06

Consolidated Financial Statements of Accelleron

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Statutory Auditor's Report

To the General Meeting of Accelleron Industries AG, Baden

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the Consolidated Financial Statements (pages 81 to 97) present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit, which include relevant ethical requirements in the United States of America, with the provisions of Swiss law and the requirements of the Swiss audit profession. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

REVENUE RECOGNITION

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

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REVENUE RECOGNITION

Key Audit Matter

Total consolidated revenue of the financial year 2023 amounted to USD 915 million (2022: USD 781 million).

The Company offers products and services relating to highly customized turbochargers of engines for heavy-duty applications. The Company recognizes revenue when a performance obligation has been satisfied and control has been transferred to the customer, usually at a designated shipping point and in accordance with the agreed delivery terms for products, and upon customer acceptance for services.

Revenue is a key performance indicator and therefore in internal and external stakeholders' focus.

There is a risk that revenue may be recognized in the wrong accounting period. We consider revenue recognition to be a key audit matter due to the number of transactions that occur close to year-end and the potential impact of these transactions on the Consolidated Financial Statements if they are recorded in an incorrect accounting period.

Our response

Our audit procedures included, among others, inquiries with management regarding significant new contracts with customers and relevant changes in existing contracts. The procedures also included reading significant new or amended contracts to evaluate the terms and conditions and their impact on revenue recognition.

In addition, we evaluated the design and implementation of certain internal controls related to the Company's revenue process including controls over whether a performance obligation has been satisfied and control has been transferred to the customer.

On a sample basis, we reconciled revenue transactions recorded in December 2023 and January 2024 to the supporting documentation such as sales contracts, external shipping documents and customer acceptance reports - to assess whether revenue has been recognized in the appropriate period and amount.

For further information on revenue recognition refer to the following: Note 3 of the Consolidated Financial Statements - Significant accounting policies – Revenue recognition.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles and the provisions of Swiss law, and for the design, implementation, and maintenance of internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the Consolidated Financial Statements are available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, Swiss Law, and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment or economic decisions made by a reasonable user based on the Consolidated Financial Statements.

In performing an audit in accordance with US GAAS, Swiss law, and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Consolidated Financial Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the group audit of the Company. We remain solely responsible for our audit opinion.

We are required to communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters, including any significant deficiencies, that we identified during the audit.

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We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The Board of Directors is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the Consolidated Financial Statements of the Company, the stand-alone financial statements of Accelleron Industries AG, the Compensation Report, and our auditor reports thereon. Our opinion on the Consolidated Financial Statements does not cover the other information, and we do not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether a material inconsistency exists between the other information and the Consolidated Financial Statements or our knowledge obtained in the audit or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of Consolidated Financial Statements according to the instructions of the Board of Directors.

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

KPMG AG

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

Zurich, March 25, 2024

Statements of Income

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

See accompanying notes to the Consolidated Financial Statements

Statements of Comprehensive Income

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

See accompanying notes to the Consolidated Financial Statements

Balance Sheets

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

See accompanying notes to the Consolidated Financial Statements

Statements of Cash Flows

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

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

See accompanying notes to the Consolidated Financial Statements

Statements of Changes in Shareholders' Equity

(USD in thousands)	Registered ordinary shares	Treasury shares	Treasury Shares / Compensation reserve	Additional paid-in capital	Accumulated earnings	Net Former Parent investment	Accumulated comprehensive income	Total Accelleron shareholders' equity	Non-controlling interests	Total shareholders' equity
Balance as of January 1, 2022	**—**	**—**	**—**	**—**	**—**	**199,123**	**89,726**	**288,849**	**18,201**	**307,050**
Net income through September 30, 2022	—	—	—	—	—	96,851	—	96,851	5,485	102,336
Net transfers to parent	—	—	—	—	—	(114,222)	—	(114,222)	—	(114,222)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	(3,249)	(3,249)
Change in non-controlling interest	—	—	—	—	—	12,561	—	12,561	(12,561)	—
Issuance of registered ordinary shares and reclassification of Former Parent Investment, net	995	(3,981)	—	100,448	96,851	(194,313)	—	—	—	—
Net income from October 1, 2022	—	—	—	—	25,950	—	—	25,950	1,506	27,456
Other comprehensive income (loss), net	—	—	—	—	—	—	(26,205)	(26,205)	3,340	(22,865)
Balance at December 31, 2022	**995**	**(3,981)**	**—**	**100,448**	**122,801**	**—**	**63,521**	**283,784**	**12,722**	**296,506**
Balance as of January 1, 2023	**995**	**(3,981)**	**—**	**100,448**	**122,801**	**—**	**63,521**	**283,784**	**12,722**	**296,506**
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	(4,652)	(4,652)
Change in non-controlling interest	—	—	—	—	—	—	—	—	(612)	(612)
Dividends to Accelleron shareholders	—	—	—	(76,316)	—	—	—	(76,316)	—	(76,316)
Share-based compensation	—	63	531	1,418	—	—	—	2,012	—	2,012
Net income through December 31, 2023	—	—	—	—	101,207	—	—	101,207	8,766	109,973
Other comprehensive income (loss), net	—	—	—	—	—	—	(23,404)	(23,404)	(605)	(24,009)
Balance at December 31, 2023	**995**	**(3,918)**	**531**	**25,550**	**224,008**	**—**	**40,117**	**287,283**	**15,619**	**302,902**

See accompanying notes to the Consolidated Financial Statements

Notes to the Consolidated

Financial Statements

Note 1

The Company

Accelleron Industries AG and its subsidiaries (collectively the “Company” or “Accelleron”) together form a global leader in turbocharging technologies and optimization solutions for 0.5 to 80+ megawatt (MW) engines, helping to provide sustainable, efficient and reliable power to the marine, energy, rail, and off-highway sectors. Through its innovative product offerings and research leadership, the Company accelerates the decarbonization of the industries it operates in. Accelleron has an installed base of approximately 180,000 turbochargers and a network of approximately 100 service stations across 50 countries worldwide.

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

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

On October 3, 2022 , ABB Ltd. (“ABB“ or “Former Parent”) completed the spin-off Accelleron (“Business” or formerly ABB Turbocharging), its market-leading turbocharging division. The spin-off from ABB was carried out as a dividend-in-kind where existing ABB shareholders were allocated on a pro rata basis, one (1) Accelleron share for twenty (20) ABB shares held.

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

Note 2

Basis of preparation

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

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

For the period prior to the completion of the legal structure formation, the combined statements of operations also include expense allocations for certain functions provided by ABB, including, but not limited to general corporate expenses related to finance, legal, information technology, human resources, communications, research and development and health and safety. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder principally allocated on the basis of percent of capital deployed, headcount or other measures. During 2022, the Company allocated approximately USD 33.4 million; the general corporate expenses within this amount, were included within cost of sales, selling, general and administrative expenses and non-order related research and development expenses in the Consolidated and Combined Statement of Income. Management considers the basis on which the expenses have been allocated to reasonably reflect the utilization of services provided to or the benefit received by the Company during the period presented. The allocations may not, however, reflect the expenses that would be incurred if the Company had been an independent company. Actual costs that may have been incurred if the Company had been an independent company during the period would depend on several factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. It is not possible to determine what such costs would have been had the Company been independent during this period.

Inter-company transactions have been eliminated. Related party transactions between the Company and Former Parent have been included in these Consolidated Financial Statements and settled in cash at the time the transaction was recorded. The total net effect of the settlement of these transactions was reflected in the Consolidated Statements of Cash Flows as a financing activity as net transfers to Former Parent and in the Consolidated Balance Sheets as net transfers to Former Parent. Amounts due to or due by ABB, whereby the transaction is between two distinct legal entities, have been presented as assets and liabilities of the Company.

Prior to the spin-off, cash and cash equivalents presented in the combined balance sheets of the Company represent cash balances held by legal entities dedicated to the business of the Company. Transfers of cash between the Company and ABB have been presented as a component of the change in net Former Parent investment as a financing activity in the Consolidated Statements of Cash Flows.

External debt, including any interest expense, associated with the debt of ABB which was not directly attributable to the Company, has been excluded from these Consolidated Financial Statements. Prior to the spin-off, equity represented the net investment of ABB in the Company. ABB's historical retained earnings related to the Company were included within Net Former Parent investment.

Current and deferred income taxes have been determined based on the stand-alone results of the Company. Before achieving the completion of the legal structure formation, the Company prepared and filed its tax returns as part of ABB's tax group in certain jurisdictions.

Since the completion of the legal structure formation on September 30, 2022, all transferred net assets from ABB are controlled by Accelleron and are included in the Consolidated Financial Statements.

Note 3

Significant accounting policies

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

Principle of consolidation

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

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures in the accompanying notes. Actual results could differ materially from those estimates. Estimates and assumptions are periodically reviewed, and the effects of changes are reflected in the Consolidated Financial Statements in the period they are determined to be necessary.

Translation of foreign currencies and foreign exchange transactions

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

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

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

Foreign currency gains and losses, such as those resulting from currency denominated receivables or payables, are included in the determination of earnings. Exchange gains and losses recognized in earnings are included in total revenues, cost of sales, general and administrative expenses, interest and other finance (expense), net, consistent with the nature of the underlying item.

Revenue recognition

The Company accounts for a contract with a customer when the contract has been approved by both parties, has commercial substance, contains payment terms, as well as each party's rights and commitments, and collectability under the contract is considered probable.

The Company offers product and services contracts to meet its customers' needs. These contracts are largely recognized at a point in time with a minor percentage of performance obligations recognized over a period of time. Goods and services under such contracts are evaluated to determine whether they form distinct performance obligations and should be accounted for as separate revenue transactions. The Company allocates the sales price to each distinct performance obligation based on the price of each item sold in separate transactions at the inception of the contract.

Point-in-time revenue is recognized when the customer obtains control which is when it has taken title and assumed the risks and rewards of ownership specified in the contract. Generally, the transfer of title and risks and rewards of ownership are governed by the contractually defined shipping terms. Revenue for services is recognized at the point of customer acceptance.

Payment terms and rebates are agreed upon and apply to all sales of products or services under the contract. The price list and payment terms are fixed for a timeframe, usually up to two to three years. Some large customers have incentives in the form of volume rebates, which are considered to be variable consideration when determining the transaction price and are accounted for as a reduction of revenues. The differences between the timing of revenues recognized and customer billings result in changes to contract assets and contract liabilities. Contract assets arise when the timing of billing to customers differs from the timing of revenue recognition. Contract liabilities are recorded for amounts invoiced to customers in advance of revenue recognition.

Research and development

Research and development costs are predominantly non-order related and are expensed as incurred.

Cash and cash equivalents
Cash and cash equivalents include highly liquid investments purchased with an original maturity of three months or less.

Accounts receivable and allowance for expected credit losses
Accounts receivable are recorded at the invoiced amount. The Company provides an allowance against accounts receivable for the amount expected to be uncollectible. The Company records a specific reserve for individual accounts when the Company becomes aware of specific customer circumstances, such as in the case of deterioration in the customer's operating results or financial position. If there are additional changes in circumstances related to the specific customer, the Company further adjusts estimates of the recoverability of receivables. The Company maintains an allowance for expected credit losses for all other customers based on a variety of factors, including the use of financial condition of customers, payment history, length of time receivables are past due, macroeconomic conditions, significant one-time events, and historical experience. Accounts receivable are written off against the allowance when they are deemed uncollectible.

The Company maintains non-recourse factoring agreements with a financial institution and regularly transfers certain account receivables from one customer. Under this factoring agreement, the Company is not exposed to any default risk of the transferred receivables.

Concentrations of credit risk
Concentrations of credit risk with respect to accounts receivable are limited, as the customer base is comprised of a large number of individual customers. Ongoing credit evaluations of customers' financial positions are performed to determine whether the use of credit support instruments such as guarantees, letters of credit or credit insurance are necessary; collateral is not generally required. The Company invests cash in deposits with banks throughout the world with certain minimum credit ratings and in high-quality, low-risk, liquid investments. The Company actively manages its credit risk by routinely reviewing the creditworthiness of the banks and the investments held.

Derivative instruments
Derivative instruments, not designated as hedging instruments, consist of foreign exchange contracts, and are used by the Company to hedge foreign currency denominated balance sheet exposures, forecasted foreign currency denominated sales and related foreign currency denominated purchases. All derivative instruments are initially recognized at fair value and changes in fair value are recognized as derivative gains and losses in cost of sales or in interest and other finance (expense), net, consistent with the nature of the underlying item. Any cash-flow impact on settlement of these contracts is classified in the Consolidated Statement of Cash Flows as “net cash provided by operating activities”.

Inventories
Inventories are stated at the lower of cost (computed in accordance with the weighted-average cost method) or net realizable value. Elements of cost include raw materials, purchased components, labor, and overhead.

Property, plant and equipment
The Company states property, plant and equipment at cost less accumulated depreciation. The Company capitalizes additions and improvements, and records expense for maintenance and repairs as incurred. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are 15 to 40 years for buildings and 3 to 15 years for machinery and equipment. Leasehold improvements are depreciated over their estimated useful life or, for operating leases, over the lease term, if shorter.

Goodwill and other intangible assets
Goodwill is assessed for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that it might be impaired, by comparing carrying value to the reporting unit's fair value. Goodwill is assigned to a reporting unit, which is defined as an operating segment.

When evaluating goodwill for impairment, either a qualitative or quantitative assessment method is used. The qualitative assessment involves determining, based on an evaluation of qualitative factors, if it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. If, based on this qualitative assessment, it is determined to be more-likely-than-not that the reporting unit's fair value is less than its carrying value, a quantitative impairment test is performed, otherwise no further analysis is required. The quantitative impairment test calculates the fair value of a reporting unit (based on the income approach whereby the fair value of a reporting unit is calculated based on the present value of future cash flows) and compares it to the reporting unit's carrying value. If the carrying value of the net assets of a reporting unit exceeds the fair value of the reporting unit, then an impairment charge equal to the difference is recognized, provided that the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit.

Costs incurred to develop software for internal use are capitalized within other intangible assets and are amortized on a straight-line basis over the estimated useful life, typically ranging from three to five years. Subsequent additions, modifications or upgrades are only capitalized if such changes allow the software to perform a task it previously did not perform.

Impairment of long-lived assets
The Company reviews long-lived assets, primarily property, plant and equipment and intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If impairment indicators are present and the estimated future undiscounted cash flows are less than the carrying value of the assets, the carrying values are reduced to the estimated fair value. Fair values are determined based on quoted market values, discounted cash flows, or external appraisals, as applicable.

Provision for warranties
The Company offers warranties for products and services. For products, the warranty length ranges from 12 to 36 months. For services, the length is typically from 6 to 12 months. The Company provides for anticipated costs for warranties when it recognizes revenues on the related products or services.
The warranty reserve includes the best estimate of the projected costs to replace or repair items under warranties including imperfections in design, material and workmanship. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. In addition, the Company makes individual assessments with risks resulting from order-specific conditions or guarantees and assessments on an overall, statistical basis for similar products sold in larger quantities.

The portion of the warranty reserve expected to be incurred within the next 12 months is included within current provisions, while the remaining balance is included within non-current provisions. Warranty expense is recorded as a component of cost of sales.

Leases

The Company enters into operating leasing arrangements mainly for real estate, vehicles and machinery. The Company determines if a contract is or contains a lease at inception. A contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases with an original term of more than 12 months, the Company recognizes a right-of-use asset (RoU) and a lease liability. RoU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Short-term leases and low-value leases are not recorded on the Consolidated Balance Sheets and the related expense is recognized on a straight-line basis over the term of the lease.

Lease liabilities are recorded at the commencement date of the lease based on the present value of the minimum lease payments which include any non-cancellable lease terms and any renewal periods that the Company is reasonably certain to exercise. The present value of the lease payments is determined by using the interest rate implicit in the lease, if available. As most of the operating leases do not provide an implicit rate, the Company's incremental borrowing rate is used for most leases and is determined for portfolios of leases based on the remaining lease term, currency of the lease, and the internal credit rating of the subsidiary which entered into the lease.

Lease and non-lease components for leases other than real estate are not accounted for separately.

Income taxes

Income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Earnings per share

Basic earnings per share are computed by dividing net income available to Accelleron's shareholders by the weighted average number of ordinary shares outstanding for the period. Diluted earnings per share are calculated by adjusting the weighted average outstanding ordinary shares to include any dilutive effect of shares granted subject to certain conditions under the Company's share-based payment arrangements.

Share-based payment arrangements

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

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

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

Fair value of financial instruments

The required fair values of the Company's financial assets and financial liabilities reflect the amounts that could be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date (exit price). The Company determines fair value based on a three-tiered fair value hierarchy. The hierarchy consists of:

Level 1: Observable inputs, such as actively exchange-traded securities which are valued at quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date;

Level 2: Valuation inputs, other than quoted prices in active markets, that are determined using input prices that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data; and

Level 3: Valuation inputs that are determined using unobservable inputs requiring use of the Company's assumptions, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

Contingencies

Guarantees provided in favor of third parties are reported off-balance sheet as contingent liabilities and are only recognized as a provision if it is probable that an outflow of resources will occur.

The Company records a provision for its contingent obligations when it is probable that a loss will be incurred and the amount can be reasonably estimated. Any such provision is generally recognized on an undiscounted basis using the Company's best estimate of the amount of loss incurred or at the lower end of an estimated range when a single best estimate is not determinable. In some cases, the Company may be able to recover a portion of the costs relating to these obligations from insurers or other third parties; however, the Company records such amounts only when it is probable that they will be collected.

Pensions and other post-retirement benefits

In accordance with local regulations and practices, the Company has various employee benefit plans, including defined contribution and termination indemnity plans. The Company recognizes the funded status of each defined benefit pension plan in the Consolidated Balance Sheets. Each overfunded plan is recognized as an asset in employee benefit assets and each underfunded plan is recognized as a liability in employee benefit obligations. The Company measures plan assets and obligations that determine its funded status at year-end and recognizes the changes in the funded status in the year in which the changes occur.

Actuarial valuations are used to determine pension and post-retirement benefit costs and credits. The amounts calculated depend on a variety of key assumptions, including discount rates and expected return on plan assets. Current market conditions are considered in selecting these assumptions. Significant differences between assumptions and actual experience, or significant changes in assumptions, may materially affect the pension obligations. The effects of actual results differing from assumptions and the changing of assumptions are included in net actuarial gain/(loss) within "Accumulated other comprehensive (loss) or income".

Business combinations

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

New accounting pronouncements

Recently adopted accounting standards

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

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

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

Recently issued accounting pronouncements not yet adopted

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

Note 4

Operating segment and disaggregated revenue information

The Company operates in two segments and discloses its operations according to the product lifecycle segmentation which is composed of High Speed (HS) and Medium & Low Speed (M&LS) segments:

- HS produces and services turbochargers with power ranging from 500 – 5,000 Kilowatts, for the use of 1 to 4 turbochargers per engine. HS turbochargers are mainly used in marine, electric power generation, oil & gas onshore and off-highway applications.
- M&LS: produces and services turbochargers with power output from 3,000 to 30,000 kilowatts, for the use of 1 to 2 turbos per engine. Such turbochargers are used mainly in marine and electric power generation applications. In addition, this reporting segment includes business activities relating to rail, fuel injection (i.e. OMT) and digital (i.e. Tekomar) as their application is primarily related to the Medium & Low Speed segment.

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

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

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

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

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

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

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

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

The following table presents disaggregated revenues information for December 31, 2023, and December 31, 2022.

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

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

Note 5

Income taxes

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

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

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

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

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

Deferred income tax assets and liabilities consisted of the following:

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

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

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

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

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

As of December 31, 2023, the earliest significant open tax years that remained subject to examination were the following:

Europe	2021
United States	2021
Rest of Americas	2021
China	2013
Rest of Asia, Middle East and Africa	2019

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

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

Note 6

Earnings per share

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

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

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

Note 7

Share-based compensation

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

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

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

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

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

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

Note 8

Employee benefits

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

The Company recognizes in its Consolidated Balance Sheets the funded status of its defined benefit pension plan, post-retirement plan and other employee-related benefits measured as the difference between the fair value of the plan assets and the benefit obligation.

Obligations and funded status of The Plan

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

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

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

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

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

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

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

Components of net periodic benefit cost

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

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

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

Assumptions

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

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

For The Plan, the discount rate used at each measurement date is set based on a high-quality corporate bond yield curve reflecting the timing and amount of the future expected benefit payments for The Plan.

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

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

The expected long-term rate of return on plan assets is determined by weighting the expected future long-term return for each individual asset class by a plan's target asset allocation.

Plan assets

The Plan is funded by regular contributions from employees and the Company. The Plan is administered by a board of trustees whose primary responsibilities include ensuring that The Plan meets its liabilities through contributions and investment returns. The board of trustees has the responsibility for making key investment strategy decisions within a risk-controlled framework. The Plan assets are invested in diversified portfolios that are managed by third-party asset managers, in accordance with local statutory regulations, pension plan rules, the results of asset/liability management studies and investment guidelines, as approved by the board of trustees.

The board of trustees' investment goal is to maximize the long-term returns of plan assets within specified risk parameters, while considering future liabilities and liquidity needs. Risk measures taken into account include the funding ratio of The Plan, the likelihood of extraordinary cash contributions being required, the risk embedded in each individual asset class, and The Plan asset portfolio as a whole.

Plan assets are measured at fair value at the balance sheet date.

Fair value of assets at the end of the period

The fair values of The Plan assets by asset class as of December 31, 2023, and December 31, 2022, are presented below.

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

(USD in thousands)	Level 1	Level 2	Not subject to leveling[1]	December 31, 2022 Total
Cash and cash equivalents	—	5,397	—	5,397
Debt securities	—	223,666	—	223,666
Equity securities	—	62,537	—	62,537
Real estate	—	—	144,213	144,213
Alternatives	—	—	17,686	17,686
Total	**—**	**291,600**	**161,899**	**453,499**

1 Amounts relate to assets measured using the NAV practical expedient which are not subject to leveling.

The Company applies accounting guidance related to the presentation of certain investments using the net asset value (NAV) practical expedient. This accounting guidance exempts investments using this practical expedient from categorization within the fair value hierarchy. Investments measured at NAV are primarily non-exchange-traded commingled or collective funds in private equity and real estate where the fair value of the underlying assets is determined by the investment manager. Investments in private equity can never be redeemed, but instead the funds will make distributions through liquidation of the underlying assets.

Contributions

The Company expects to contribute approximately CHF 7,832 thousand to the defined benefit pension plan in 2024.

Estimated future benefit payment

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

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

Note 9

Property, plant and equipment, net

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

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

During the last two years, there were no material impairment charges recorded on property, plant and equipment, net.

Note 10

Leases

The Company primarily has operating leases that consist of real estate and vehicles. The components of operating and finance lease expenses were as follows:

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

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

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

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

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

As of December 31, 2023, the future net minimum lease payments for operating and finance leases and the related present value of the net minimum lease payments were as follows:

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

Note 11

Goodwill and other intangible assets

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

Intangible assets other than goodwill consist of the following:

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

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

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

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

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

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

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

Note 12

Inventories

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

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

Note 13

Receivables, net

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

Note 14

Other current assets

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

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

Note 15

Current and non-current provisions

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

1 Other provisions include provisions for work due.

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

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

Note 16

Accrued liabilities and other current liabilities

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

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

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

Note 17

Accounts payable

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

Note 18

Shareholders' equity

Share capital
As of December 31, 2023 and December 31, 2022 respectively, the Company's share capital is CHF 945,000, divided into 94,500,000 fully paid-in registered ordinary shares with a nominal value of CHF 0.01 each.

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

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

Note 19

Financial instruments and fair value measures

The Company's non-derivative financial instruments primarily include cash and cash equivalents, trade receivables, trade payables and debt which approximate their fair values as of December 31, 2023 and 2022.

Credit and market risk
The Company continually monitors the creditworthiness of our customers to which we grant credit terms in the normal course of business. The terms and conditions of the Company's credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer.

Foreign currency contracts are used to hedge receivable and payable transactions and other monetary assets and liabilities denominated in currencies other than the functional currency of the subsidiary.

Currency risk
Due to the global nature of the Company's operations, many of its subsidiaries are exposed to currency risk in their operating activities from entering into transactions in currencies other than their functional currency. To manage such currency risks, the Company's policies require its subsidiaries to hedge their foreign currency exposures from binding sales and purchase contracts denominated in foreign currencies. Forward foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) of contracted and forecasted sales and purchases denominated in foreign currencies. In addition, within its treasury operations, the Company primarily uses foreign exchange swaps and forward foreign exchange contracts to manage the currency and timing mismatches arising in its liquidity management activities.

Note 20

Current and non-current debt

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

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

On September 30, 2022, the Company entered into a CHF 450 million credit facility ("Facility") with maturity on September 30, 2027 with Credit Suisse Switzerland Ltd. The Facility includes term loan commitments in the amount of CHF 350 million and a committed multi-currency revolving credit facility (RCF) in the amount of CHF 100 million. The committed lines under the Facility will be available until September 30, 2027. On March 20, 2023, the Company drew a term loan in the amount of CHF 50 million under the existing Facility. On July 18, 2023, the Company drew the amount of CHF 50 million under the RCF. Interest costs on the drawings under the Facility are calculated using the Swiss Average Rate Overnight (SARON) plus a predefined margin, while commitment fees (payable on the Facility) are amortized until maturity.

Prior to the spin-off, the Company has been funded with debt obligations from the Former Parent. In general, these obligations were incurred to legally acquire groups of net assets from the Former Parent and were repaid on the spin-off date.

Note 21

Commitments and contingencies

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

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

Note 22

Non-current liabilities

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

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

Note 23

Related party transactions

The Company conducts business with certain companies where members of the Company's Board of Directors or Executive Committee act, or in recent years have acted, as directors or senior executives. The Company's Board of Directors has determined that the Company's business relationships with those companies do not constitute material business relationships. This determination was made in accordance with the Company's related party transaction policy which was prepared based on the Swiss Code of Best Practice.

Subsequent to the spin-off, ABB no longer meets the definition of a related party. As of then, all transactions with the Former Parent have been reclassified to third party.

Note 24

Subsidiaries

Country	Name of subsidiary	Economic interests %[1]
Argentina	Turbo Systems Argentina S.A.	100%
Australia	Turbo Systems Australia PTY LTD	100%
Bangladesh	Turbocharging Bangladesh Limited	100%
Belgium	Turbo Systems The Netherlands - Branch Belgium	100%
Brazil	Turbocharging Brasil Ltda.	100%
Bulgaria	Turbo Systems Italy S.P.A. - Branch Bulgaria	100%
Cameroon	Turbo Systems Cameroon PLC	100%
Canada	Turbo Systems Canada Inc	100%
China	Accelleron Turbo Systems (Chongqing) Limited	61%
China	Accelleron (China) Investment Limited	100%
China	Kunshan Kenda OMT Fuel Injection	50%
Colombia	Turbo Systems Colombia SAS	100%
Cyprus	Turbocharging Greece, Single Member - Branch Cyprus	100%
Denmark	Turbo Systems Finland Oy - Branch Denmark	100%
Dominican Republic	Turbo Systems Dominican Republic SRL	100%
Ecuador	Turbo Systems Ecuador SA	100%
Egypt	Turbo Systems Egypt for Turbocharging LLC	100%
Finland	Turbo Systems Finland Oy	100%
France	Turbocharging Systems France SAS	100%
Germany	Turbo Systems Germany GmbH	100%
Greece	Turbocharging Greece, Single Member S.A.	100%
Hong Kong	Accelleron Turbo Systems (Hong Kong) Limited	61%
Hong Kong	Accelleron Industries (Hong Kong) Limited	100%
India	Turbocharging Industries and Services India Private Limited	100%
Indonesia	PT Turbo Systems Sakti Indonesia	60%
Italy	Turbo Systems Italy S.P.A.	100%
Italy	OMT Officine Meccaniche Torino S.p.A	100%
Italy	SmarTrade S.r.l	100%
Italy	OMT Digital S.r.l	100%
Japan	Turbo Systems United Co., Ltd.	60%
Korea	Turbo Systems Korea Ltd.	100%
Malta	Turbo Systems Italy S.P.A. - Branch Malta	100%
Mauritius	Turbocharging Systems France SAS - Branch Mauritius	100%
Mexico	Swiss Turbochargers SA DE CV	100%
Myanmar	Turbo Systems Myanmar Limited	100%
Netherlands	Turbo Systems The Netherlands B.V.	100%
Nigeria	Turbosystems Nigeria LTD	100%
Norway	Turbo Systems Finland Oy - Branch Norway	100%
Pakistan	Turbo Systems Pakistan (Private) Limited	100%
Philippines	Turbo Systems South East Asia Pte. Ltd. - Branch Philippines	100%
Poland	Turbo Systems Finland Oy - Branch Poland	100%
Portugal	Turbo Systems Iberia - Sucursal em Portugal	100%
Russia	Turbo Systems Rus LLC[2]	100%
Saudi Arabia	Turbosystems Red Sea Company	65%
Senegal	Turbo Systems Senegal	100%
Singapore	Turbo Systems South East Asia Pte. Ltd.	100%
South Africa	Turbo Systems Middle East FZCO - Branch South Africa	100%
Spain	Turbo Systems Iberia, S.L.	100%
Sri Lanka	Accelleron Lanka (Private) Limited	100%
Sweden	Turbo Systems Finland Oy - Branch Sweden	100%
Switzerland	Turbo Systems Switzerland Ltd	100%
Switzerland	Turbo Systems Verwaltungs Ltd	100%
Taiwan	Turbo Systems South East Asia Pte. Ltd. - Branch Taiwan	100%
Thailand	Turbocharging Systems Co., Ltd.	49%
Turkey	Turbo Systems Turkey Mühendislik Makine Sanayi Ve Ticaret Anonim Sirketi	100%
United Arab Emirates	Turbo Systems Middle East FZCO	100%
United Arab Emirates	Turbo Systems Middle East FZCO - Branch Dubai	100%
United Kingdom	Turbocharging UK Limited	100%
United States	Turbo Systems US Inc.	100%

1 Economic interest: voting rights and ownership are equal for each subsidiary with the exception of the the Thailand subsidiary (Turbocharging Systems Co., Ltd), where the ownership and voting rights amount to 49% and 91%, respectively

2 Legal entity in liquidation

Note 25

Acquisition

Acquisition of Officine Meccaniche Torino S.p.A. (OMT)

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

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

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

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

1 Recorded as goodwill (see Note 11).

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

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

Note 26

Subsequent events

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

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Statutory Financial Statements of Accelleron Industries AG

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Statutory Auditor's Report

To the General Meeting of Accelleron Industries AG, Baden

Report on the Audit of the Financial Statements

Opinion
We have audited the Financial Statements of Accelleron Industries AG (the Company), which comprise the balance sheet as at December 31, 2023, and the income statement for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Financial Statements (pages 100 to 102) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the Consolidated Financial Statements, the stand-alone Financial Statements of the Company, the Compensation Report and our auditor's reports thereon.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

KPMG

and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of Financial Statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and the proposed repayment of additional paid in capital comply with Swiss law and the Company's articles of incorporation. We recommend that the Financial Statements submitted to you be approved.

KPMG AG

Simon Studer
Licensed Audit Expert
Auditor in Charge

Andrius Cibas
Licensed Audit Expert

Zurich, March 25, 2024

Statutory Financial Statements

Income statement

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

See accompanying notes to the Statutory Financial Statements

Balance sheet

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

See accompanying notes to the Statutory Financial Statements

Notes to the Statutory

Financial Statements

Note 1

General

Accelleron Industries AG is the parent company of Accelleron and is incorporated in Switzerland with registered offices in Baden, Aargau.

Accelleron Industries AG did not have any employees in the financial year ended December 31, 2023 and in the financial year ended December 31, 2022.

These financial statements were prepared in accordance with Articles 957–963b of the Swiss Code of Obligations ("CO"). Where not prescribed by law, the significant accounting policies applied are described in "Note 2 – Significant accounting policies".

Note 2

Significant accounting policies

Investments
Investments in subsidiaries are valued at the lower of cost or fair value, using generally accepted valuation principles.

Treasury shares
Treasury shares comprise registered shares of Accelleron Industries AG. Treasury shares are initially recognized at cost and deducted from equity with no subsequent measurement. When treasury shares are disposed of or charged to the respective subsidiary, the resulting gain or loss is recognized in retained earnings.

Note 3

Other income

Other operating income includes mainly guarantee compensation fees from subsidiaries.

Note 4

Dividend income

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

Note 5

General and administrative expenses

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

Note 6

Investments

As of December 31, 2023, Accelleron Industries AG. holds the following direct investment in subsidiaries:

Country	Subsidiary's name	Ownership and voting rights	Registered capital
Switzerland	Turbo Systems Switzerland Ltd	100%	CHF 101,000

A comprehensive overview of the subsidiaries that are directly or indirectly controlled by Accelleron Industries AG is provided in Note 24 to the Group's Consolidated Financial Statements.

Note 7

Shareholder's equity

Share Capital
As of December 31, 2023, the Company's share capital is CHF 945,000, divided into 94,500,000 fully paid-in registered ordinary shares with a nominal value of CHF 0.01 each.

Treasury shares
The movement in the number of treasury shares in the financial year ended December 31, 2023, and for financial year ended December 31, 2022, was as follows.

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

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

Note 8

Shareholdings of Board of Directors and Executive Committee

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

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

As of December 31, 2023, members of the Executive Committee held the following number of shares in Accelleron Industries AG and the conditional rights to receive Accelleron Industries AG shares under the long-term incentive plans (LTIPs):

					December 31, 2023
Name	**Function**	**Number of Accelleron Industries AG's shares held**	**Number of non-vested shares under the long term incentive plans**		
			LTIP 2021	**LTIP 2022**	**LTIP 2023**
Daniel Bischofberger	CEO	17	12,226	19,774	19,126
Adrian Grossenbacher	CFO	–	1,555	9,322	7,514
Annika Parkkonen	CHRO	–	–	2,110	5,101
Dirk Bergmann	CTO	7	1,400	6,328	5,101
Roland Schwarz	Division President Service	100	1,574	9,322	7,514
Christoph Rofka	Division President Medium & Low Speed	162	2,631	9,322	7,514
Herbert Müller	Division President High Speed	22	1,555	6,328	5,101
Total shares		**308**	**20,941**	**62,506**	**56,971**

Note 9

Significant shareholders

As of December 31, 2023, to the best of Accelleron Industries AG's knowledge, the following shareholders had holdings reaching or exceeding 3% or more of the voting rights in the Company, as notified in accordance with Art. 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (the "FMIA"):

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

Note 10

Contingent liabilities

As of December 31, 2023, Accelleron Industries AG has issued guarantees to banking institutions for credit facilities and guarantee limits of subsidiaries in the amount of CHF 455,000 thousands.

Note 11

Subsequent events

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

Appropriation of available earnings

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

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

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

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Supplemental information

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Alternative performance measures 105

Alternative performance measures

The following are definitions of alternative performance measures used to evaluate Accelleron's operating performance.

These performance measures are referred to in this Annual Report and are not defined under United States generally accepted accounting principles (US GAAP).

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

Performance measure	Definition
Organic revenue growth (on a constant currency basis)	Revenue growth at constant currency and adjusted for M&A-related effects. The organic growth rate measures growth on a constant currency basis
Operational EBIT	Operational EBIT represents income from operations excluding costs related to acquisition and divestment, one-time items in income statements, non-operational integration costs, special non-operational projects, restructuring costs and temporary unrealized timing differences in the context of foreign exchange transactions (FX)
Operational EBITDA	Operational EBITDA represents Operational EBIT excluding depreciation and amortization
Operational EBITA	Operational EBITA represents Operational EBIT excluding acquisition-related amortization
Operational EBITA margin	Operational EBITA as a percentage of revenues
Free cash flow	Net cash provided by operating activities adjusted for net investments in property, plant and equipment and intangible assets
Free cash flow conversion	Free cash flow divided by reported net income, expressed as a percentage
Net leverage	Interest-bearing liabilities (including finance leases) net of cash and cash equivalents, divided by last twelve months operational EBITDA