenues resulted in a temporarily lower operational EBIT margin
- Higher transportation costs and inflation of material costs to a large extent offset by pricing adjustments and productivity improvements

Free cash flow conversion in H1 2022 affected by supply chain challenges

FY historical financials

Current trading

Outlook

Free cash flow^{1,2} and conversion over net income

\$ m	H1 2021	H1 2022
Net income	67	67
Depreciation & amortization	14	12
Change in net working capital and other	(10)	(40)
Net cash provided by operating activities	72	39
Capital expenditure	(11)	(16)
Other	2	3
Net cash used in investing activities²	(9)	(12)
Total free cash flow^{1,2}	63	26
% conversion over net income ^{1,2}	93%	39%

Highlights

- Inventory build up mainly driven by overall longer conversion cycles due to unplanned longer lead times within supply chain respectively recurrence of missing parts
- Capital expenditure increased by roughly \$5m mainly due to investments in the Swiss office facility
- Other free cash flow items were broadly in line with previous half-year

Source: Unaudited Condensed Combined Interim Carve-out Financial Statements

Note: Numbers might not add up due to rounding

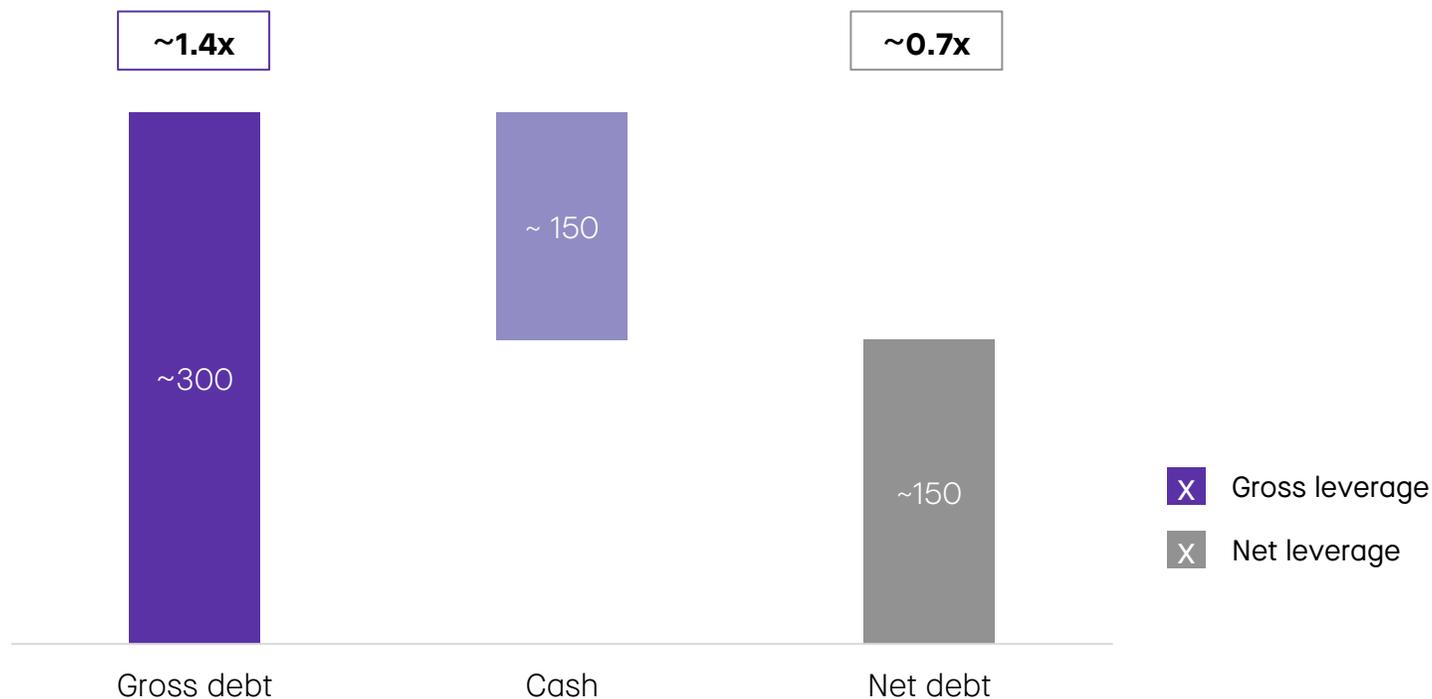
1. Non-U.S. GAAP financial metric, as defined on page 106

2. Excluding 'Changes in financing receivables'

Solid capital structure providing financial flexibility for future growth

Target leverage at spin-off (x LTM operational EBITDA¹ as of 30 June 2022)

\$ m



Source: Company information, Audited Combined Carve-out Financial Statements, Unaudited Condensed Combined Interim Carve-out Financial Statements

1. Corresponding to \$218m. Non-U.S. GAAP financial metric, as defined on page 106

Highlights

- Target net leverage at spin-off intended to provide Accelleron with a solid capital structure, whilst allowing adequate flexibility for future growth
- Net debt defined as interest-bearing liabilities (including finance lease liabilities) net of cash and cash equivalents
- Intention to be externally financed on a standalone basis at spin-off

Coherent financial framework to deliver attractive total shareholder return

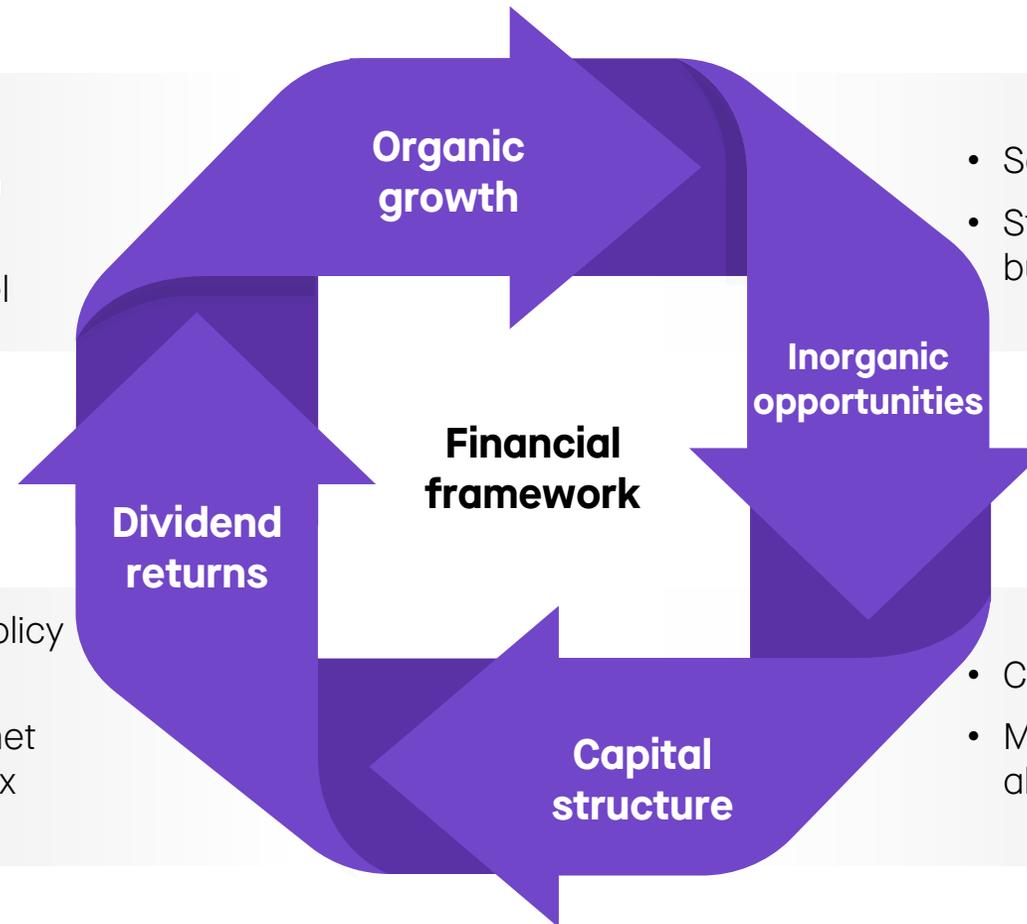
FY historical financials

Current trading

Outlook

- Clear R&D focus on efficiency improvements and decarbonization
- Maintain capital expenditures largely in line with depreciation level

- Selective and disciplined approach
- Strategic fit, complementarity to current business and value creation

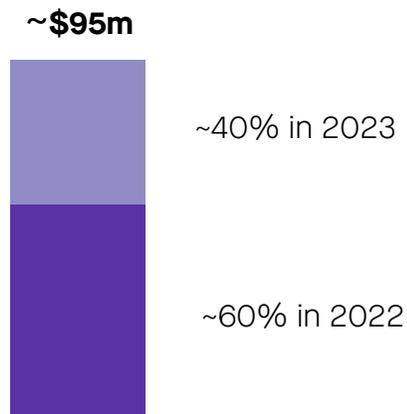


- Committed to attractive dividend policy of 50-70% of reported net income
- Payout of up to 100% of reported net income, if net leverage is below 1.0x operational EBITDA¹

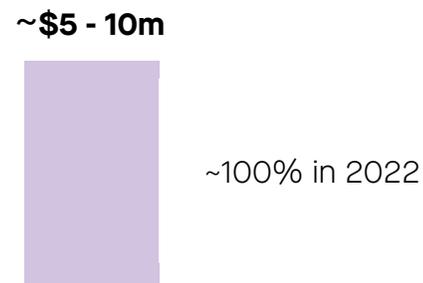
- Conservative net leverage corridor
- Maintain a solid financial structure allowing for financial flexibility

Overview of expected one-off separation and build-up costs and investments

One-off separation & build-up costs



One-off capital expenditure



Highlights

- Total amount of ~\$100 - 105m, ~60% of the one-off costs and ~100% of the one-off investments are expected to be incurred in 2022
- One-off costs and investments to be incurred for:
 - IT infrastructure, applications and services
 - Finance operations
 - HR operations
- The impact of these one-off costs will be excluded from the operational EBITA

Financial outlook

FY historical financials

Current trading

Outlook

	2022	Mid-term ¹
Organic revenues growth ²	~6%	2-4%
Operational EBITA margin ³	~24%	23-26%
Operational net income ^{3,4}	~\$150m	
Free cash flow conversion ³	60-70%	90-100%
Net leverage ³	~0.7x ⁵	0.5-1.5x
Dividend policy	~\$75m	<ul style="list-style-type: none"> If net leverage³ \geq 1.0x: 50-70% of reported net income⁶ If net leverage³ $<$ 1.0x: Up to 100% of reported net income⁶

Source: Company information, Audited Combined Carve-out Financial Statements, Unaudited Condensed Combined Interim Carve-out Financial Statements

- Referring to mid-term period of 4-5 years
- At constant currency and adjusted for M&A
- Non-U.S. GAAP financial metric, as defined on page 106

4. Non-recurring guidance target

5. Referring to net leverage at spin-off date

6. Barring unforeseen events. The ability to pay dividends remains subject to the availability of sufficient distributable reserves, as well as certain other legal and contractual restrictions applicable

07

Transaction overview
and concluding remarks

Key benefits and spin-off transaction structure

Benefits of the spin-off



Unlock unrealized value by allowing Accelleron to reach full potential as a standalone business by taking advantage of its leading market position



Implementation of Accelleron's own independent growth strategy with an attractive cash generation profile



Continuing to expand its R&D capabilities, focusing on digitalization and decarbonizing its end markets



Empower Accelleron's employees by offering vast potential for professional development and growth

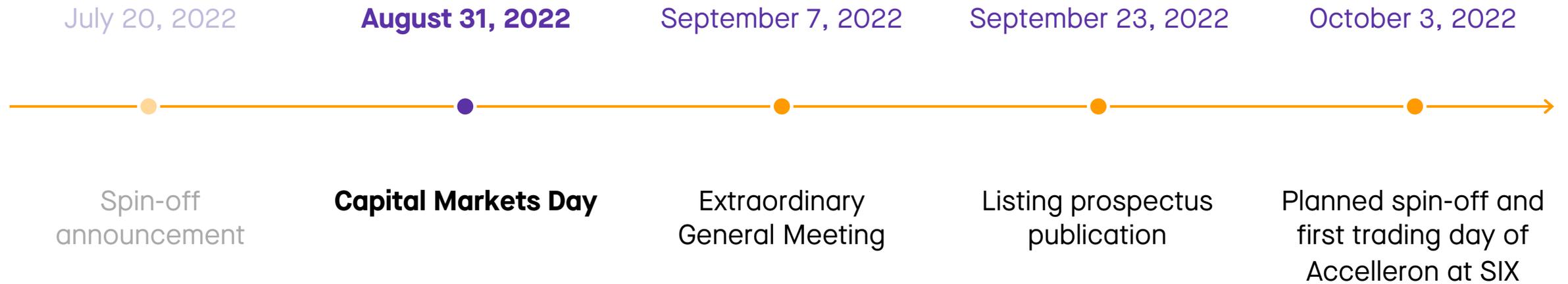


Provide investors with pure play exposure to a Swiss industrial champion

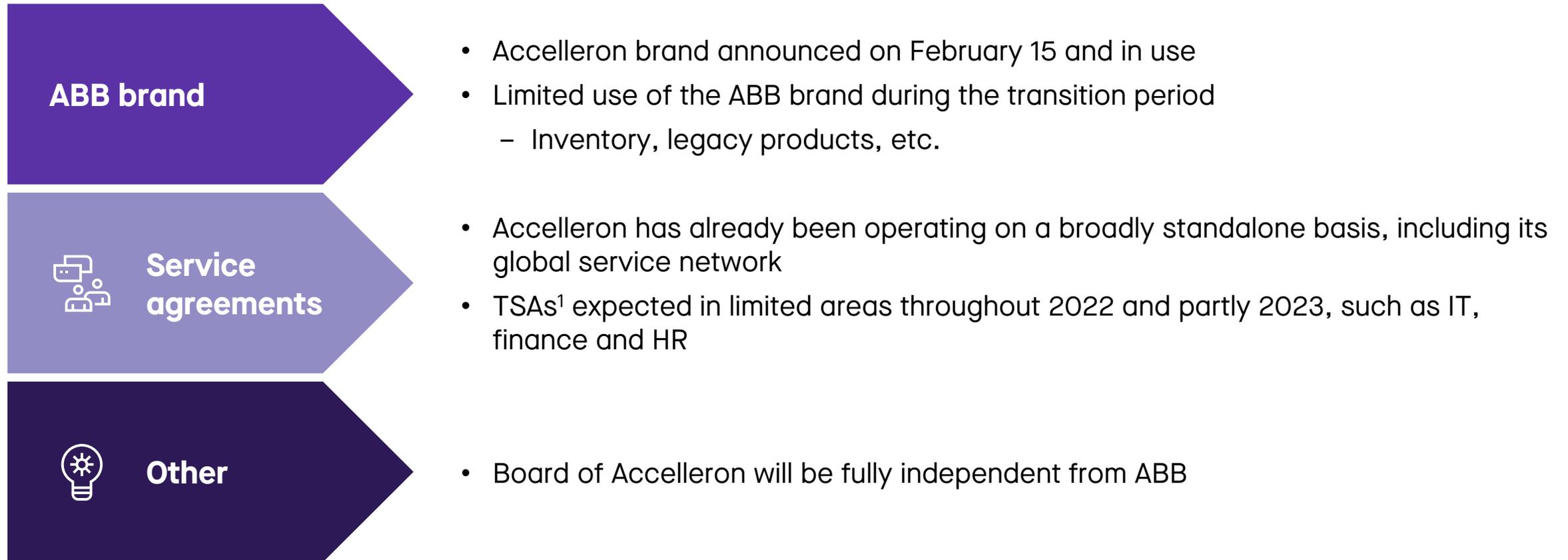
Spin-off transaction structure

- 100% spin-off transaction in the form of dividend in kind
- 1:20 split, i.e. ABB shareholders will receive one Accelleron share for every 20 ABB shares held
- Subject to ABB shareholder approval at EGM and market conditions
- Preparations for spin-off well advanced

Indicative transaction timeline



Relationship between ABB and Accelleron post spin-off



In summary: Why to invest in Accelleron

Accelleron's competitive strength

- Market leader
- Global service footprint
- Cutting edge technology
- Operational excellence
- Attractive financial profile with resilient margins and strong cash flow

Future-proof positioning

- Resilient end markets
- Core enabler of decarbonization
- Leader in fuel transition
- At the forefront of innovation

Our growth strategy

- Increase segment share in our core markets
- Expand business offering into adjacent areas
- Further grow lifetime service offering
- Increase digital scope and facilitate customer energy transition

Appendix

Accelleron's key markets are marine, energy and rail



	Marine	Energy	Rail
Exemplary applications	Engines used for vessel propulsion and on-board electric power supply	Engines used for continuous, standby and backup power sources, as well as well drilling, servicing, pump stations and gas compression	Engines used for motorization of railways
Exemplary use cases	<ul style="list-style-type: none"> • Container ships • Cruise ships • Oil & gas rigs 	<ul style="list-style-type: none"> • Local power supply on islands • Backup capacity for renewable energies • Oil & gas well drilling and transportation pipelines 	<ul style="list-style-type: none"> • Cargo trains • Passenger trains
% Accelleron revenue	~53%	~43%	~2%

Marine applications for turbochargers



Type	Propulsion	Propulsion and auxiliary power supply			Coastal and inland vessels propulsion		Stationary power supply	Propulsion and auxiliary power supply			
Application description	2-stroke engines directly powering the propeller	3-6 auxiliary engines on cargo vessels	4-stroke diesel-electric engines (propulsion and electric power; typically, multiple engines/gensets on a cruise ship ²)	4-stroke diesel-electric engines (propulsion and electric power)	Propulsion of cargo transportation on inland waterways	Propulsion of small- to medium-sized cargo vessels	Baseload power for hotel electric power and operation of upstream machinery	Propulsion and auxiliary for ships to support, construct, maintain	Propulsion and auxiliary supply for naval ships	Propulsion and auxiliary supply for yachts	Propulsion and auxiliary for small fishery and leisure boats
Exemplary applications	<ul style="list-style-type: none"> • Large bulkers • Tankers • Container ships 	<ul style="list-style-type: none"> • Cooling freight • Electric power for machinery equipment like aftertreatment, thrusters, blowers 	<ul style="list-style-type: none"> • Ferries (sea and inland) • Cruise ships 	<ul style="list-style-type: none"> • Tugboats • Icebreakers • Dredges 	<ul style="list-style-type: none"> • River cargo vessels 	<ul style="list-style-type: none"> • Cargo vessels in coastal areas/ short sea distance 	<ul style="list-style-type: none"> • Fixed rigs • Floating rigs • Moored rigs 	<ul style="list-style-type: none"> • Offshore construction vessels • Platform supply vessels 	<ul style="list-style-type: none"> • Cruisers • Destroyers 	<ul style="list-style-type: none"> • Superyachts 	<ul style="list-style-type: none"> • Small leisure boats • Small fishery ships
Single engine size	~8-80 MW	~2-10 MW	~3-20 MW	~2-12 MW	~2-12 MW	~3-12 MW	~3-10 MW	~3-12 MW	~2-15 MW	~2-15 MW	~0.5-2 MW
Prevailing engine type¹	L M H	L M H	L M H	L M H	L M H	L M H	L M H	L M H	L M H	L M H	L M H
Hours of operation p.a. (utilization)	~8,000 (~90%)	~4,000-5,000 (~50%)	~8,000 (~90%)	~2,500-5,000 (30-50%)	~7,000 (80%)	~5,000-8,000 (50-80%)	>8,000 (~99%)	~7,000 (~80%)	High variability depending on vessel		

Accelleron's core end markets

Source: Company information, third party analysis

for use cases possible

Electrical power generation (EPG) applications for turbochargers

EPG

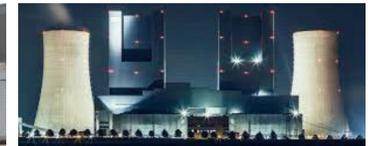
Distributed baseload power



Grid stability/ flexibility



Backup power



Type	Prime/ continuous power source			Standby (peak) power source			Emergency power source		
Application description	Power plants running on internal combustion engines (gas/ diesel) to provide electricity where other sources are not available (incl. self-sufficient power supply in remote locations, often without chance for grid connectivity)			Gas power plants to provide electricity to either support (instable) grid or to provide flexibility as renewables backup during peak demand/ when renewables are not able to fully serve			Generators guaranteeing uptime in critical infrastructure and on industrial sites in case of power outages with need for rapid dispatch time		
Exemplary applications	<ul style="list-style-type: none"> Baseload power plants, e.g., in emerging markets with weak energy infrastructure Remote/ off-grid power generation, e.g., on islands, industrial use cases (e.g., mining, partly semi-temporary) 			<ul style="list-style-type: none"> Peak load stabilization in (unstable) grids, e.g., in emerging markets with weak energy infrastructure Backup capacity for renewable energy, e.g., for wind, solar power plants 			<ul style="list-style-type: none"> Backup power source, e.g., for data centers, hospitals Nuclear power plant backup for control center, safety mechanisms in case of power failure Small non-stationary gensets 		
Single engine size	~0.5-20 MW			~0.5-20 MW			~0.5-12 ² MW		
Prevailing engine type¹	L	M	H	L	M	H	L	M	H
Hours of operation p.a. (utilization)	~5,000 (~55-60%)			~2,000 (~20-25%)			<500 (~1.5%)		

Accelleron's core end markets

Source: Company information, third party analysis

1. Only engine types representing majority of market shown, other engine types for use cases possible

2. Nuclear power plants with backup engines up to 12MW; backups for data centers, hospitals in range of ~0.5-2MW

Other application areas for turbochargers

Rail	
Long-haul trains	Light-weight trains



Off-highway vehicles		
Mining & earth moving	Construction	Agriculture



Type	Internal combustion locomotive					
Application description	Internal combustion engine within a locomotive producing pulling power (mostly diesel or diesel-electric locomotive)			Internal combustion engine within a locomotive producing pulling power (mostly diesel or diesel-electric locomotive)		
Exemplary applications	<ul style="list-style-type: none"> Cargo trains Passenger trains 			<ul style="list-style-type: none"> Light-weight cargo trains Light-weight passenger trains 		
Single engine size	~1-10 MW			~1-3 MW		
Prevailing engine type ¹	L	M	H	L	M	H
Hours of operation p.a. (utilization)	~6,000-7,000 (70-80%)			~6,000-7,000 (70-80%)		

ICE powered drive and auxiliary systems								
4-stroke diesel engines to power drive and enable e.g. heavy alternating operations			4-stroke diesel engines to power drive and auxiliary systems			4-stroke diesel engines to power drive and enable e.g. semi-static operations		
<ul style="list-style-type: none"> Haul Trucks Dozers 			<ul style="list-style-type: none"> Excavator Graders 			<ul style="list-style-type: none"> Tractors Harvesters 		
~0.5-3 MW			~0.5-1.5 MW			~0.5-1 MW		
L	M	H	L	M	H	L	M	H
~6,000-7,000 (70-80%)			~6,000-7,000 (70-80%)			~2,500-5,000 (30-50%)		

Accelleron's core end markets

Source: Company information, third party analysis

Only engine types representing majority of market shown, other engine types for use cases possible

Basis of preparation of historical financials

General



- Financial year ending December 31
- Prepared in accordance with U.S. GAAP
- Reporting currency is US Dollar
- The presentation contains forward looking statements, subject to change based on known or unknown risks and various other factors

Carve-out



- Historical cost structure does not factor in additional recurring and one-off costs as listed company
- Historical capital and tax structure not indicative for the financial positions going forward
- External debt, including any interest expense, associated with the debt of the parent which is not directly attributable to the business has been excluded from the combined carve-out financial statements of the business
- The equity of the business represents the net investment of the parent in the business, the parent's historical retained earnings related to the business are included within net parent investment

Financial disclosure



- Historical financial information for the years 2019 to 2021 based on Audited Combined Carve-out Financial Statements
- Half-year financial information for H1 2021 and H1 2022 currently subject to auditor review, and therefore may be subject to change

Basis of preparation of historical financials (cont'd)

Non-U.S. GAAP
Measures →

- Non-U.S. GAAP financial measures and alternative performance measures are presented as they are used by management in monitoring its business
- Organic revenues growth defined as revenue growth at constant currency and adjusted for M&A
- Operational EBIT represents income from operations excluding, as applicable, restructuring, related and implementation costs, changes in the amount recorded for obligations related to divested businesses occurring after the divestment date, changes in estimates relating to opening balance sheets of acquired businesses, gains and losses from sale of businesses, acquisition- and divestment-related expenses and integration costs, certain other non-operational items, as well as foreign exchange/commodity timing differences in income from operations
- Operational EBITA represents Operational EBIT excluding acquisition-related amortization
 - Operational EBITA corresponds to Operational EBIT for the financial years ended December 31, 2021, 2020 and 2019 and for the six months ended June 30, 2022 and 2021 (i.e. there has not been any acquisition-related amortization)
- Operational EBITDA represents Operational EBIT excluding depreciation and amortization
- Operational net income represents net income adjusted for, as applicable, acquisition-related amortization, restructuring, related and implementation costs, changes in the amount recorded for obligations related to divested businesses occurring after the divestment date, changes in estimates relating to opening balance sheets of acquired businesses, gains and losses from sale of businesses, acquisition- and divestment-related expenses and integration costs, certain other non-operational items, as well as foreign exchange/commodity timing differences in income from operations
- Free cash flow is defined as net cash provided by operating activities less net cash used in investing activities. Free cash flow conversion is defined as free cash flow divided by reported net income, expressed as a percentage
- Net leverage is defined as interest-bearing liabilities (including finance leases) net of cash and cash equivalents, divided by last twelve months operational EBITDA

Operational EBIT adjustments

Reconciliation between operational EBIT¹ and income from operations

	2019	2020	2021
Operational EBIT¹	203	146	188
Employee severance costs	(0)	(8)	(3)
Estimated contract settlement, loss order and other costs	(1)	(1)	(0)
Restructuring and related costs	(2)	(8)	(3)
FX and commodity timing differences	1	(1)	1
Income from operations	201	137	186

Source: Audited Combined Carve-out Financial Statements

Note: Numbers might not add up due to rounding.

1. Equivalent to operational EBITA, as there has been no acquisition-related amortization in 2019, 2020 and 2021

Highlights

- Restructuring costs mainly related to:
 - The **Footprint 2020 program**: only affecting 2019, resulting in closing of Klingnau facility and the transfer of its assets and employees to Baden
 - The **OS program**: 2-year program launched in December 2018 in order to simplify Accelleron's business model and structure
 - The **IATU re-sizing program, 2020**: approved on August 2020 driven by COVID-19 crisis, largely completed end of Q3 2021
- FX and commodity timing differences consist of:
 - Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)
 - Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized
 - Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)

Income statement

\$ m	2019	2020	2021
Revenues	783	711	756
Cost of revenues	(411)	(406)	(401)
Gross profit	372	305	356
Selling, general and administrative expenses	(126)	(119)	(121)
Non-order related research and development expenses	(46)	(48)	(52)
Other income (expense), net	1	(1)	3
Income from operations	201	137	186
Interest and other finance income (expense)	(0)	1	(1)
Non-operational pension cost	(0)	(0)	(0)
Income from operations before income taxes	201	137	184
Income tax expense	(42)	(25)	(40)
Net income	159	112	144
Less: net income attributable to non-controlling interests	(4)	(5)	(6)
Net income attributable to the Parent	155	107	139

Balance sheet – Assets

\$ m	2019	2020	2021
Cash and cash equivalents	3	4	73
Receivables, net	157	156	183
Contract assets	11	15	14
Inventories	172	164	155
Other current assets	8	10	12
Total current assets	350	350	437
Property, plant and equipment, net	133	146	146
Operating lease right-of-use assets, net	22	29	31
Goodwill	7	7	7
Other intangible assets, net	3	3	4
Deferred tax assets	6	7	61
Other non-current assets	1	2	1
Total non-current assets	171	194	249
Total assets	521	544	686

Balance sheet – Liabilities and equity

\$ m	2019	2020	2021
Accounts payable, trade	62	63	77
Contract liabilities	16	22	23
Current operating lease liabilities	6	7	11
Short-term borrowings and current maturities of long-term debt	-	-	92
Provisions for warranties	24	27	29
Other provisions	5	12	8
Accrued liabilities	37	36	50
Other current liabilities	58	53	47
Total current liabilities	208	220	336
Non-current finance lease liabilities	1	1	1
Non-current operating lease liabilities	16	22	20
Deferred tax liabilities	28	15	16
Other non-current liabilities	10	11	7
Total non-current liabilities	55	50	43
Total liabilities	263	270	379
Net parent investment	172	158	199
Accumulated other comprehensive income	70	95	90
Non-controlling interests	16	21	18
Total equity	258	274	307
Total liabilities and equity	521	544	686

Statement of cash flows

\$ m	2019	2020	2021
Net income	159	112	144
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation and amortization	21	24	24
Deferred taxes	1	(15)	(0)
Other	(1)	1	(1)
<i>Changes in operating assets and liabilities:</i>			
Receivables, net	15	(2)	(26)
Contract assets and liabilities	0	3	1
Inventories	(16)	26	4
Accounts payable, trade	(15)	(4)	15
Accrued liabilities	(0)	(4)	14
Provisions, net	(2)	8	(1)
Income taxes payable and receivable	25	4	(4)
Other assets and liabilities, net	0	(1)	(7)
Net cash provided by operating activities	189	151	163
Investing activities:			
Purchases of property, plant and equipment and intangible assets	(23)	(26)	(29)
Proceeds from sales of property, plant and equipment	0	0	2
Other investing activities	(5)	0	(1)
Net cash used in investing activities	(28)	(25)	(28)

Statement of cash flows (cont'd)

\$ m	2019	2020	2021
Financing activities:			
Changes in financing receivables	(5)	(3)	(0)
Net transfers to Parent	(158)	(119)	(154)
Increase in short-term borrowings and current maturities of long-term debt	-	-	92
Dividends paid to non-controlling interests	(1)	(2)	(4)
Other financing activities	(0)	(0)	(0)
Net cash used in financing activities	(165)	(125)	(66)
Effects of exchange rate changes on cash and cash equivalents	0	0	(0)
Net change in cash and cash equivalents	(4)	2	69
Cash and cash equivalents, beginning of period	7	3	4
Cash and cash equivalents, end of period	3	4	73
Supplementary disclosure of cash flow information:			
Interest paid	-	-	-
Income taxes paid	16	37	44