aeris

RESULTS RELEASE

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HIGHLIGHTS 2Q23

- **Net Operating Revenue (NOR)** was R$ 854.6 million in 2Q23, **an increase of 2.8% compared to 1Q23.** In 1H23, NOR reached R$ 1,686.2 million, **41.9% increase compared to 1H22.**
- In 2Q23, the **Net Loss** was R$ 19.1 million;
- **Return on Invested Capital (ROIC)** was 13.7% in 2Q23;
- In 2Q23, the **EBITDA** was R$ 91.3 million, with a margin of 10.7%. In 1H23, the EBITDA was R$ 186.2 million, with a **margin of 11.0**%;
- **Investments** totaled R$ 32,1 million in 2Q23;
- **Potential orders covered by long-term contracts** amount to 1,359 sets of blades with equivalent power of 6.4 GW. Using the exchange rate at the end of 1Q23, the potential net revenue from the Company's long-term contracts totals R$ 5.5 billion.

MESSAGE FROM MANAGEMENT

We have reached the halfway point of the year 2023 with increasing evidence that this will be the first year in which over 100 GW of wind power capacity will be installed globally, marking a new growth trend after two consecutive years of reduced annual installations. Projections from the Global Wind Energy Council (GWEC) for the next 5 years show an expectation of achieving annual installations of 150 GW/year between 2026 and 2027. In Brazil, installations up until June 2023 reached 2.3 GW, accounting for 44.5% of additions to the national electric grid. According to data from the National Electric Energy Agency (ANEEL), there are currently 153 wind farms under construction in Brazil, with a projected capacity of approximately 6.1 GW. Additionally, more than 450 wind farms with a combined capacity exceeding 19 GW have been authorized, although a portion of this total is expected to express interest in participating in the "day of forgiveness" (cancellation of transmission system usage contracts without incurring penalties for delays or withdrawals). The feasibility of new wind projects in Brazil in the short term has been questioned due to the combination of three factors: (i) low projected energy prices for the upcoming years, (ii) increased average cost for wind farm installations, and (iii) high interest rates. The low projected energy prices for the upcoming years stem from both a favorable hydrological condition (reservoirs are above historical levels, allowing increased dispatch of hydroelectric power, which represents the lowest cost among the country's electricity sources) and conservative economic growth projections. The increase in the average installation cost of wind farms is attributed to rising logistical and equipment costs, which have experienced fluctuations of over 20% in the last two years. This price increase became necessary as all industry players reported negative net results in recent periods due to rising commodity costs and challenges in maturing products launched in recent years. Lastly, an environment with high capital costs negatively impacts projects with the cash flow characteristics of a wind farm, which exhibit relatively high operating margins and relatively low asset turnover.

One way to overcome the medium-term challenges present in the domestic market is the implementation of policies similar to those we have seen in other regions, such as the Inflation Reduction Act (IRA) and the German Renewable Energy Sources Act (EEG), creating a demand environment that accelerates the energy transition process while making the industry, a crucial link in the transition, less susceptible to short-term disruptions. Aeris remains attentive to the evolution of global policies aimed at accelerating the deployment of wind energy and works to further strengthen partnership relations with other industry players through the expansion of its geographic offering of products and services.

We cannot overlook the disclosures made by other companies in the sector regarding defects observed in wind turbines and their components, resulting in significant warranty costs. Over the past 10 years, the wind energy equipment industry has grown in scale, undergone a process of consolidation, and developed technologies that enabled a reduction of over 70% in the cost of wind energy between 2009 and 2021. Notable achievements include the increase in turbine power and blade length. In recent years, the industry has faced challenges due to rising commodity prices and logistical costs. Moreover, it has also been contending with field defect rates surpassing historical levels.

This arises from a combination of multiple factors, such as an accelerated rate of introducing new products and an increased frequency of project and material changes during the early stages of serial production. These factors complicate and prolong the product maturation process and add to the complexity of the logistical process for progressively larger components, thereby increasing the occurrence of damages during transportation.

In this 2nd quarter of 2023, we once again achieved an EBITDA above R$ 90 million Brazilian Reais and maintained discipline in managing working capital needs, as evidenced by a new reduction in the average inventory days, which decreased from 118 days of Revenue from Operating Activities in 1Q23 to 102 days of Net Operating Revenue in 2Q23. This contributed to a decrease in leverage from 3.2x in 1Q23 to 2.8x in 2Q23. Despite the improvement in working capital management, the Company continues to be impacted by a burdensome capital structure in a high-interest rate environment.

We also experienced changes in contractual timelines with two of our clients in 2Q23, resulting in a net decrease in the potential orders covered by long-term contracts by 1.0 GW. Furthermore, our average capacity utilization rate this quarter was 61%, leading to a potential order backlog covered by long-term contracts of 6.4 GW at the end of 2Q23. It is worth noting that the Company continues to make commercial efforts to fill production lines in the coming years. Currently, we are negotiating additional volumes exceeding 10 GW by 2029 with our existing clients to utilize the existing manufacturing capacity, and we expect these negotiations to be concluded within the current fiscal year.

Finally, we reinforce our commitment to contribute to the acceleration of the energy transition process, always aligned with our Culture: Caring for and Developing our employees; Focusing on the Quality of our product; and Generating Value to meet the expectations of a wide range of stakeholders.

OPERATING AND FINANCIAL HIGHLIGHTS

Operational Highlights	2Q23	1Q23	4Q22	3Q22	2Q22	1Q22	4Q21
Sets[1]	186	195	130	161	162	147	168
Production in MW equivalent[2]	912	953	675	739	756	630	709
Domestic market	912	953	675	688	685	521	530
Export market	0	0	0	51	71	109	179
Active production lines[3]	15	15	17	17	18	18	17
Mature lines[(4)]	15	15	16	13	12	11	10
Non-mature lines	0	0	1	4	6	7	7

(1) Sets (of three blades) that are billed and available to be collected by customers.
(2) Considers the average nominal power range of wind turbines equipped with billed sets.
(3) Number of production lines (molds) in production at the end of the period.
(4) Refers to production lines installed, at the end of the period, more than 12 months ago.

In 2Q23, the production lines maintained their status of full maturity.

Financial Highlights In thousands of Reais	2Q23	1Q23	2Q22	Var. 2Q23/1Q23	Var. 2Q23/2Q22	1H23	1H22	Var. 1H23/1H22
Return on Invested Capital[1]	13.7%	13.8%	10.5%	**-0.1 pp**	**+3.1 pp**	13.7%	10.5%	**+3.1 pp**
Net Revenue	854,602	831,622	651,733	**2.8%**	**31.1%**	1,686,224	1,188,496	**41.9%**
Blades - Domestic Market	801,462	812,622	583,078	**-1.4%**	**37.5%**	1,614,084	1,023,378	**57.7%**
Blades - Export Market	0	0	52,838	-	-	0	140,274	-
Services	53,141	19,000	15,817	**179.7%**	**236.0%**	72,141	24,844	**190.4%**
Net Income for the period	-19,097	-22,206	-28,622	**14.0%**	**33.3%**	-41,303	-27,376	**-50.9%**
Net Margin	-2.2%	-2.7%	-4.4%	**+0.4 pp**	**+2.2 pp**	-2.4%	-2.3%	**-0.1 pp**
EBITDA[2]	91,295	94,937	67,116	**-3.8%**	**36.0%**	186,232	121,439	**53.4%**
EBITDA Margin	10.7%	11.4%	10.3%	**-0.7 pp**	**+0.4 pp**	11.0%	10.2%	**+0.8 pp**

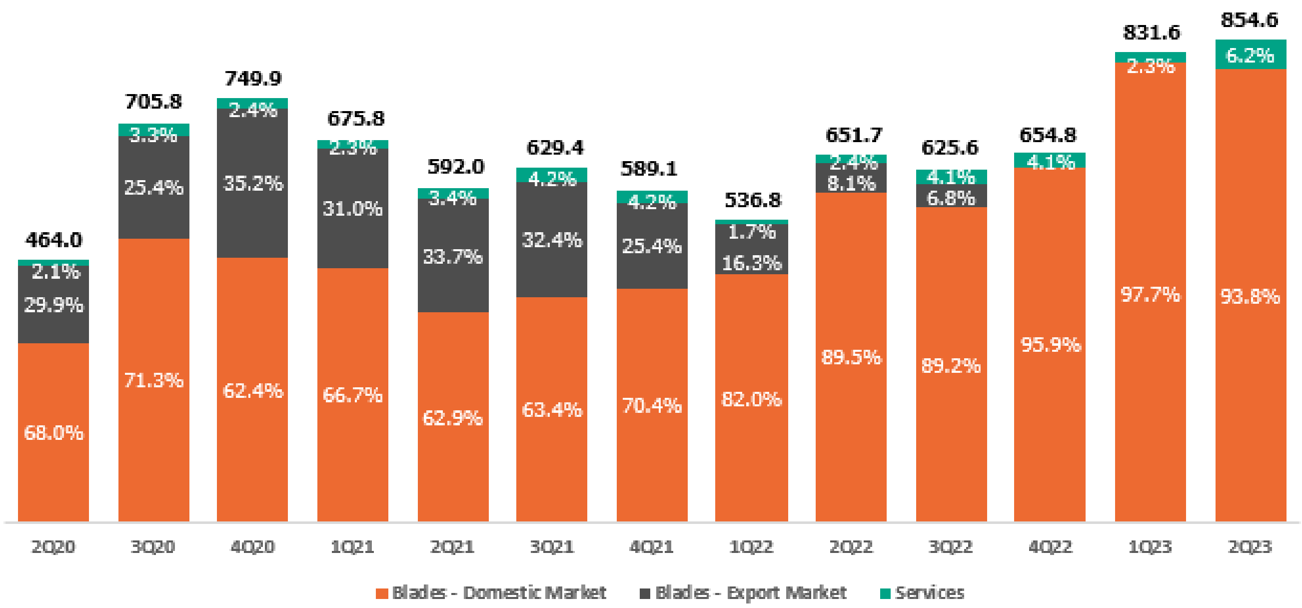
(1) Calculated based on LTM NOPAT (net operating profit after tax), divided by the average invested capital between the end of the current period and the end of the previous fiscal year.
(2) Adjusted EBITDA

NET OPERATING REVENUE

In 2Q23, the Net Operating Revenue (NOR) was R$ 854.6 million, an increase of 2.8% compared to 1Q23. In 1H23, the NOR was R$ 1,686.2 million, an increase of 41.9% compared to 1H22.

The main reason for the NOR increase is the growth of 179.7% compared to 1Q23 in the services business unit (236.0% vs. 2Q22), reaching a record level of R$ 53.1 million in the quarter and representing 6.2% of the Company's NOR. On the other hand, the wind blade manufacturing business unit, when compared to 1Q23, reduction of 1.4% resulting from a volume decrease in MW of -4.3% and a depreciation of the dollar against the real of -4.8% on average in 2Q23. These variations were partially offset by an 8.2% increase in the average sales price in USD/MW in the quarter, reaching 177.6 USD/MW.

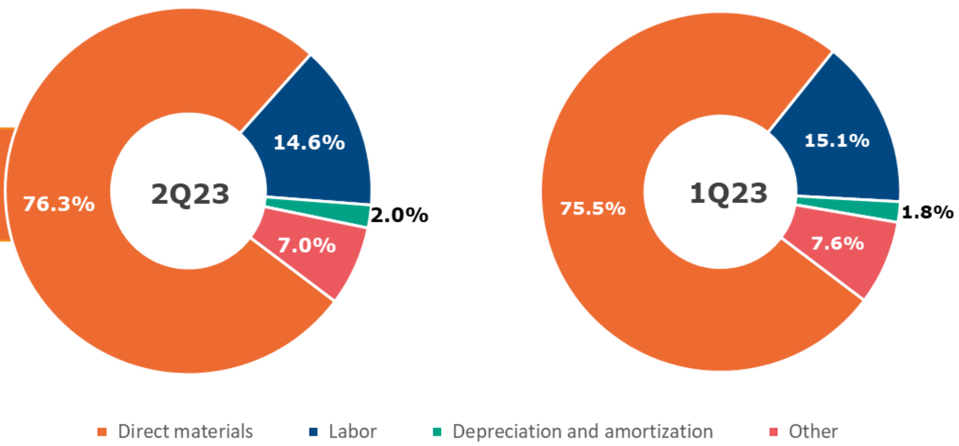
In the last three quarters, blade deliveries were exclusively directed to the domestic market, which showed an increase in installed wind power of 2,293 MW in the first half of 2023, according to ANEEL data, representing a growth of 115.7% compared to the same period in 2022. It is worth noting that the blade models manufactured by Aeris can be used in various regions around the world, and it is up to the customers to determine the destination of these blades. The resumption of export volumes, therefore, depends on the relationship between the demand from our customers in different markets where they operate and the available capacity of the factories producing each specific blade model.

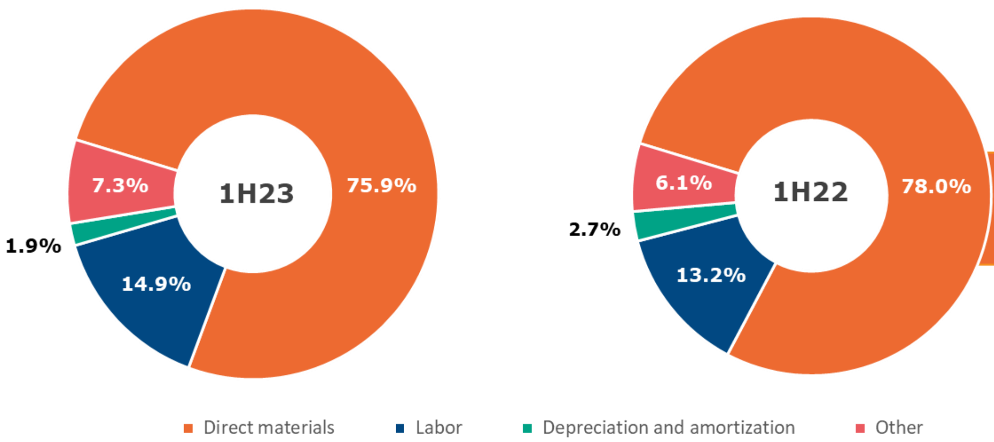


COST OF GOODS SOLD

In thousands of Reais	2Q23	1Q23	2Q22	Var. 2Q23/1Q23	Var. 2Q23/2Q22	1H23	1H22	Var. 1H23/1H22
Net Revenue	854,602	831,622	651,733	2.8%	31.1%	1,686,224	1,188,496	41.9%
Cost of Goods Sold	750,047	723,394	571,365	3.7%	31.3%	1,473,441	1,067,682	38.0%
Gross Margin	12.2%	13.0%	12.3%	-0.8 pp	-0.1 pp	12.6%	10.2%	+2.5 pp

The gross margin decreased by 0.8 percentage points compared to 1Q23, reaching 12.2% in 2Q23. In 1H23, the gross margin was 12.6%, an increase of 2.5 percentage points compared to the same period of the previous year.



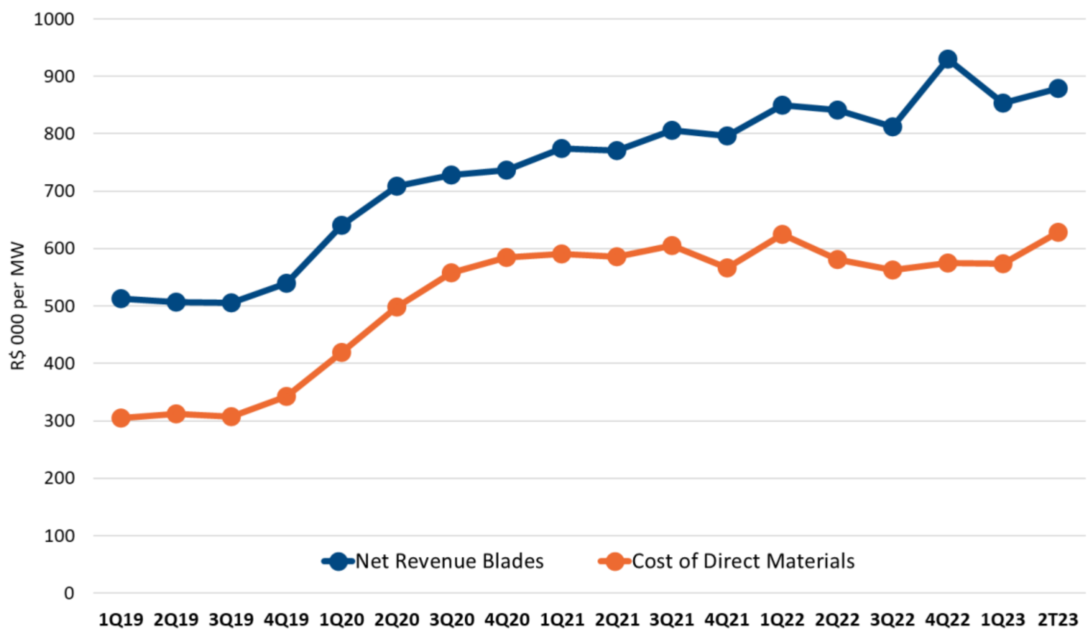


Direct material costs accounted for 76.3% of the Cost of Goods Sold (COGS) in 2Q23, compared to 75.5% in 1Q23. In 1H23, direct material costs represented 75.9% of the CPV, a decrease from 78.0% in 1H22, resulting in a reduction of 2.1 percentage points. The increase in the significance of direct material costs is primarily due to the atypical billing of blades that were in the process for a longer period than average and absorbed material costs during periods when the dollar was trading at a higher rate against the real.

PASS-THROUGH OF DIRECT MATERIAL COSTS

The blade supply contracts have a price formation structure composed of two distinct variables: (i) direct materials and (ii) value-added (V.A.).

For the price component associated with direct materials, the Company maintains the full ability to pass on variations related to the unit cost of materials, including prices practiced by suppliers, logistics costs, non-reimbursable taxes, and exchange rate fluctuations, as observed in the chart below.



GENERAL AND ADMINISTRATIVE & OTHER NET REVENUE

In thousands of Reais	2Q23	1Q23	2Q22	Var. 2Q23/1Q23	Var. 2Q23/2Q22	1H23	1H22	Var. 1H23/1H22
General and Administrative Expenses	- 28,439	- 25,902	- 27,834	9.8%	2,2%	- 54,341	- 52,525	3.5%
% NOR	3,3%	3.1%	4.3%	-	-	3.2%	4,4%	-
Other Operating Income - Net	- 1,537	- 2,126	- 1,134	-27.7%	35,5%	- 3,663	22,086	-
% NOR	-0.2%	-0.3%	-0.2%	-	-	-0.2%	1,9%	-

*Total Commercial, General, and Administrative Expenses + Tax Expenses

In 2Q23, General and Administrative Expenses totaled (G&A) R$ 28.4 million, an increase of 9.8% compared to 1Q23. In 1H23, G&A expenses reached R$ 54.3 million, an increase of 3.5% compared to 1H22.

In 1H23, Other Operating Revenues - Net resulted in a negative outcome of R$ 3.6 million, compared to a positive result of R$ 22.1 million in 1H22, which was mainly composed of reimbursements for production losses caused by project changes initiated by the customers.

EBITDA

In thousands of Reais	2Q23	1Q23	2Q22	Var. 2Q23/1Q23	Var. 2Q23/2Q22	1H23	1H22	Var. 1H23/1H22
Net Income for the period	-19,097	-22,206	-28,622	-14.0%	-33.3%	-41,303	-27,376	50.9%
(+/-) Financial Result	99,392	104,954	87,376	-5.3%	13.8%	204,346	122,588	66.7%
(+/-) Depreciation and amortization	16,249	14,424	17,701	12.7%	-8.2%	30,673	30,546	0.4%
(+/-) Current and deferred income tax and social contribution, before the tax incentive	-5,716	-2,548	-7,354	124.3%	-22.3%	-8,264	-4,837	70.9%
(+/-) Includes the Sudene tax incentive	0	0	-874	-	-	0	0	-
(+/-) Long-Term Incentive	243	169	-180	43.8%	-	412	788	-47.7%
(+/-) Consultoria Performance	224	144	-930	55.6%	-	368	-269	-
EBITDA*	91,295	94,937	67,116	-3.8%	36.0%	186,232	121,439	53.4%
EBITDA Margin	**10.7%**	**11.4%**	**10.3%**	**-0.7 pp**	**+0.4 pp**	**11.0%**	**10.2%**	**+0.8 pp**

* Adjusted EBITDA

The EBITDA in 2Q23 was R$ 91.3 million, representing a margin of 10.7%. In 1H23, the EBITDA reached R$ 186.2 million, a 53.4% increase compared to 1H22.

In this quarter, the mature production lines generated R$ 81.8 million of EBITDA, with an EBITDA margin of 10.2%, which was negatively impacted by the increase in direct material costs due to the atypical billing of blades that were in the process for a longer period than average. The services business unit presented an EBITDA of R$ 9.5 million with a margin of 17.8%, reversing the negative EBITDA realized in 1Q23 of R$ 4.9 million.

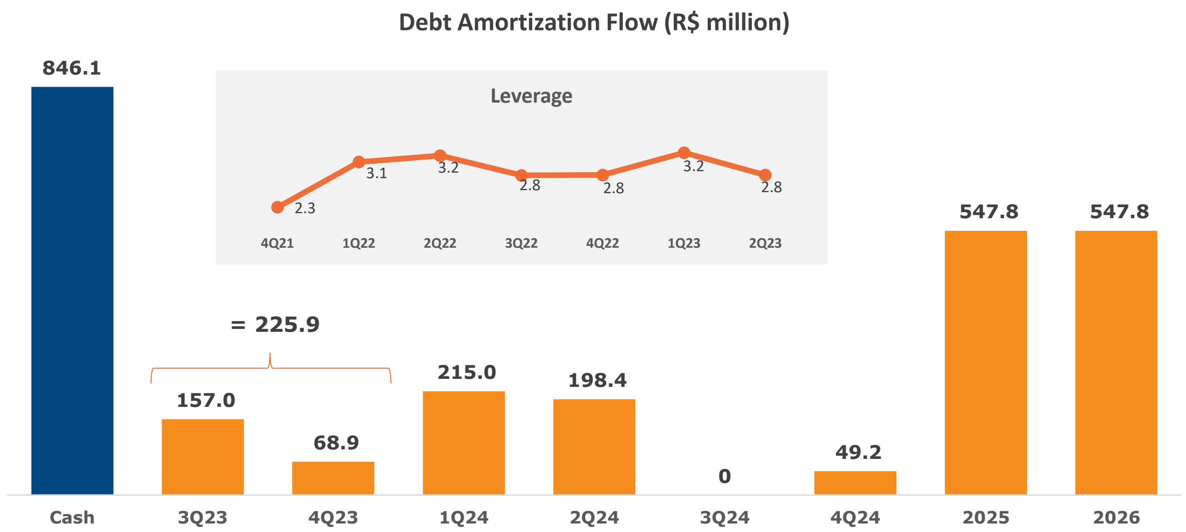
FINANCIAL RESULT AND DEBT

In thousands of Reais	2Q23	1Q23	2Q22	Var. 2Q23/1Q23	Var. 2Q23/2Q22	1H23	1H22	Var. 1H23/1H22
Net Currency Variation[1]	-17,466	-15,273	-33,054	14.4%	-47.2%	-32,739	-30,134	8.6%
Net Financial Expenses[2]	-81,926	-89,681	-54,322	-8.6%	50.8%	-171,607	-92,454	85.6%
Net Debt[3]	940,353	989,602	796,115	-5.0%	18.1%	-	-	-
Leverage[4]	2,8x	3.2x	3,2x	-	-	-	-	-

(1) Includes derivative financial instruments.
(2) Net Financial Expenses is the sum of Charges from financial operations, Interest on loans and financing, and Other under the Financial Expenses item, plus the sum of Returns from financial investments and Other under the Financial Revenue item.
(3) Net Debt is the sum of current and non-current loans and financing, minus cash and cash equivalents, current financial investments and derivative financial instruments.
(4) Net Debt / EBITDA

In 2Q23, the net financial expenses amounted to R$ 81.9 million, a decrease of 8.6% compared to 1Q23, mainly due to a reduction in financial charges during the period. The net exchange rate variation resulted in a loss of R$ 17.5 million in 2Q23.

In 2Q23, Net Leverage, measured by the Net Debt/EBITDA ratio, reached 2.8x (compared to 3.2x in 1Q23), as a result of both a R$ 24.2 million increase in $EBITDA_{LTM}$ and a R$ 49.2 million reduction in net debt. The reduction in net debt was mainly caused by improvements in raw material inventory turnover and an increase in the average payment term to suppliers, partially offset by another reduction in the net customer advance position.



The Company's cash position at the end of 2Q23 was R$ 846.1 million.

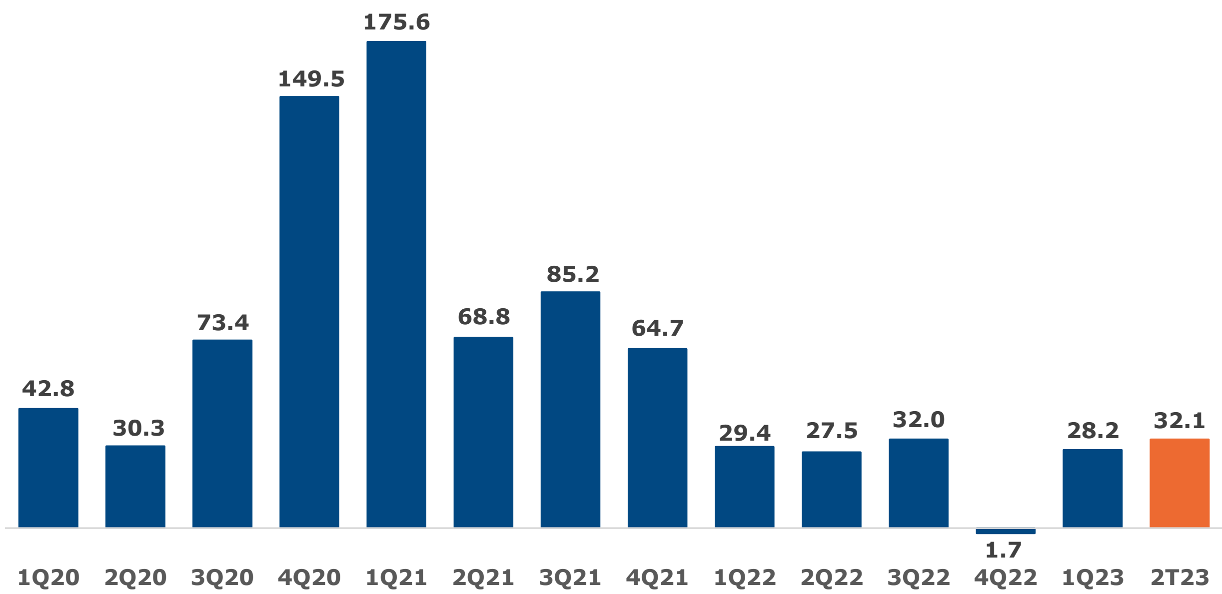
The balance of financial liabilities due in 2H23 is R$ 225.9 million. The total gross debt amounted to R$ 1,786.4 million and has an average maturity of 1.7 years.

NET INCOME (LOSS)

The Net Loss in 2Q23 was R$ 19.1 million.

INVESTMENTS

In 2Q23, the Company invested R$ 32.1 million. These investments were mainly directed towards the acquisition of machinery and equipment to increase the production capacity in the blade finishing stations, aiming to address production bottlenecks and reduce the average manufacturing lead time.

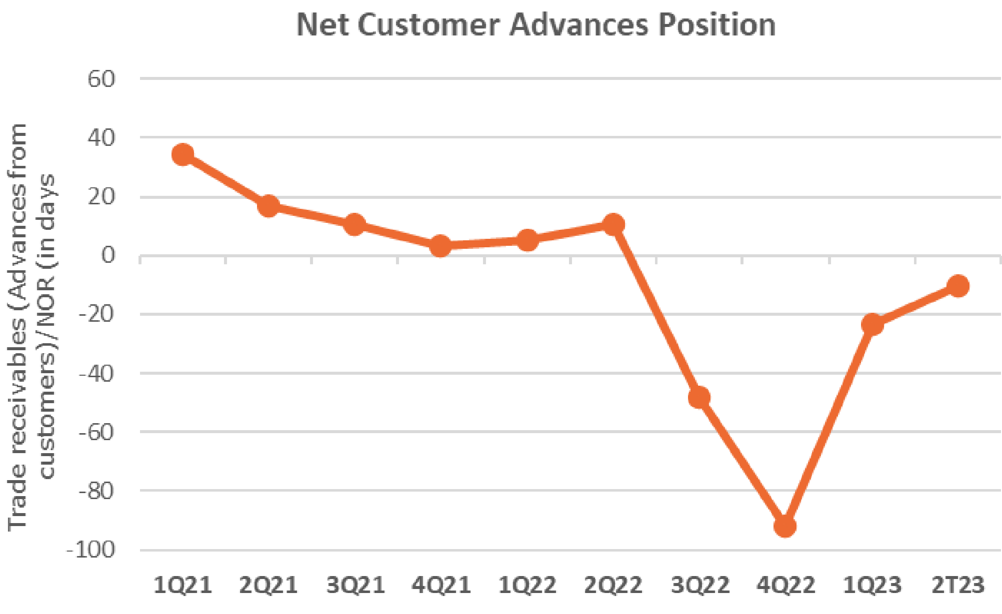


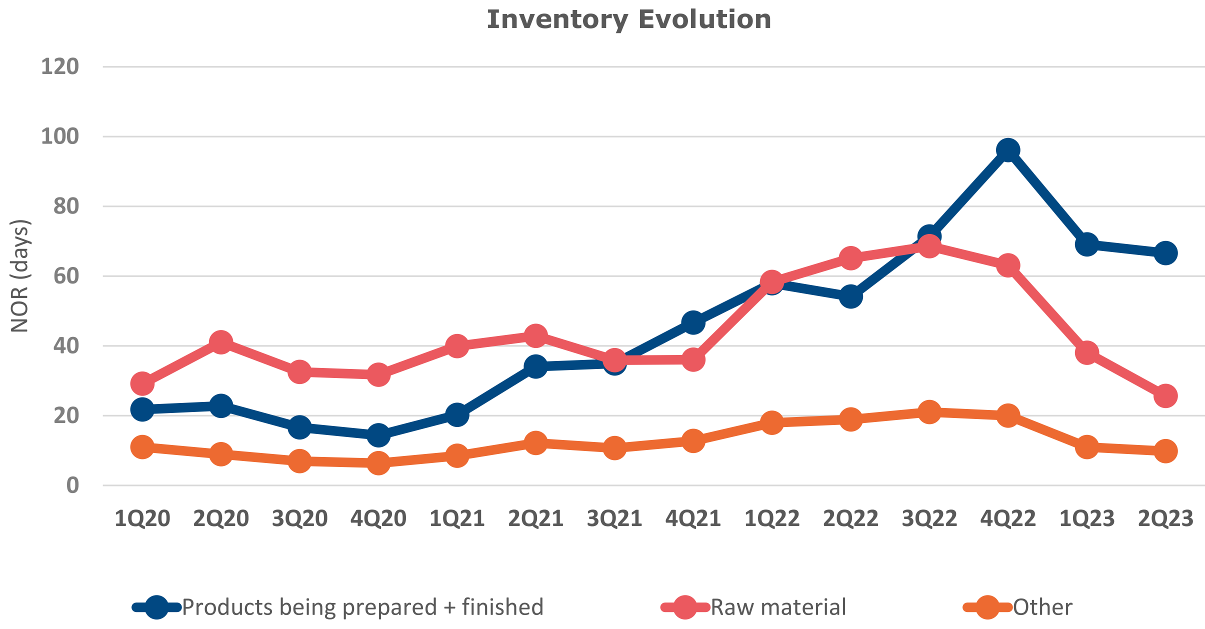
CASH FLOW

The cash flow from operating activities generated R$ 119.5 million in 2Q23 (compared to a cash consumption of R$ 186.8 million in 1Q23), resulting from the continued process of reducing the working capital requirements associated with inventories and accounts payable to suppliers, as well as a decrease in the rate of reduction of the net customer advance position, which amounted to R$ 121.7 million in 2Q23 (compared to R$ 449.3 million in 1Q23).

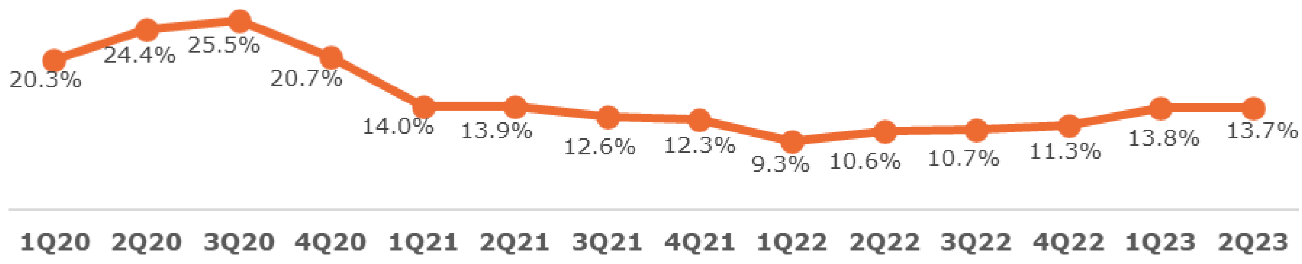
The cash flow from investing activities consumed R$ 32.1 million in 2Q23, primarily aimed at improving the production capacity of the finishing stations and, consequently, allowing a reduction in work-in-progress inventories.

The cash flow from financing activities consumed R$ 70.5 million in 2Q23, as a result of loan and financing repayments made during the period.

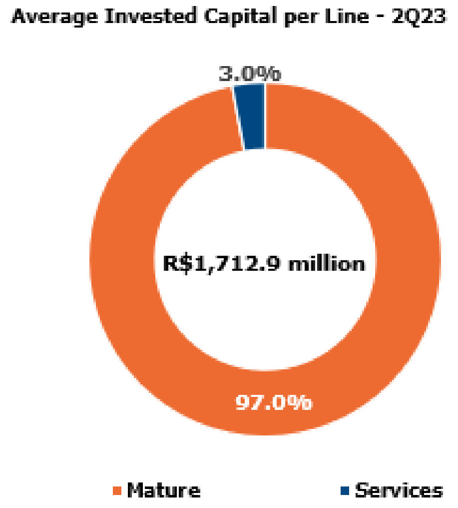


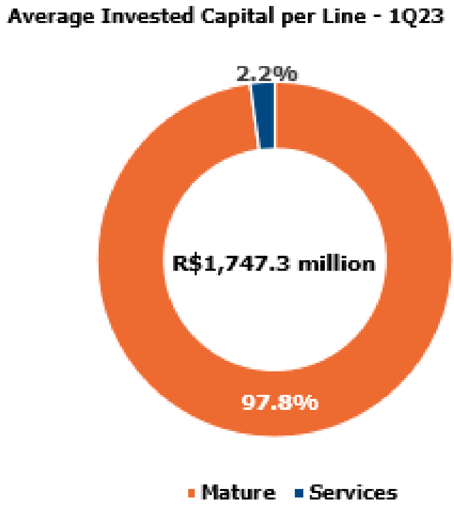


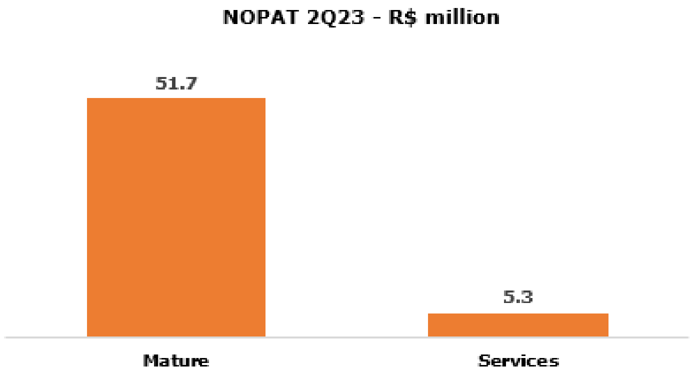
RETURN ON INVESTED CAPITAL

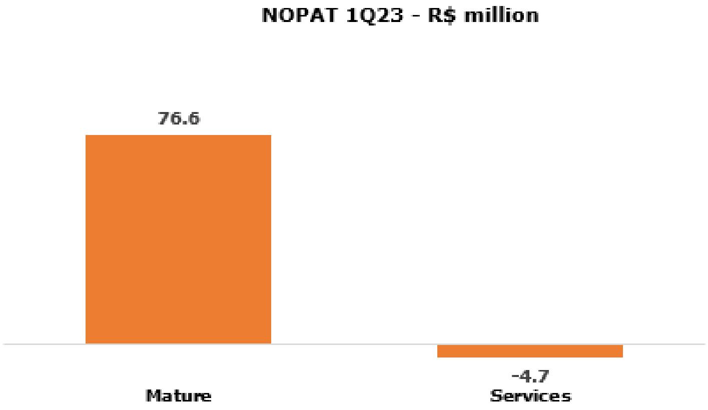


The Return on Invested Capital (ROIC) was 13.7% in 2Q23, still below the levels required to create value for shareholders in the current interest rate environment.



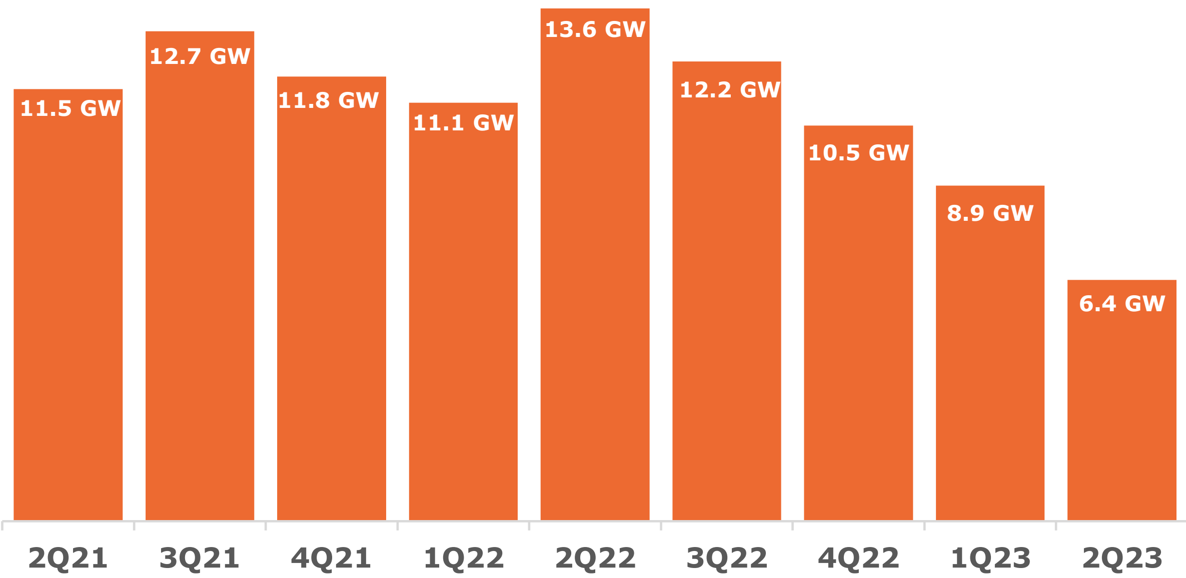






In 2Q23, the matured lines represented 97.0% of the average invested capital, with a Net Operating Profit After Taxes (NOPAT) of R$ 51.7 million, resulting in an annualized quarterly ROIC of 13.0%. Considering the historical evolution of the return levels over the contracts, the high concentration of matured lines indicates a progressive increase in ROIC.

POTENCIAL ORDERS COVERED BY LONG-TERM CONTRACTS[1]



In 2Q23, contractual addendums were signed that resulted in a net reduction of approximately 1,030 MW in the potential order backlog covered by long-term contracts. During this period, there was also a decrease in the volume of potential orders covered by long-term contracts by approximately 1,495.2 MW, of which 912.0 MW were produced, representing an average capacity utilization rate for contract commitments of 61%.

[1]The contracts provide for using up to 40% less than the productive capacity dedicated to the customer leading to a higher price. Customers can even reduce the installed capacity or terminate the contract in advance by paying the penalties in the contract for both cases.

EXHIBITS

Income Statement

(In thousands of Reais)	2Q23	1Q23	2Q22	Var. 2Q23 x 1Q23	Var. 2Q23 x 2Q22
Net operating revenue	854,602	831,622	651,733	2.8%	31.1%
Cost of goods sold	(750,047)	(723,394)	(571,365)	3.7%	31.3%
Gross profit	104,555	108,228	80,368	-3.4%	30.1%
Operating income (expenses):					
Selling, general and administrative expenses	(28,439)	(25,902)	(27,834)	9.8%	2.2%
Other operating income (expenses), net	(1,537)	(2,126)	(1,134)	-27.8%	35.4%
Result before financial revenues and expenses	74,579	80,200	51,400	-7.0%	45.1%
Depreciation and Amortization	16,249	14,424	17,701	12.6%	-8.2%
EBITDA	90,828	94,624	69,101	-4.0%	31.4%
Sudene tax incentive	-	-	-874	-	-
Long-Term Incentive	243	169	-180	43.8%	-235.0%
Performance Consulting	224	144	-931	55.6%	-124.1%
Adjusted EBITDA	91,295	94,937	67,116	-3.8%	36.0%
Financial expenses	(125,988)	(142,615)	(150,935)	-11.7%	-16.5%
Financial revenues	26,596	37,661	63,559	-29.4%	-58.2%
Financial Result	(99,392)	(104,954)	(87,376)	-5.3%	13.8%
Result before income tax and social contribution	(24,813)	(24,754)	(35,976)	0.2%	-31.0
Current income tax and social contribution	(19)	(76)	2,354	-75.0%	-100.8%
Deferred income tax and social contribution	5,735	2,624	5,000	118.6%	14.7%
Net income/(loss) for the period	(19,097)	(22,206)	(28,622)	-14.0%	-33.3%
Attributable profit (Loss) to shareholders and controllers	(19,097)	(22,206)	(28,622)	-14.0%	-33.3%
Number of shares in the period	747,791	747,791	762,313	-	-1.9%
Basic earnings (loss) per share – R$	(0.0255)	(0.0297)	(0.0375)	-14.1%	-32.0%

Balance Sheet - Assets

(In thousands od Reais)

Assets	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Current				
Cash and cash equivalents	841,723	1,055,340	846,053	1,061,718
Inventories	968,290	1,301,108	968,645	1,303,250
Taxes recoverable	60,400	137,042	60,628	137,042
Related parties	10,151	10,382	-	-
Other receivables	72,678	93,733	74,835	95,554
Total current assets	**1,953,242**	**2,597,605**	**1,950,161**	**2,597,564**
Noncurrent				
Taxes recoverable	180,332	163,897	180,332	163,897
Related parties	12,530	-	-	-
Investments	17,447	15,296	-	-
Deferred income tax and social contribution	13,843	5,485	13,843	5,485
Property, plant, and equipment	1,027,573	999,352	1,033,757	1,004,040
Intangible assets	3,403	3,848	3,471	3,971
Total non-current assets	**1,255,128**	**1,187,878**	**1,231,403**	**1,177,393**
Total assets	**3,208,370**	**3,785,483**	**3,181,564**	**3,774,957**

Balance Sheet – Liabilities

(In thousands od Reais)

Liabilities and equity	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Current				
Trade payables	362,172	334,015	367,808	336,048
Loans and financings	639,873	251,295	639,873	259,160
Derivative financial instruments	1,735	2,436	1,735	2,436
Salaries and payroll charges	51,849	41,278	51,854	41,364
Taxes collectable	19,676	17,206	19,775	18,219
Advances from clients	129,878	689,526	97,003	668,003
Other payables	15,174	7,293	15,503	7,293
Total current liabilities	**1,220,357**	**1,343,049**	**1,193,551**	**1,332,523**
Noncurrent				
Loans and financings	1,144,798	1,557,566	1,144,798	1,557,566
Total non-current liabilities	**1,144,798**	**1,557,566**	**1,144,798**	**1,557,566**
Total liabilities	**2,365,155**	**2,900,615**	**2,338,349**	**2,890,089**
Shareholders' Equity				
Share capital	815,102	815,102	815,102	815,102
Capital reserve	1,132	463	1,132	463
Profit reserve	66,872	108,175	66,872	108,175
Equity valuation adjustment	(316)	703	(316)	703
(-) Treasury Shares	(39,575)	(39,575)	(39,575)	(39,575)
Total shareholders' equity	**843,215**	**884,868**	**843,215**	**884,868**
Total liabilities and shareholders' equity	**3,208,370**	**3,785,483**	**3,181,564**	**3,774,957**

Cash Flow Statements

(In thousands of Reais)

Cash flow from operating activities	2Q23
Profit(loss) before income tax	**(24,813)**
Adjustments to reconcile net income to cash (used in) generated by operating activities:	
Depreciation and amortization	16,249
Net result from the sale of property and equipment	(9)
Share-based payment plan	402
Exchange variation on the debt	(1,897)
Financial expenses – net	64,748
	54,680
Changes in assets and liabilities	
Trade receivables	(8,107)
Inventories	122,422
Taxes recoverable	22,222
Other receivables	925
Trade payables	49,204
Labor and social security obligations	7,179
Taxes payable	2,342
Advances from clients	(115,127)
Other accounts payable	7,478
Cash generated by operating activities	**143,218**
Interest paid on loans and financings	(23,715)
Net cash (used in) generated by operating activities	**119,503**
Cash flows from investing activities	
Acquisition of property, plant, and equipment	(32,007)
Amount received from the sale of property, plant, and equipment	117
Acquisition of intangible assets	(209)
Net cash used in investment activities	**(32,099)**
Cash flows from financing activities	
Borrowings	-
Borrowings amortized	(70,049)
Transaction costs related to funding	-
Buyback of Company's shares	-
Net cash generated by financing activities	**(70,049)**
Reduction in cash and cash equivalents	**17,355**
Cash and cash equivalents at the start of the period	828,913
Exchange gain (loss) on cash and secured accounts	(215)
Cash and cash equivalents at the end of the period	846,053
Reduction in cash and cash equivalents	**17,355**

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