Acce//eron

Half-Year Report 2023

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Dear Shareholders,

Accelleron can look back on a strong development in the first half of 2023 thanks to markets with high demand, continued operational resilience, and progress according to plan in our ongoing separation and build-up activities. With the acquisition of OMT (Officine Meccaniche Torino), as well as numerous activities in our brand positioning and new innovations, Accelleron is on an excellent track as a leader in the decarbonization journey.

Strong momentum on revenues and operational EBITA

Milestones were also achieved or exceeded in terms of financial performance: in the first half of 2023, revenues increased by 20.3% year-on-year in constant currency (17.1% nominal), supported by strong demand from merchant marine and gas compression. Accelleron expects to reach organic revenues growth of around 13% (15% including OMT) for the full year.

Operational EBITA increased by USD 11.2 million, or 11.6%, to USD 108.0 million. The operational EBITA margin slightly decreased by 1.2 percentage points to 24.1% in the first half of 2023, due to the additional expenses resulting from the standalone setup. The ongoing cost inflation (material, transport and labor) was largely offset by price increases.

Although overall supply chain reliability has improved, we faced challenges with some suppliers that were not fully able to cope with the high revenues growth, resulting in higher inventory as some orders could not be delivered due to missing components. The higher networking capital led to a free cash flow conversion at a low 17.5%. Despite all mitigation efforts initiated so far, we expect external factors to cause continued supply chain challenges in the second half of 2023.

The separation from ABB has progressed fully according to plan. In July, the last group of our entities completed their onboarding to Accelleron's enterprise resource planning (ERP) systems; cost-wise, we terminated at least 95% of all transition service agreements (TSAs) we had in place with ABB Group by then, with immediate cash-effectiveness. Net income decreased by USD 20.3 million, or 30.2%, to USD 46.9 million compared to the previous year, burdened by USD 48.8 million of one-off and other non-operational costs related to the separation and build-up activities.

Our markets: overall positive trends

For Marine, we continue to see positive long-term trends in the market, with the order book in the marine industry remaining at a constant high level. Shipyard capacities will remain a bottleneck and cost-driver for shipbuilding in the medium term. The share of newbuild dual fuel capable vessels remained at a high level, with close to 50% in the first half of 2023.

In a landmark decision, the IMO (International Maritime Organization) adopted new targets at its 80th annual meeting. Zero Carbon is now to be achieved as early as 2050; previously, the target was only to halve emissions by this time. In 2030, emissions are to be 20% lower than in 2008 (the year of comparison). The decision will clearly accelerate the decarbonization journey in the marine sector and stimulate demand for newbuilds and retrofit projects.

From Accelleron's point of view, significantly more efforts need to be undertaken to build the ecosystem for the production and distribution of synthetic fuels. Initiatives from within the marine sector and dedicated support from lawmakers to accelerate this process will be crucial.

In Energy, gas compression will continue to generate significant demand and we see positive trends on smaller high-speed turbocharger applications, such as back-up power for data centers and decentralized power plants. Regarding larger power plants, which typically have medium-speed turbochargers, demand is developing below previous levels. This is due to a combination of volatile gas prices, high interest rates and a general uncertainty regarding the direction of the energy transition, resulting in hesitancy regarding new investments.

Strategy implementation on track: accelerating sustainability in Marine & Energy

Being truly sustainable requires a strategic long-term perspective. We at Accelleron put this at the center of our company purpose: "Accelerating Sustainability in Marine & Energy." The decarbonization journey is the foundation of our company's strategy and future.

During the CIMAC (Congrès International des Moteurs à Combustion) Congress, Accelleron unveiled the next generation of turbochargers for two-stroke main propulsion engines, the X300-L series. The platform-based concept provides improved efficiency over the total load range and easy service. It is complemented by Accelleron's Turbo Insights digital technology, which sets a new benchmark for turbocharging that will offer ship operators the flexibility to respond to uncertainty surrounding the fuels they will use and how they will operate their vessels in the future.

We are also pushing the boundaries in Energy: Accelleron and a leading high-speed OEM have entered into a joint working group with the target of developing internal combustion engines and turbochargers for 100% hydrogen to increase efficiency and power density to the levels achievable with natural gas.

Another important milestone for our growth strategy is the acquisition of OMT, which closed July 20 and was in the high double-digit million EUR range. Acquiring OMT, the market leader in fuel injection for the two-stroke engine sector, reinforces Accelleron's position as a partner of choice and leading innovator in the development of alternative fuel technologies – such as hydrogen, methanol, and ammonia – for large marine engines and other heavy-duty applications. Moreover, like the turbocharger, fuel injection is a mission-critical and engine performance-defining component with intensive service needs.

With dual-fuel engine installations becoming the standard in shipping, we expect significant growth opportunities for fuel injection systems, such as those we offer under the OMT brand.

Our extended technology portfolio, improved service offerings, and the progress in digitalization will have a long-lasting positive effect on our market penetration. Therefore, in 2023, we continued to expand the coverage of our installed base with our service agreements.

Achieving these excellent results in a challenging environment would not have been possible without the strong support of our partners and customers, or the passionate dedication of our employees, for which we would like to express our sincere gratitude.

We are proud that all what we do is coordinated with our purpose of accelerating sustainability in Marine and Energy and would like to thank our shareholders for joining and supporting our journey.

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

(USD in millions)	Six-month period ended June 30, 2023	2022	Change in +/- %	Organic[1]
Revenues	448.6	383.0	17.1%	20.3%
Gross profit	188.3	178.2	5.7%	
as % of revenues	42.0%	46.5%	-4.5ppts	
Income from Operations	59.3	88.9	-33.3%	
Operational EBITA[1]	108.0	96.8	11.6%	
as % of revenues	24.1%	25.3%	-1.2ppts	
Net income	46.9	67.2	-30.2%	
as % of revenues	10.5%	17.5%	-7.0ppts	
Cash flow from operating activities	20.7	38.7	-46.5%	
Free cash flow[1]	8.2	26.2	-68.7%	
Free cash flow conversion[1]	17.5%	39.1%	-21.6ppts	
Basic earnings per share (USD)	0.46	n/a	n/a	
Net leverage[1]	1.0	n/a	n/a	

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

Revenues
USD in million

448.6

Operational EBITA
USD in million

108.0

Operational EBITA margin
in %

24.1

Free cash flow conversion
in %

17.5

Operational review

Group financial and business review

Revenues

Revenues increased by USD 65.6 million, or 17.1% (20.3% on a constant currency basis), to USD 448.6 million compared to the previous year, resulting from a continued strong demand across most of the relevant industries and, to a lesser extend, from price increases in the first half of 2023. The increase in volumes was predominantly driven by a further strengthening in global demand for the merchant marine and the gas compression business in the United States. A detailed discussion of the factors contributing to the changes in segment revenues is included in the "Operating segments financial review" section of this half-year report.

Gross profit

Gross profit increased by USD 10.1 million, or 5.7%, to USD 188.3 million compared to the previous year. The gross profit margin decreased by 4.5 percentage points, to 42.0%, primarily driven by non-operational one-off expenses relating to the build-up of IT infrastructure, applications and services. The ongoing cost inflation (material, transport and labor) was largely offset by price increases.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by USD 35.3 million, or 53.2%, to USD 101.7 million compared to the previous year. The increase is mainly the result of non-operational one-off expenses relating to the build-up of group functions following the spin-off and additional operational expenses resulting from the standalone setup.

Research and development expenses

Research and development expenses increased by USD 3.7 million, or 14.7%, to USD 28.9 million compared to the previous year. Research and development expenses as a percentage of revenues remained largely stable year-on-year.

Income tax expense

Income tax expense decreased by USD 6.1 million, or 33.2%, to USD 12.3 million compared to the previous year, mainly driven by lower pre-tax income from operations. The effective tax rate decreased to 20.7% in the first half of 2023, from 21.4% in the previous year, mainly due to a change in the jurisdictional profit mix of earnings.

Net income

Net income decreased by USD 20.3 million, or 30.2%, to USD 46.9 million compared to the previous year, largely as a result of the factors set out in the previous paragraphs and partly offset by a lower income tax expense. Net income included USD 48.8 million in one-off and other non-operational costs in the first half of 2023, resulting from the separation and build-up activities.

Operational EBITA

Operational EBITA increased by USD 11.2 million, or 11.6%, to USD 108.0 million, resulting from operating leverage. The operational EBITA margin slightly decreased by 1.2 percentage points to 24.1% in the first half of 2023 as a consequence of the additional expenses resulting from the standalone setup. The ongoing cost inflation (material, transport and labor) was largely offset by price increases.

Liquidity and capital resources

	Six-month period ended June 30,		
(USD in millions)	**2023**	**2022**	**change in %**
Net cash provided by(/used in) operating activities	20.7	38.7	-46.5%
Net cash provided by(/used in) investing activities	(12.5)	(3.5)	257.1%
Net cash provided by(/used in) financing activities	(28.9)	29.9	-196.7%
Effects of exchange rate changes on cash and cash equivalents	1.4	(11.8)	-111.9%
Cash and cash equivalents, beginning of period	**189.1**	**73.2**	**158.3%**
Cash and cash equivalents, end of period	**169.8**	**126.4**	**34.3%**

Net cash provided by operating activities decreased by USD 18.0 million, or 46.5%, to USD 20.7 million compared to the previous year, primarily due to cash payments for separation and build-up activities. In addition, strong volume growth and supply chain challenges have led to an increase in net working capital.

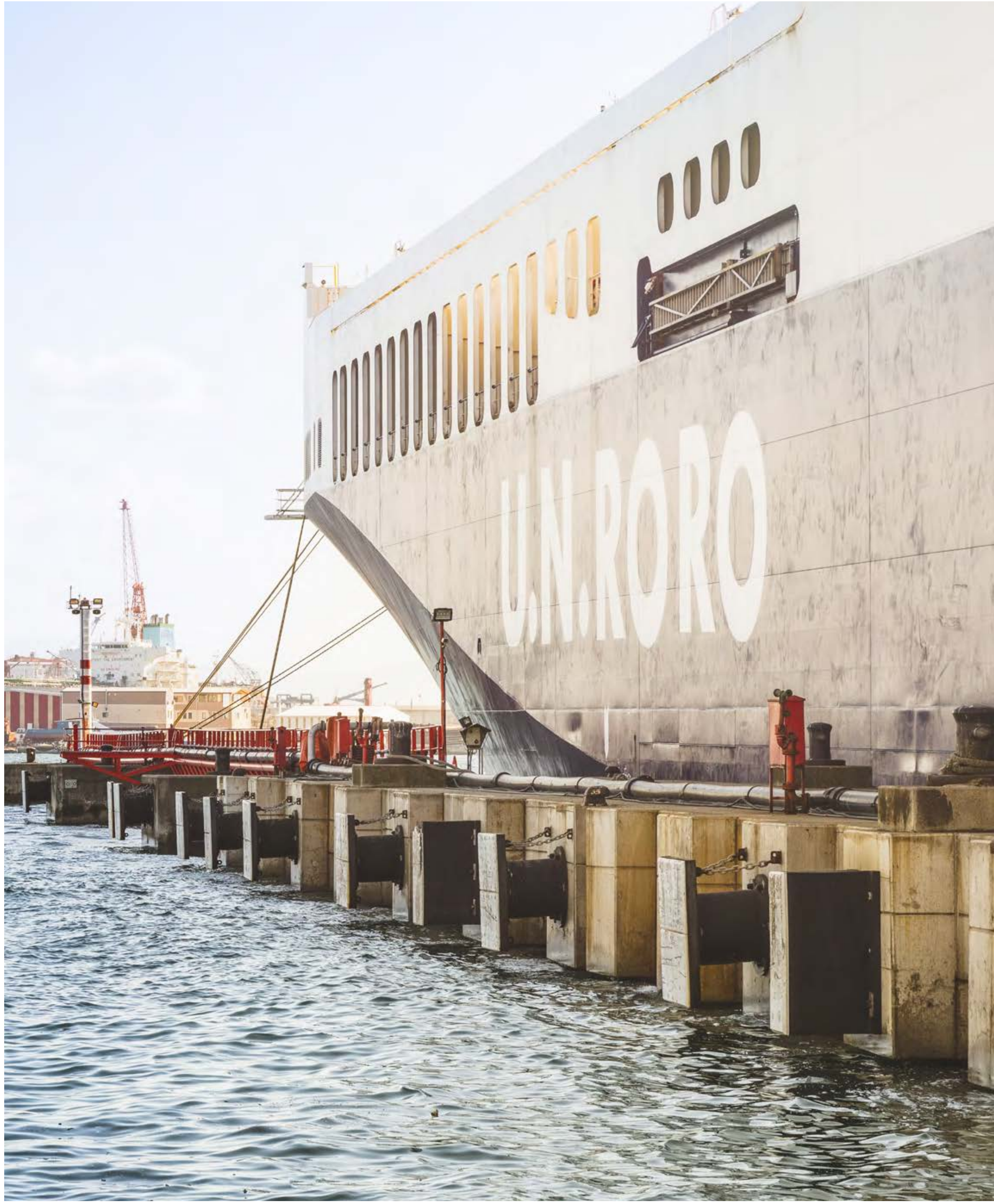
Net cash used in investing activities increased by USD 9.0 million, or 257.1%, to USD 12.5 million compared to the previous year, primarily due to other investing activities being discontinued as a result of the spin-off from Former Parent. Cash net outflows related to purchases of property, plant and equipment and intangible assets decreased by USD 3.1 million, from USD 15.6 million to USD 12.5 million. Key investments were made in equipment for the Swiss and Chinese factories.

Net cash used in financing activities decreased by USD 59.0 million, or 196.7%, to USD 28.9 million compared to the previous year, due to dividend payment and payment to Former Parent and was partly offset by an increase in the non-current debt borrowings amount.

Net debt and indebtedness

(USD in millions)	June 30, 2023	December 31, 2022	change in %
Cash and cash equivalents	(170.1)	(189.4)	-10.2%
Non-current debt	386.1	322.8	19.6%
Net debt	**216.0**	**133.4**	**61.9%**

Net debt increased by USD 82.6 million, or 61.9%, to USD 216.0 million in the first half of 2023. The higher net debt level is mainly the result of the dividend payment to Accelleron shareholders in the amount of USD 76.3 million.



Operating segments financial review

High Speed segment

The financial results of the Company's High Speed segment for the six-month period ended June 30, 2023 compared to June 30, 2022 are as follows:

	Six-month period ended June 30,		
(USD in millions)	2023	2022	change in %
Revenues	123.8	105.5	17.3%
Operational EBITA	31.9	22.3	43.0%
Operational EBITA margin	25.8%	21.1%	+4.7ppts

Revenues

Revenues in the High Speed segment increased by USD 18.3 million, or 17.3% (+18.9% on constant currency basis), to USD 123.8 million compared to the previous year. This is primarily linked to a further strengthening demand related to the gas compression business in the United States and to price increases.

Operational EBITA

Operational EBITA in the High Speed segment increased by USD 9.6 million, or 43.0%, to USD 31.9 million compared to the previous year. The increase results from the strong operating leverage and pricing measures more than offsetting the additional expenses arising from the standalone setup and cost inflation. Consequently, the operational EBITA margin increased by 4.7 percentage points, to 25.8% in the first half of 2023.

Medium & Low Speed segment

The financial results of the Company's Medium & Low Speed segment for the six-month period ended June 30, 2023 compared to June 30, 2022 are as follows:

	Six-month period ended June 30,		
(USD in millions)	2023	2022	change in %
Revenues	324.8	277.4	17.1%
Operational EBITA	76.1	74.5	2.1%
Operational EBITA margin	23.4%	26.9%	-3.5ppts

Revenues

Revenues in the Medium & Low Speed segment increased by USD 47.4 million, or 17.1% (+20.9% on constant currency basis), to USD 324.8 million compared to the previous year. This increase mainly results from a further strengthening of the demand in merchant marine as well as price increases compared to the previous year.

Operational EBITA

Operational EBITA in the Medium & Low Speed segment increased by USD 1.6 million, or 2.1%, to USD 76.1 million compared to the previous year. The operational EBITA margin decreased by 3.5 percentage points to 23.4% in 2023 due to additional expenses arising from the standalone setup, inefficiencies resulting from supply chain challenges and the ongoing cost inflation, which was only partially offset by price increases.

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Interim Consolidated and Combined Financial Statements of Accelleron (unaudited)

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Accelleron Interim Consolidated and Combined

Statements of Income

(unaudited)		Six-month period ended June 30,	
(USD in thousands)	**Note**	**2023**	**2022**
Revenues	3	448,637	382,980
Cost of sales		(260,309)	(204,736)
Gross profit		**188,328**	**178,244**
Selling, general and administrative expenses		(101,705)	(66,375)
Research and development expenses		(28,917)	(25,204)
Other income, net		1,551	2,214
Income from operations		**59,257**	**88,879**
Interest and other finance (expense), net		(95)	(3,286)
Income from operations before income taxes		**59,162**	**85,593**
Income tax expense	4	(12,259)	(18,436)
Net income		**46,903**	**67,157**
Attributable to non-controlling interests		3,698	3,564
Attributable to Accelleron		**43,205**	**63,593**
Earnings per share	**5**		
Basic EPS (USD)		0.46	0.68
Diluted EPS (USD)		0.46	0.68

See accompanying notes to the interim consolidated and combined financial statements

Accelleron Interim Consolidated and Combined

Statements of Comprehensive Income

(unaudited)	Six-month period ended June 30,	
(USD in thousands)	**2023**	**2022**
Net income	46,903	67,157
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	4,001	5,316
Pension and other post-retirement plan adjustments	20	—
Total other comprehensive income, net of tax	**4,021**	**5,316**
Total comprehensive income, net of tax	**50,924**	**72,473**
Less: total comprehensive income (loss), net of tax attributable to non-controlling interests	2,635	(1,345)
Total comprehensive income attributable to Accelleron, net of tax	**48,289**	**73,818**

See accompanying notes to the interim consolidated and combined financial statements

Accelleron Interim Consolidated and Combined

Balance Sheets

(unaudited)		June 30,	December 31,
(USD in thousands)	**Note**	**2023**	**2022**
Cash and cash equivalents		170,129	189,357
Receivables, net		232,970	199,590
Contract assets		20,398	16,385
Inventories		211,681	186,287
Other current assets		26,596	23,285
Total current assets		**661,774**	**614,904**
Property, plant and equipment, net		154,891	150,109
Operating lease right-of-use assets, net		24,220	27,431
Goodwill and other intangible assets		9,736	10,540
Deferred tax assets		99,027	99,470
Pension asset		86,684	77,017
Other non-current assets		1,534	2,080
Total non-current assets		**376,092**	**366,647**
Total assets		**1,037,866**	**981,551**
Accounts payable		145,558	130,727
Contract liabilities		22,051	23,599
Current lease liabilities		6,303	7,130
Current provisions		29,829	27,979
Accrued liabilities		60,613	56,226
Other current liabilities		44,833	40,735
Total current liabilities		**309,187**	**286,396**
Non-current debt	9	386,087	322,770
Non-current lease liabilities		18,250	20,997
Pension and other employee benefits		4,054	5,619
Deferred tax liabilities		35,940	32,811
Non-current provisions		16,704	16,216
Other non-current liabilities		190	236
Total non-current liabilities		**461,225**	**398,649**
Total liabilities		**770,412**	**685,045**
Registered ordinary shares, CHF 0.01 par value, 94,500,000 shares issued at June 30, 2023 and December 31, 2022		995	995
Treasury shares at cost, 736,857 at June 30, 2023 and 748,701 shares at December 31, 2022		(3,710)	(3,981)
Additional paid-in capital		24,873	100,448
Accumulated earnings		166,006	122,801
Accumulated other comprehensive income		68,605	63,521
Total Accelleron's shareholders' equity	**7**	**256,769**	**283,784**
Non-controlling interests		**10,685**	**12,722**
Total shareholders' equity		**267,454**	**296,506**
Total liabilities and shareholders' equity		**1,037,866**	**981,551**

See accompanying notes to the interim consolidated and combined financial statements

Accelleron Interim Consolidated and Combined

Statements of Cash Flows

(unaudited)	Six-month period ended June 30,	
(USD in thousands)	**2023**	**2022**
Operating activities:		
Net income	46,903	67,157
Adjustments to reconcile net income to net cash provided by operating		
Depreciation and amortization	12,929	11,816
Pension and other employee benefits	(7,266)	—
Deferred taxes	2,814	5,446
Other	779	2,699
Changes in operating assets and liabilities:		
Receivables, net	(38,308)	(19,038)
Contract assets and liabilities	(5,439)	(6,218)
Inventories	(15,856)	(27,024)
Accounts payable, trade	13,671	25,495
Accrued liabilities	3,843	(3,111)
Provisions, net	2,315	821
Income taxes payable and receivable	8,025	(17,097)
Other assets and liabilities, net	(3,669)	(2,270)
Net cash provided by operating activities	**20,741**	**38,676**
Investing activities:		
Purchases of property, plant and equipment and intangible assets	(12,610)	(15,679)
Proceeds from sales of property, plant and equipment	73	76
Other investing activities	—	12,107
Net cash (used in) investing activities	**(12,537)**	**(3,496)**
Financing activities:		
Net transfer to Former Parent[1]	(10,408)	(220,328)
Increase in debt	58,021	254,450
Dividends paid to non-controlling interests	(273)	(3,249)
Dividends paid to shareholders	(76,212)	—
Other financing activities	(22)	(1,009)
Net cash provided by (used in) financing activities	**(28,894)**	**29,864**
Effects of exchange rate changes on cash and cash equivalents	1,390	(11,823)
Net change in cash and cash equivalents	**(19,300)**	**53,221**
Cash and cash equivalents, beginning of period	**189,083**	**73,183**
Cash and cash equivalents, end of period	**169,783**	**126,404**
Supplementary disclosure of cash flows information:		
Interest paid	3,119	1,050
Income taxes paid	5,187	30,088

[1] 2023 movement relates to net transfers of property, plant and equipment from Former Parent.

See accompanying notes to the interim consolidated and combined financial statements

Accelleron Interim Consolidated and Combined

Statements of Changes in Shareholders’ Equity

(unaudited) (USD in thousands)	Registered ordinary shares	Treasury shares	Additional paid-in capital	Accumulated earnings	Net Former Parent investment	Accumulated comprehensive income	Total Accelleron shareholders’ equity	Non-controlling interests	Total shareholders’ equity
Balance at January 1, 2022	**—**	**—**	**—**	**—**	**199,123**	**89,726**	**288,849**	**18,201**	**307,050**
Net income through September 30, 2022	—	—	—	—	96,851	—	**96,851**	5,485	**102,336**
Net transfers to parent	—	—	—	—	(114,222)	—	**(114,222)**	—	**(114,222)**
Dividends to non-controlling interest	—	—	—	—	—	—	**—**	(3,249)	**(3,249)**
Change in non-controlling interest	—	—	—	—	12,561	—	**12,561**	(12,561)	**—**
Issuance of registered ordinary shares and reclassification of Former Parent investment, net	995	(3,981)	100,448	96,851	(194,313)	—	—	—	**—**
Net income from October 1, 2022	—	—	—	25,950	—	—	**25,950**	1,506	**27,456**
Other comprehensive income (loss), net	—	—	—	—	—	(26,205)	**(26,205)**	3,340	**(22,865)**
Balance at December 31, 2022	**995**	**(3,981)**	**100,448**	**122,801**	**—**	**63,521**	**283,784**	**12,722**	**296,506**
Balance at January 1, 2023	**995**	**(3,981)**	**100,448**	**122,801**	**—**	**63,521**	**283,784**	**12,722**	**296,506**
Net income through June 30, 2023	**—**	**—**	**—**	*43,205*	**—**	**—**	**43,205**	3,698	**46,903**
Dividends to non-controlling interest	—	—	—	—	—	—	**—**	(4,668)	**(4,668)**
Dividends to shareholders	—	—	(76,316)	—	—	—	**(76,316)**	—	**(76,316)**
Share-based compensation	—	271	741	—	—	—	**1,012**	—	**1,012**
Other comprehensive income (loss), net	—	—	—	—	—	5,084	**5,084**	(1,066)	**4,018**
Balance at June 30, 2023	**995**	**(3,710)**	**24,873**	**166,006**	**—**	**68,605**	**256,769**	**10,685**	**267,454**

See accompanying notes to the interim consolidated and combined financial statements

Notes to the interim Consolidated and Combined Financial Statements (unaudited)

Note 1 The Company and basis of presentation

Accelleron Industries AG and its subsidiaries (collectively the "Company" or "Accelleron") is 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.

The Company's unaudited interim consolidated and combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information. Accordingly, these interim consolidated and combined financial statements do not include all the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of management, all adjustments necessary for a fair statement of these interim consolidated and combined financial statements have been included and are of a normal and recurring nature. These interim consolidated and combined financial statements should be read in conjunction with the audited consolidated and combined financial statements for the year ended December 31, 2022. The results of operations for the six months ended June 30, 2023 are not necessarily indicative of the results for the full year. The Company's accounting policies continue unchanged from December 31, 2022.

Since the completion of the legal structure formation on September 30, 2022, all transferred net assets from ABB Ltd. ("ABB" or "Former Parent") are controlled by Accelleron and the Company began to prepare consolidated financial statements. Prior to this date, Accelleron's historical combined financial statements were derived from the consolidated financial statements and accounting records of ABB. The basis of preparation by period is shown below.

Date	Statement	Basis of presentation
For the period January 1, 2022 to June 30, 2022	Statements of income Statements of comprehensive income Statements of cash flows	Combined
For the period January 1, 2023 to June 30, 2023	Statements of income Statements of comprehensive income Statements of cash flows	Consolidated
For the year ended December 31, 2022 and for the six-month ended June 30, 2023.	Balance sheet Statements of changes in shareholders' equity	Consolidated

The interim consolidated and combined financial statements may not be indicative of the Company's future performance and do not necessarily reflect what the results of operations, financial position and cash flows would have been had it operated as an independent company during all periods presented.

The interim consolidated and combined financial statements are presented in United States dollars (USD) unless otherwise stated.

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

Note 2 New accounting pronouncements

There are no recently issued accounting pronouncements that the Company has not yet adopted that are expected to have a material effect on Accelleron's financial position, operating results, cash flows or related disclosures.

Note 3 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 the High Speed (HS) and Medium & Low Speed (M&LS) segments:

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

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

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

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

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

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

(USD in thousands)	Six-month period ended June 30, 2023	2022
Income from continuing operations before taxes	**59,162**	**85,593**
Add back: Interest and other finance income(/expense), net[1]	95	3,286
Income from operations	**59,257**	**88,879**
Add back: one-off and other non-operational costs, net[2]	48,760	7,876
Operational EBITA[3]:	**108,017**	**96,755**
thereof High Speed	31,933	22,254
thereof Medium & Low Speed	76,084	74,501

[1] Interest and other finance income(/expense), net, includes non-operational pension income in the amount of USD 5,126 thousand (2022: USD nil of expense) and other finance expenses in the amount of USD 5,221 thousand (2022: USD 3,286 thousand).

[2] One-off and other non-operational costs, net, include operational pension gains in the amount of USD 1,997 thousand (2022: USD nil), foreign exchange gains in the amount of USD 2,177 thousand (2022: USD 620 thousand of expenses), restructuring and related activities in the amount of USD nil (2022: USD 14 thousand of income) and build-up costs following the spin-off from Former Parent in the amount of USD 52,934 thousand (2022: USD 7,270 thousand).

[3] Operational EBITA represents income from operations excluding costs related to acquisition and divestment, one-time items in statements of income, non-operational integration costs, special non-operational projects, restructuring costs, amortization of acquired intangibles as a result of a business combination and temporary unrealized timing differences in the context of foreign exchange transactions (FX). Operational EBITA is the Company's measure to monitor segments' performance and also used by management to evaluate the profitability of the Company as a whole.

The following table presents disaggregated revenues information for the six-month ended June 30, 2023 and June 30, 2022.

(USD in thousands)	Six-month period ended June 30, 2023	2022
Geographical markets:		
Asia, Middle East & Africa	173,543	148,233
thereof Japan	31,465	31,089
thereof China	50,652	39,320
The Americas	106,915	79,267
thereof United States of America	81,608	58,103
Europe	168,179	155,480
thereof Switzerland	11,541	9,590
	448,637	**382,980**
Product type		
High Speed products and services	123,784	105,541
Medium & Low Speed products and services	324,853	277,439
	448,637	**382,980**
Third-party revenues	448,637	381,643
Revenues with related parties (Former Parent)	—	1,337
Total revenues	**448,637**	**382,980**

One of the Company's HS customers accounted for 14% and 13% of total revenues in the first halves of 2023 and 2022, respectively. Another customer of the Company's M&LS segment accounted for 8% and 12% of total revenues in the first halves of 2023 and 2022, respectively.

Note 4
Income taxes

The Company's effective tax rate for the first half of 2023 was 20.7%. The effective tax rate was higher than the Switzerland statutory rate of 16.4%, largely due to the Company's profit mix of earnings in high-tax jurisdictions.

The Company's effective tax rate for the first half of 2022 was 21.4%. The effective tax rate was higher than the Switzerland statutory rate of 17.5%, largely due to a deferred tax charge relating to intangible assets in Switzerland.

Note 5
Earnings per share

(USD in thousands, except share and per share numbers)	Six-month period ended June 30, 2023	2022
Numerator:		
Net income attributable to Accelleron	43,205	63,593
Denominator:[1]		
Weighted number of outstanding shares (undiluted)	93,763,143	93,751,299
Weighted number of outstanding shares (diluted)	93,802,246	93,752,355
Basic EPS (USD)	**0.46**	**0.68**
Diluted EPS (USD)	**0.46**	**0.68**

[1] Basic and Diluted EPS for historical periods prior to the spin-off reflect the number of registered shares, or 94,500,000 shares reduced by the number of shares held in treasury by the Company as if they were issued and outstanding from January 1, 2022.

Note 6
Employee benefits

(USD in thousands)	Six-month period ended 2023
Employer service cost	3,909
Interest cost	3,710
Expected return on plan assets	(8,946)
Subtotal	**(1,327)**
Net prior service cost amortization	110
Net loss(/gain) amortization	—
Net periodic benefit (income)	**(1,217)**

Net periodic benefit costs for the Company's Swiss benefit plan includes the above components.

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 7
Shareholders' equity

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

During the first six months of 2023, the Company awarded 11,844 treasury shares to the Board of Directors as part of their compensation program.

Note 8
Financial Instruments and fair value measures

The Company's credit, market risk and currency management policies are described in Note 19 of the Company's consolidated and combined financial statements for the year ended December 31, 2022.

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, 2023 and December 31, 2022.

Note 9
Non-current debt

(USD in thousands)	June 30, 2023	December 31, 2022
Non-current debt	386,087	322,770
Total debt	**386,087**	**322,770**

As at June 30, 2023, the Company maintained a CHF 450 million Credit Facility (Facility), which the Company entered into on September 30, 2022. Commitments will be available until September 30, 2027. On March 20, 2023, the Company drew a term loan in the amount of CHF 50 million under the existing Facility. As at June 30, 2023, the Company has a total term loan outstanding in the amount of CHF 350 million.

Subsequent events
On July 18, 2023, the Company drew under the revolving credit facility (RCF) the amount of CHF 50 million.

Note 10
Commitments and contingencies

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

Contingencies
Guarantees and letters of comfort issued by third parties are reported as contingent liabilities. As at June 30, 2023 and December 31, 2022, they amount to USD 5,928 thousand and USD 3,705 thousand, respectively.

Note 11
Related party transactions

Subsequent to the spin-off, ABB no longer meets the definition of a related party. During the six-month period ended June 30, 2022, the Company sold products in the amount of USD 1,337 thousand to the Former Parent.

Note 12
Subsequent events

The Company has evaluated material subsequent events through September 1, 2023, the date at which the interim consolidated and combined financial statements were available to be issued.

On May 31, 2023, the Company announced that it has acquired Officine Meccaniche Torino S.p.A (OMT) in Italy, a leading manufacturer of fuel injection systems for marine engines. The acquisition will be part of the Company's Medium & Low Speed segment. The transaction closed on July 20, 2023. The Company aims to complete the purchase price allocation as soon as practicable but no later than one year from the date of the acquisition.

03

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 (U.S. GAAP).

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

Performance measure	Definition
Organic revenue growth (on a constant currency basis)	Revenue growth at constant currency and adjusted for M&A-related effects. The organic growth rate measures growth on a constant currency basis
Operational EBIT	Operational EBIT represents income from operations excluding costs related to acquisition and divestment, one-time items in income statements, non-operational integration costs, special non-operational projects, restructuring costs and temporary unrealized timing differences in the context of foreign exchange transactions (FX)
Operational EBITDA	Operational EBITDA represents Operational EBIT excluding depreciation and amortization
Operational EBITA	Operational EBITA represents Operational EBIT excluding acquisition-related amortization
Operational EBITA margin	Operational EBITA as a percentage of revenues
Free cash flow	Net cash provided by operating activities 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 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 at 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 www.accelleron-industries.com/investors/financial-reports.