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28 August 2024

WE Soda Ltd

Results for the Second Quarter and First Half of 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 second quarter and first half of 2024.

Financial Highlights

	Second Quarter 2024			First Half 2024		
	2Q 2023	2Q 2024	QoQ[1]	2023	2024	YoY[1]
Sales volume (mt[2] million)	1.1	1.3	+11%	2.3	2.5	+7%
Netback Revenue[3] ($ million)	341	231	(32)%	749	460	(39)%
Adjusted EBITDA[4] ($ million)	217	123	(43)%	465	243	(48)%
Netback Margin[5]	64%	53%	(11) ppt	62%	53%	(9) ppt
Free Cash Flow[6] ($ million)	160	52	(68)%	392	156	(60)%
FCF Conversion[7]	74%	42%	(32) ppt	84%	64%	(20) ppt

Note: Figures may not add up due to rounding.

- "Trough" market conditions continued during 2Q 2024, with weak soda ash demand and pricing.
- Adjusted EBITDA per mt[8] improved slightly during 2Q 2024, mainly due to reduced cash costs.
- Early signs of modest price improvements in Asia during 2H 2024, but pick up in global demand not expected until 2025.

Operating Highlights

- During 1H 2024, we increased our production of "safe tonnes" and increased our sales volumes by comparison with 1H 2023.
- During 1H 2024, LTIs[9] at Eti Soda and Kazan Soda were down by (47)% and LTI lost workdays were down by (70)% by comparison with 1H 2023, due to the progress we have made in our "Safety Excellence Journey".
- Production efficiency and utilisation rates at both Eti Soda and Kazan Soda were in line with management expectations. During 2Q 2024, a major planned maintenance of the cogeneration unit at Kazan Soda was completed safely and on budget.
- Project West, our 100% owned US growth project, has progressed well with permitting progressing ahead of expectations. Final permits to construct are now expected during late 4Q 2024. Once these are in place, the timing of construction and development will be determined.
- Our logistics efficiency is improving mainly due to our new Terneuzen terminal (Netherlands) which is now fully operational, improving our supply chain reliability and reducing our cost to serve customers.
- Our senior leadership was further strengthened during 2Q 2024, with the appointments of Bob Katsiouleris as our new Chief Commercial Officer and Alan Knight OBE as our Chief

Sustainability Officer. Both have over 30 years of relevant industry experience and will report to Alasdair Warren, CEO.

Producing Safe Tonnes is Our Number One Priority

- During **1H 2024**, at Eti Soda and Kazan Soda combined, LTIs reduced by (47)% to 9 (1H 2023: 17) and LTI lost workdays reduced by (70)% to 71 (1H 2023: 240) due to the progress we have made in our "Safety Excellence Journey". Including our Denmar[10] port facility, total LTIs reduced by (35)% to 11 (1H 2023: 17) and LTI lost workdays reduced by (27)% to 175 (1H 2023: 240).
- During **2Q 2024**, at Eti Soda and Kazan Soda combined, LTIs reduced by (89)% to 1 (2Q 2023: 9) and LTI lost workdays reduced by (63)% to 41 (2Q 2023: 110). Including our Denmar port facility, LTI's reduced by (78)% to 2 (2Q 2023: 9), however LTI lost workdays increased by +21% to 133 (2Q 2023: 110) due to a single LTI at Denmar port, resulting in 92 LTI lost work days.
- In June 2024, we introduced a new permit to work (PTW) process as part of our Safety Excellence Journey to ensure safer maintenance and operating practices. This new process has resulted in an increase in maintenance downtime as the new PTW processes are implemented and staff become familiar with the new practices.

Sales Volume

- During **1H 2024**, sales volumes increased by +7% to 2.5 million mt of soda ash and sodium bicarbonate combined (1H 2023: 2.3 million mt), in line with management expectations. We remain on track to meet our FY 2024 sales volume guidance of approximately 5.2 million mt.
- During **2Q 2024**, sales volume increased by +11% to 1.3 million mt (2Q 2023: 1.1 million mt).

Netback Revenue[3]

- During **1H 2024,** Netback Revenue decreased by (39)% to $460 million (1H 2023: $749 million), as "trough" market conditions continue, with weak pricing impacted by the weak soda ash demand in all regions and continued competitive pressures. Prices stabilised as the period progressed, with the highest netback prices in Europe (incl. Türkiye), during 1H 2024. Higher sales volume offset some of the impact of pricing weakness.
- During **2Q 2024,** Netback Revenue decreased by (32)% to $231 million (2Q 2023: $341 million), with netback prices consistent with 1Q 2024.
- We have started to see some early signs of pricing improvements in Asia during 2H 2024.

Adjusted EBITDA[4]

- During **1H 2024,** Adjusted EBITDA decreased by (48)% to $243 million (1H 2023: $465 million), as "trough" market conditions and weak pricing continued. During 1H 2024, average Adjusted EBITDA per mt[8] of $96.5 showed quarter-on-quarter improvement, mainly due to reduced cash costs during 2Q 2024.
- During **2Q 2024,** Adjusted EBITDA decreased by (43)% to $123 million (2Q 2023: $217 million). Adjusted EBITDA per mt improved to $96.8 per mt in 2Q 2024 (1Q 2024: $96.3 per mt) as netback pricing stabilised and cash costs reduced.
- During 2Q 2024, major planned cogeneration maintenance was undertaken at Kazan Soda lasting approximately 50 days, and this resulted in $7.3 million lower EBITDA for the quarter, due to the need to procure electricity from the market, as well as the loss of excess electricity sales revenues (net of lower natural gas consumption). If 2Q 2024 Adjusted EBITDA is "normalised" for this one-off 2Q 2024 cogeneration maintenance expense, Adjusted EBITDA per mt improved to $101.1 per mt during 2Q 2024.

Netback Margin[5]

- Dring **1H 2024,** Netback Margin decreased by (9) ppt to 53% (1H 2023: 62%). This was mainly due to the weaker pricing environment. Cash costs declined quarter-on-quarter mainly due to lower energy costs, partially offset by increased personnel expenses and slightly higher inland transportation costs and other Turkish Lira denominated expenses.
- During **2Q 2024**, Netback Margin decreased by (11) ppt to 53% (2Q 2023: 64%) mainly due to the weaker pricing environment, but improved by +2 ppt vs. 1Q 2024, as cash costs reduced during 2Q.

Capital Expenditure

- During **1H 2024,** maintenance capital expenditure increased by +63% to $42.7 million (1H 2023: $26.2 million), mainly due to the phasing of new wells drilled at Eti Soda during 1Q 2024 and Kazan Soda during 2Q 2024.
- FY 2024 maintenance capital expenditure guidance remains at ~ $50 million.
- Growth and other capital expenditures increased by +6% to $27.1 million (1H 2023: $25.5 million). The majority of 2024 growth capital expenditure is associated with the Kazan Soda 6th line expansion project, with the bulk of this expenditure now expected in FY 2025.
- FY 2024 growth capital expenditure guidance is reduced by ~$20 million (to ~$45 million from previous guidance of ~$65 million).
- During **2Q 2024,** maintenance capital expenditure increased by +71% to $27.3 million (2Q 2023: $16.0 million), as described above. Growth and other capital expenditures increased by +46% to $16.8 million (2Q 2023: $11.5 million).

Free Cash Flow[6]

- During **1H 2024,** Free Cash Flow decreased by (60)% to $156 million (1H 2023: $392 million), impacted by the lower EBITDA performance, the phasing of tax payments (in 2Q 2024 outstanding income taxes for FY 2023 and 1Q 2024 were paid) and increased maintenance capital expenditures (as noted above), resulting in a Free Cash Flow (FCF) Conversion[7] decrease of (20) ppt to 64% (1H 2023: 84%).
- During **2Q 2024,** Free Cash Flow decreased by (68)% to $52 million (2Q 2023: $160 million) mainly due to the aforementioned EBITDA decreases together with the phasing of maintenance capex in the first two quarters. FCF Conversion decreased by (32) ppt to 42% (1H 2023: 74%).
- Management believes this is a one-off decline in FCF Conversion, and expect FCF Conversion to normalise to historic levels during 2H 2024.

Balance Sheet

- Net Debt[11] at 30 June 2024 increased slightly to $1.55 billion (YE 2023: $1.46 billion), equivalent to a last twelve months Net Leverage Ratio[12] of 2.9x (YE 2023: 1.9x), mainly due to weaker EBITDA performance.
- At 30 June 2024, our cash balance was $156 million (YE 2023: $170 million).
- Our Net Leverage Ratio is above our target range of 1.5 - 2.5x, but in line with guidance issued at the time of our 1Q 2024 results. Reducing leverage back to within our target range remains a key objective.
- During 1H 2024, we successfully issued $500 million seven-year bonds, completing the full refinancing of our term loan bank debt. A total of $1.5 billion bonds have now been issued by WE Soda, simplifying our capital structure, and we have executed interest rate swaps (from fixed rate to floating rate) for the full bond amount.
- At 30 June 2024, the total intergroup receivables owed to WE Soda by other parts of the Ciner group of companies was $910 million, a reduction of (17)% compared to YE 2023. There was a slight increase in receivables during 2Q 2024, as a result of interest accruals and FX charges.

- During 1H 2024, the total payments to our shareholder (in the form of intergroup loans) was $46.6 million. There were no additional distributions to our shareholder during 2Q 2024.
- During 2Q 2024, a dividend of $41.6 million was declared but not paid to Eti Maden (the 26% minority shareholder of Eti Soda) for the remaining FY 2023 dividend. During 1Q 2024, dividends totalling $66.8 million were paid to Eti Maden (comprising an advanced dividend for FY 2023 of $24.1 million and the remaining dividend owed from FY 2022 of $42.7 million). The cadence of dividend distributions to Eti Maden is as agreed during the annual general meeting of Eti Soda each year.

Outlook

- **FY 2024 production and sales Volumes:** Guidance remains unchanged at approximately 5.2 million mt (all volumes are contracted for sale). Current trading and 2H 2024 indications support this.
- **Supply-demand balances:** Remaining weak but expect to see modest tightening in Asia during 2H 2024, and further modest tightening globally in 2025, as soda ash demand in all regions is supported by global economic recovery and limited additional supply. Our medium-term view remains unchanged, where resilient long-term structural demand growth is expected globally, driving tighter soda ash supply-demand balances in the coming years.
- **Netback Pricing:** Current trough conditions remain during 2024, impacted by weak soda ash demand in all regions and lower energy costs in Europe. Modest netback price improvements expected from Asia during H2 2024, with improvements in global average Netback Prices mainly driven by geographic sales mix and lower logistics costs.
- **FY 2024 Adjusted EBITDA per mt:** Given YTD performance, supply-demand conditions, and pricing outlook, we are reducing our annual average Adjusted EBITDA per mt guidance range to $95 to $100 per mt. However, during 3Q 2024 we have started to see an uptick in Netback Pricing from Asia, mainly due to reduced exports from China, where domestic supply (mainly Berun) is not being brought on-stream as quickly as expected.
- **Kazan 6th line expansion**: The majority of growth capital expenditure associated with the Kazan Soda expansion is now expected to occur during FY 2025, mainly due to delays in final environmental permitting (which have now been received).
- **Net Leverage Ratio:** Our LTM Net Leverage Ratio target range of between 1.5x - 2.5x remains unchanged. However, due to ongoing market conditions, our LTM Net Leverage Ratio is expected to be above 2.5x for the remainder of 2024 and into 2025. Reducing our leverage back to within our target range remains a key objective.

FY 2024 Guidance

Production/Sales Volume	~5.2 million mt
Adj. EBITDA per mt[8]	$95 to $100 per mt (from original FY 2024 guidance of $100 to $115 per mt)
Maintenance Capex	~$50 million
Cash Taxes	~$60 million
Growth Capex	~$45 million (reduced from ~$65 million)
YE Net Debt[11]	$1.5 to $1.6 billion

Alasdair Warren, CEO of WE Soda, commented:

"We believe the difficult market conditions witnessed during the first half of 2024 are the "trough point" in the cycle. As we move into the second half of the year, market dynamics appear to be starting to improve, albeit from a low base. Although this has been a challenging market backdrop, the quality of WE Soda's asset base, coupled with our robust global logistics chain and strong customer relationships, as well as our great people, has enabled us to improve performance quarter on quarter during the first half.

“Operationally, we have had a busy start to the year. Our priority is to produce safe tonnes, and I am very pleased to report a continued year on year decline in LTI’s and LTI lost work-days, showing the positive impact of our safety excellence programme, introduced last year. Our production facilities at Eti Soda and Kazan Soda are performing well, with production efficiency and utilisation rates in line with expectations. We also completed the scheduled major planned overhaul of our cogeneration unit at Kazan Soda, safely and on budget. We have made very good progress at Project West, our 100% owned development project in Wyoming, US, where the permitting process has progressed ahead of expectations and final permits to construct are now expected later this year. In Türkiye, the start of construction for Kazan 6th line expansion has been slightly delayed, but final environmental permitting has now been received and we expect to have this new production capacity on-stream by mid-2026.

“Within our sales and logistics operations, we have been working hard to improve our logistics efficiency. Our new Terneuzen terminal in the Netherlands is now fully operational, improving supply chain reliability and reducing the cost to serve our customers. We are exploring options to develop this “hub and spoke” distribution model in other regions, to improve the efficiency of our logistics chain and further improve our customer service. We have also strengthened our senior executive team, adding considerable breadth and depth of experience and knowledge to our business.

“In terms of our financial performance, I believe we are starting to see the early signs of improvement and recovery from the “trough” conditions we have experienced in the first half of 2024. I was pleased to note the modest incremental improvement in our profitability per tonne during the second quarter, albeit from low levels. We have been very focussed on driving cost efficiencies throughout our business, and we will continue to do this, to leave us in a better position when market conditions improve. So far, during the third quarter, we are starting to see signs of pricing improvement in Asia, albeit mainly due to reduced supply (from China exports) rather than a pick-up in demand. With rising energy prices in Europe and a slow but steady pick-up in economic activity globally, we expect 2025 will show increased demand for soda ash and a modest improvement in pricing globally. We will be working hard to further capitalise on our sustainability advantage with our customers, particularly in our core market of Europe, with the objective of becoming their “supplier of choice”.

“In light of the prevailing market conditions and all the data points available to us for FY 2024, we now expect FY Adjusted EBITDA per mt to be within a $95 to $100 per mt range, from our original guidance range of between $100 to $115 per mt. Despite the challenges of FY 2024, I remain confident in the medium and long-term dynamics of our market and as we look ahead into FY 2025. Our leverage, during the remainder of FY 2024 and into FY 2025, will be above our target level, but we are committed to optimising our cashflow through the management of capital expenditures and distributions, to ensure we return to our target level as soon as possible.”

Financial Highlights

		1H 2024	1H 2023
Revenue	$ million	608.0	904.0
Netback Revenue[3]	$ million	460	749
Adjusted EBITDA[4]	$ million	242.9	465.0
Netback Margin[5]	%	53	62
Profit before tax	$ million	127.0	224.8
Basic EPS	$	0.75	0.24
Net cash from operating activities	$ million	141.5	284.0
Capital Expenditure	$ million	69.8	51.8
Free Cash Flow[6]	$ million	156.2	391.7
FCF Conversion[7]	%	64	84
WE Soda Restricted Group Net Debt[11]	$ million	1,550.2	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 $296.0 million to $608.0 million in 1H 2024, from $904.0 million in 1H 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 7% increase in sales volumes for soda ash and sodium bicarbonate.

Cost of Sales

Cost of sales decreased by $71.0 million, or 16%, to $386.6 million in 1H 2024 from $457.6 million in 1H 2023. The decrease in cost of sales reflects our decreasing energy costs, particularly natural gas, partially offset by increases in transportation costs. This is in line with changes in sales mix as a proportion of our products shipped, with CIF and CFR Incoterms increasing and slightly higher inland transportation and increased personnel expenses (primarily resulting from wage inflation adjustments in Türkiye) and 7% and 3% increase in sales and production volumes, respectively.

Administrative expenses increased by $9.2 million to $51.1 million in 1H 2024 from $41.9 million in 1H 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 Project West, our US development project. Marketing expenses comprised $4.0 million in 1H 2024 compared to $2.2 million in 1H 2023.

Adjusted EBITDA[4] and Netback Margin[5]

Adjusted EBITDA decreased by $222.1 million, or 48%, to $242.9 million in 1H 2024 from $465.0 million in 1H 2023, as trough market conditions and a lower energy cost environment continued from the previous period. Netback Margin decreased to 53% in 1H 2024, compared to 62% in 1H 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 income comprised $3.9 million in 1H 2024 from $17.4 million net operating income in 1H 2023.

Net finance expenses

Net finance expenses comprised $33.2 million in 1H 2024 compared to $197.8 million in 1H 2023, primarily reflecting the increase in interest rates and decrease in foreign exchange losses associated with TRL denominated receivables from related parties.

Profit before tax

Profit before tax decreased by $97.8 million to $127.0 million in 1H 2024, from $224.8 million in 1H 2023, following the same trends and driven by the same factors as for our Adjusted EBITDA.

Taxation

WE Soda 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 Company's effective tax rate.

The Company had a net tax charge of $11.5 million and $187.5 million for 1H 2024 and 1H 2023 respectively, which consists of a corporate tax charge of $36.1 million and $61.5 million and deferred tax credit of $24.7 million and deferred tax charge of $126.0 million for 1H 2024 and 1H 2023, respectively.

Cash flows from operations

Our net cash generated from operating activities decreased to $141.5 million in 1H 2024 from $284.0 million in 1H 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.

	1H 2024 $ million	1H 2023 $ million
Capital Expenditure	**69.8**	**51.8**
Maintenance Capital Expenditure	42.7	26.2
Expansionary Capital Expenditure	15.0	20.0
Other	12.1	5.5

Free Cash Flow[6]

Our Free Cash Flow decreased by $235.5 million to $156.2 million in 1H 2024 from $391.7 million in 1H 2023, in line with our Adjusted EBITDA and impacted by higher Maintenance

Capital Expenditure and phasing of tax payments based on related regulations where outstanding income taxes of 2023 and 1Q 2024 were paid in cash, achieving FCF Conversion[7] of 64%, as set out below:

	1H 2024 $ million	1H 2023 $ million
Free Cash Flow	156.2	391.7
FCF Conversion (%)	64%	84%

Net Debt[11] and funding

With a strong balance sheet and liquidity position, our consolidated Net Debt is at $1,620.5 million as at 30 June 2024, compared to $1,500.8 million as at 31 December 2023. WE Soda Restricted Group Net Debt is at $1,550.2 million, an equivalent to the WE Soda Restricted Group Net Leverage Ratio[12] of 2.9x, 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 a US dollar denominated six-year Cancellable Interest Rate Swap transaction, to economically hedge the fixed coupon payments of the bond to floating. Subsequent to 30 June 2024, we also executed $500 million Cross Currency Swap contracts with a maturity of February 2029, in order to convert $500 million floating interest exposure associated with its bonds including interest rate swap transactions to floating EUR interest exposure with two different financial institutions. The Group aims to reduce its interest rate exposure by benefiting from the spread between SOFR and 6M EURIBOR rates.

	30 June 2024 $ million	31 December 2023 $ million
Borrowings	1,775.6	1,664.4
Lease liabilities	26.8	26.8
Total financial liabilities	**1,802.4**	**1,691.2**
Less: Cash and cash equivalents	(155.8)	(169.6)
Less: Derivative financial instruments	(26.1)	(20.7)
Net Debt	**1,620.5**	**1,500.8**
Less:		
Net Debt of Unrestricted Subsidiaries[(a), (b)]	(7.2)	(7.3)
Working Capital Loans with a maturity of less than 1 year[(b)]	(63.2)	(33.2)
WE Soda Restricted Group Net Debt	**1,550.2**	**1,460.4**
WE Soda Restricted Group Net Leverage Ratio	**2.9x**	**1.9x**

(a) Ciner Enterprises Inc. and its subsidiaries.
(b) In accordance with the terms of the bonds and RCF.

Notes:

1. **PPT** = percentage point.
2. **mt** = metric tonne.

3. **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.
4. **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.
5. **Netback Margin** is calculated as Adjusted EBITDA divided by Netback Revenue.
6. **Free Cash Flow** is calculated as Adjusted EBITDA minus Maintenance Capital Expenditures minus tax payments.
7. **Free Cash Flow (FCF) Conversion** is calculated as Free Cash Flow divided by Adjusted EBITDA.
8. **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.
9. **LTI** = Lost time injury.
10. **Denmar** port is the main export port from Türkiye for our bulk products. A 60% controlling interest was acquired by WE Soda in December 2023. During 1H 2023 the Denmar port facilities were not in scope for our safety reporting as they were not controlled by WE Soda at that time.
11. **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 excluding in each case hedging obligations or embedded derivatives recognised 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.
12. **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.

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 CO_2e 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.

IMPORTANT INFORMATION

Neither the content of any website of WE Soda nor any website accessible by hyperlinks on WE Soda's website is incorporated in, or forms part of, this announcement.

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