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29 May 2024

WE Soda Ltd

Results for the First Quarter 2024

WE Soda Ltd (“the Company” and, together with its subsidiaries, “WE Soda”), the world’s largest producer of natural soda ash, announces its results for the first quarter 2024.

Financial Highlights

	Q1 2023	Q1 2024	YoY ¹
Sales Volume (mt million)	1.20	1.25	+3%
Netback Revenue² (\$ million)	408	229	(44)%
Adjusted EBITDA³ (\$ million)	248	120	(52)%
Netback margin⁴	61%	52%	(8)ppt
Free Cash Flow⁵ (\$ million)	231	105	(55)%
FCF Conversion	93%	87%	(6)ppt

Note: Figures may not add up due to rounding.

Safety is Our Number One Priority

- During Q1 2024, total Lost Time Injuries (“LTI”) were 20% lower than the quarterly average for FY 2023 and LTI lost workdays were over 80% lower than the quarterly average for FY 2023, indicating a significant reduction in the severity of the injuries that did occur and resulting from the progress we are making on our “Safety Excellence Journey”.

Sales Volumes

- During Q1 2024, our sales volumes increased by 3% to 1.25 million metric tonnes (“mt”) of soda ash and sodium bicarbonate combined (Q1 2023: 1.20 million), on track to meet our FY 2024 guidance of 5.2 million mt. An additional 65,000 mt of product was shipped during March 2024, but not recognised in Q1, due to IFRS accounting cut off effects.

Netback Revenue²

- Netback Revenue decreased by 44% to \$229 million (Q1 2023: \$408 million) as pricing continued to be impacted by weak soda ash demand in all regions and sustained competitive pressures, as well as the impact of lower energy pricing being passed through to customers for formula based contracts. As expected, the highest netback prices were in Europe (incl. Türkiye) during Q1 2024.

1. PPT = percentage point

2. **Netback Revenue** is calculated as revenue from sales of soda ash and sodium bicarbonate after deducting transportation expenses and export expenses associated with the delivery of product from our production facilities to the point of delivery for the customer.

3. **Adjusted EBITDA** is calculated as EBITDA adjusted for certain items, either positive or negative, which we consider to be non-recurring in nature and further items that we do not consider to be representative of the underlying performance of the business. **EBITDA** represents profit / (loss) for the period from continuing operations before interest in equity accounted associates, depreciation and amortisation expenses, finance expenses, net off finance income and taxation.

4. **Netback Margin** is calculated as Adjusted EBITDA divided by Netback Revenue

5. **Free Cash Flow** is calculated as Adjusted EBITDA minus Maintenance Capital Expenditures minus tax payments.

6. **Adjusted EBITDA (\$ per mt)** is calculated as the Adjusted EBITDA divided by the sales volume (in mt) of soda ash and sodium bicarbonate combined for Eti Soda and Kazan Soda for the period.

7. **Free Cash Flow Conversion** is calculated as Free Cash Flow divided by Adjusted EBITDA

8. **Net Debt** referred to in this document is WE Soda Restricted Group Net Debt, calculated as the sum of WE Soda Group’s current borrowings and non-current borrowings (including in each case transaction costs capitalised on initial recognition of the borrowing liability) and lease liabilities, net of cash and cash equivalents (including cash held in debt service reserve accounts), less Net Debt of Unrestricted Subsidiaries, being Ciner Enterprises Inc. and its subsidiaries, and less Working Capital Loans with a maturity of less than 1 year

9. **Net Leverage Ratio** referred to in this document is WE Soda Restricted Group Net Leverage Ratio, calculated as WE Soda Restricted Group Net Debt divided by, WE Soda Restricted Group Adjusted EBITDA. WE Soda Restricted Group Adjusted EBITDA consists of Adjusted EBITDA excluding Adjusted EBITDA of Unrestricted Subsidiaries, being Ciner Enterprises Inc. and its subsidiaries.

Adjusted EBITDA³

- Adjusted EBITDA decreased by 52% to \$120 million (Q1 2023: \$248 million), as trough market conditions and a lower energy cost environment continued from the previous period. On an Adj. EBITDA per mt⁶ basis, performance during Q1 2024 overall was slightly below our annual guidance range of \$100-\$115 per mt, due mainly as a result of geographic sales mix in January and February.
- During Q1, Average Adj. EBITDA per mt performance improved month over month and we expect this trend will continue through the year, supporting our FY 2024 guidance range.

Netback Margin⁴

- Netback Margin decreased by 8ppt to 52% (Q1 2023: 61%), consistent with Q4 2023. This was predominantly as a result of the weaker pricing environment. Cash costs were favourably impacted by reducing energy costs, partially offset by increased personnel expenses (primarily resulting from wage inflation adjustments in Türkiye), slightly higher inland transportation costs and other Turkish Lira denominated expenses.

Capital Expenditure

- Maintenance capital expenditures increased by 51% to \$15.4 million (Q1 2023: \$10.2 million), due to the phasing of new wells drilled at Eti Soda in Q1 2024. This is in-line with FY 2024 guidance. Growth and other capital expenditures decreased by 26% to \$10.3 million (Q1 2023: \$14.0 million).
- The majority of 2024 expenditures associated with the Kazan Soda expansion project will occur in H2.

Free Cash Flow⁵

- Free Cash Flow decreased by 55% to \$105 million (Q1 2023: \$231 million), due to the lower EBITDA performance noted above, while Free Cash Flow Conversion⁷ decreased to 87% (Q1 2023: 93%), as a result of higher maintenance capital expenditures, due to phasing.

Strong Balance Sheet and fully refinanced bank debt

- Net Debt⁸ at 31 March 2024 was \$1.53 billion (YE 2023: \$1.46 billion), equivalent to a Net Leverage Ratio⁹ of 2.4x (YE 2023: 1.9x), an increase on the YE 2023 position but within our 1.5 - 2.5x net leverage target range. Our 31 March 2024 cash balance was at \$127 million (YE 2023: \$170 million).
- During Q1 2024, we successfully issued \$500 million seven-year bonds, completing the full refinancing of our term loan bank debt.

Outlook

- FY 2024 Production/Sales Volumes:** Guidance remains unchanged at 5.2 million mt (all volumes are contracted for sale). YTD 2024 indicators support this.
- Supply-demand balances:** expected to remain loose in H1 2024, with improvement anticipated in late 2024 or 2025, as global soda ash demand is supported by global economic recovery.
- Netback Pricing:** continues to be impacted by weak soda ash demand in all regions and lower energy costs in Europe, as a result of the pass-through mechanism for formula-based contracts. Modest average netback pricing improvements are expected during H2 2024, mainly driven by geographic sales mix and lower logistics costs.
- FY 2024 Adjusted EBITDA per mt:** Guidance remains unchanged and is expected to be within \$100 - \$115 per mt range, consistent with 'trough' levels.
- LTM net leverage ratio:** Target range of between 1.5x - 2.5x remains unchanged, however due to operating in trough conditions since Q3 2023, LTM net leverage is expected to be above 2.5x for the remainder of 2024. Getting as close as possible to our 2.5x target (or below) remains our objective for YE 2024.

FY 2024 Guidance

Production/Sales Volume	5.2 million mt
Adjusted EBITDA	\$100 to \$115 per mt
Maintenance Capex	~\$50 million
Cash Taxes	~\$60 million
Growth Capex	+/- \$65 million
YE Net Debt⁸	\$1.5 to \$1.6 billion

Alasdair Warren, CEO of WE Soda, commented:

“I was pleased to see a month over month improvement in our adjusted EBITDA per mt as the quarter progressed, albeit from low levels, as tough conditions continued from the end of 2023. We increased our produced volumes to 1.3 million mt during the quarter, keeping us on target for 5.2 million mt for FY 2024. More importantly, as we increased our production volumes, we also reduced our lost time injury rate and the number of lost workdays due to injury. Producing safe tonnes is our number one objective, and this result shows that our three-year “Safety Excellence Journey”, which we implemented in 2023 is starting to deliver results.

“Market pricing during the quarter showed a similar trend to Q4 2023, affected by weak soda ash demand in all regions and continued competitive pressures, albeit with improving month-over-month profitability improvements due to improving sales mix and lower energy pricing. Current trading reflects the improving trend observed during Q1 2024, giving us confidence to reiterate our full year Adjusted EBITDA guidance range of \$100-\$115 per mt. As we articulated at the time of our FY 2023 results in April 2024, we expect soda ash pricing to remain weak throughout 2024, but with the potential for a tightening in supply demand balances and an improvement in pricing towards the year end or during 2025. Our focus will be on maintaining our strong market position by continuing to provide best in class customer service, as well as leveraging our integrated global customer supply chain and sustainability advantages, to realise cost efficiencies and optimal geographic sales mix.”

Financial Highlights

		Q1 2024	Q1 2023
Revenue	\$ million	304.7	495.5
Netback Revenue ²	\$ million	229.0	408.1
Adjusted EBITDA ³	\$ million	119.9	247.7
Adjusted EBITDA ⁶	\$ per mt	96.3	205.7
Netback Margin ⁴	%	52%	61%
Profit before tax	\$ million	54.3	193.8
Basic EPS	\$	0.203	0.964
Net cash from operating activities	\$ million	60.1	194.2
Capital Expenditure	\$ million	25.7	24.2
Free Cash Flow ⁵	\$ million	104.5	231.2
FCF Conversion ⁷	%	87%	93%
WE Soda Restricted Group Net Debt ⁸	\$ million	1,529.9	1,460.4

Note: Figures may not add up due to rounding.

Financial Performance

Revenue

Revenue, consisting principally of soda ash and sodium bicarbonate sales, decreased by \$190.8 million to \$304.7 million in Q1 2024, from \$495.5 million in Q1 2023. The decline was primarily due to a decrease in soda ash prices, as pricing continued to be impacted by weak soda ash demand in all regions and sustained competitive pressures, as well as the impact of lower energy pricing, as a result of the pass through mechanism for formula based contracts. These were partially offset by a 3.4% increase in sales volumes for soda ash and sodium bicarbonate, resulting in an aggregate \$172.4 million decrease in our revenue.

Cost of Sales

Cost of sales decreased by \$71.3 million, or 27%, to \$190.9 million in Q1 2024 from \$262.2 million in Q1 2023. The decrease in cost of sales reflects our decreasing energy costs, particularly natural gas, partially offset by increases in transportation costs, in line with changes in sales mix as a proportion of our products shipped with CIF and CFR Incoterms increased, slightly higher inland transportation and

increased personnel expenses (primarily resulting from wage inflation adjustments in Türkiye) and 3.4% increase in sales volumes.

Administrative expenses increased by \$8.2 million to \$23.5 million in Q1 2024 from \$15.3 million in Q1 2023, mainly due to higher personnel expenses, resulting from wage inflation adjustments in Türkiye, new senior management appointments in 2023 and ongoing exploration and permitting work at our US greenfield projects of West Soda and Pacific Soda. Marketing expenses comprised \$2.1 million in Q1 2024 and remained at approximately the same level as in Q1 2023.

Adjusted EBITDA³ and Netback Margin⁴

Adjusted EBITDA decreased by \$127.8 million, or 52%, to \$119.9 million in Q1 2024 from \$247.7 million in Q1 2023, as tough market conditions and a lower energy cost environment continued from the previous period. Netback Margin decreased to 52% in Q1 2024 compared to 61% in Q1 2023. This was predominantly as a result of the lower pricing environment. Cash costs were favourably impacted by improving energy costs, partially offset by increased personnel expenses (primarily resulting from wage inflation adjustments in Türkiye), slightly higher inland transportation costs and other Turkish Lira denominated expenses.

Other operating income and expenses

Other net operating expenses comprised \$8.5 million in Q1 2024 compared to \$3.3 million net operating income in Q1 2023.

Net finance expenses

Net finance expenses comprised \$25.5 million in Q1 2024, remaining approximately at the same level as in Q1 2023.

Profit before tax

Profit before tax decreased by \$139.5 million to \$54.3 million in Q1 2024, from \$193.8 million in Q1 2023, following the same trends and driven by the same factors as for our Adjusted EBITDA.

Taxation

Our Group benefits from significant tax credits due to investment incentives, patent incentives and capital contribution incentives for both Eti Soda and Kazan Soda, which together with other incentives and carried forward tax losses, result in lowering the Group's effective tax rate.

The Group had a net tax charge of \$23.0 million and \$45.7 million for Q1 2024 and Q1 2023 respectively, which consists of a corporate tax charge of \$11.1 million and \$49.4 million and deferred tax charge of \$11.9 million and deferred tax credit of \$3.7 million for Q1 2024 and Q1 2023, respectively.

Cash flows from operations

Our net cash generated from operating activities decreased to \$60.1 million in Q1 2024 from \$194.2 million in Q1 2023, primarily due to an overall decrease in EBITDA from operations and balanced with working capital management.

Capital expenditure

Capital Expenditure was mainly focused on drilling new exploration wells and the construction of additional well sets, to optimise our wellfield efficiency at both sites, as well as new decahydrate and caustic soda units together with purge storage at Kazan Soda. The table below sets out our total Capital Expenditure, split between Maintenance Capital Expenditure and Expansionary Capital Expenditure.

	Q1 2024	Q1 2023
	\$ million	\$ million
Capital Expenditure	25.7	24.2
Maintenance Capital Expenditure	15.4	10.2
Expansionary Capital Expenditure	6.7	10.0
Other	3.6	4.0

Free Cash Flow⁵

Our Free Cash Flow decreased by \$126.7 million to \$104.5 million in Q1 2024 from \$231.2 million in Q1 2023, in line with our Adjusted EBITDA and impacted by higher Maintenance Capital Expenditure due to phasing, achieving FCF Conversion⁷ of 87%, as set out below:

	Q1 2024 \$ million	Q1 2023 \$ million
Free Cash Flow	104.5	231.2
FCF Conversion (%)	87%	93%

Net Debt⁸ and funding

With a strong balance sheet and liquidity position, our consolidated Net Debt is at \$1,600.9 million as at 31 March 2024, compared to \$1,500.8 million as at 31 December 2023. WE Soda Restricted Group Net Debt is at \$1,529.9 million, an equivalent to the WE Soda Restricted Group Net Leverage Ratio of 2.4x, compared to 1.9x as at 31 December 2023. In February 2024, we successfully issued a \$500 million seven-year 9.375% bond. Additionally, we executed US dollars denominated six-year Cancellable Interest Rate Swap transactions to economically hedge the fixed coupon payments of the bond to floating.

	31 March 2024 \$ million	31 December 2023 \$ million
Borrowings	1,737.4	1,664.4
Lease liabilities	25.7	26.8
Total financial liabilities	1,763.0	1,691.2
Less: Cash and cash equivalents	(127.1)	(169.6)
Less: Derivative financial instruments	(35.0)	(20.7)
Less: Restricted cash	-	-
Net Debt	1,600.9	1,500.8
Less:		
Net Debt of Unrestricted Subsidiaries ^{(a), (b)}	(7.4)	(7.3)
Working Capital Loans with a maturity of less than 1 year ^(b)	(63.6)	(33.2)
WE Soda Restricted Group Net Debt	1,529.9	1,460.4
WE Soda Restricted Group Net Leverage Ratio	2.4x	1.9x

(a) Ciner Enterprises Inc. and its subsidiaries.

(b) In accordance with the terms of the bonds and RCF.

Ends

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About WE Soda

WE Soda is the world's largest producer of natural soda ash and one of the world's largest producers of sodium bicarbonate. Our purpose is "to responsibly produce essential ingredients for a sustainable future" and sustainability is integrated into everything we do. We produce soda ash with the lowest CO₂e emissions intensity within our industry and we believe that we have the lowest impact on nature and the environment. For more information, please visit: www.wesoda.com.

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