## CORPORATE SPEAKERS

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José Carlos Pons, *Chief Financial Officer*

Alejandro Elizondo, *Investor Relations Officer*

## WEBCAST PARTICIPANTS

Alejandra Obregón, *Morgan Stanley*

Tasso Vasconcellos, *UBS*

Vanessa Quiroga, *Credit Suisse*

Andrés Cardona, *Citi*

Jean Bruny, *BBVA*

Alejandro Chavelas, *Credit Suisse*

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**Alejandro Elizondo:**
**[Slide 2]** Hello and welcome to Alpek's First Quarter 2022 Earnings Webcast.

**[Slide 3]** I am Alejandro Elizondo, Alpek's IRO, and today I have the pleasure of being joined by our CEO, Pepe Valdez, and our CFO, José Carlos Pons.

This presentation is divided into two parts. First, Mr. Valdez and Mr. Pons will comment on Alpek's fourth quarter and full-year performance, Guidance figures for 2022, as well as relevant events including our recent agreement to acquire OCTAL. Afterwards, we will move on to Q&A.

Please note that the information discussed today may include forward-looking statements regarding the Company's future financial performance and prospects, which are subject to certain risks and uncertainty. Actual results may differ materially, and the Company cautions the market not to rely unduly on these forward-looking statements. Alpek undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.
I'd like to remind everyone that today's Webcast is being recorded and will be available on our website, at alpek.com. I will now turn the call over to Mr. Pepe Valdez.

**José de Jesús Valdez:**
Thank you, Alejandro. Good morning, everyone and thank you for joining us today.

This morning I am very pleased to start by saying that Alpek has kicked off 2022 on an extraordinarily strong note. Margins were more robust than expected across all the key products in our portfolio. This supported the Company in achieving record quarterly highs for both Comparable and Reported EBITDA.

**[Slide 4]**
Let's start by reviewing the main topics we will cover in today's webcast:
- First, Alpek significantly exceeded financial performance expectations for the first quarter; José Carlos will review these in greater detail in this presentation
- Second, we will discuss the progress related to the OCTAL acquisition
- Third, we will cover Alpek's recent efforts to improve its Governance practices
- And finally, we will provide revised 2022 Guidance, per the Earnings Report released yesterday.

**[Slide 5]**
Providing some context for first quarter results, the global economy remained strong, as tightness increased in the marine freight industry, due to the Russia-Ukraine conflict, resulting in higher costs and lower availability for vessels needed to balance worldwide supply chains.

In this environment, Asian integrated Polyester reference margins averaged $420 dollars per ton for the quarter, much higher than expected, and only 3% lower than the previous quarter, with the spread between Chinese and Asian margins widening to $98 dollars per ton.

**[Slide 6]**
North American Polypropylene reference margins also experienced a lower-than-expected quarterly decline, averaging 38 cents per pound, 20% lower quarter-on-quarter, but only 5 cents per pound lower than the corresponding figure for December.

**[Slide 7]**
In North America, EPS margins continued to reflect the strength they gained in the fourth quarter of 2021, declining by 7 cents per pound in the first quarter, but remaining at higher-than-historical levels.

At this point, I would like to turn the call over to José Carlos, who will go into more detail regarding the impact of these changes on financial results.

**José Carlos Pons:**

Thanks Pepe, and thank you all for being here with us today.

**[Slide 8]**
I would first like to highlight some of Alpek's main achievements during the first quarter:

- Overall volume increase to 1.2 million tons, on track with Guidance
- Record quarterly Comparable EBITDA of $333 million dollars, with both the Polyester and Plastics & Chemicals segments posting their highest figures ever for any quarter
- Dividend to shareholders of $176 million dollars, representing a 6.5% dividend yield at the time of payment
- Leverage further reduced to 1.0 times

**[Slide 9]**
If we start by taking a deeper look at volume, Alpek reached 1.22 million tons this period, 4% higher than last quarter, as demand for all our products remained strong.

In the polyester segment, volume was 3% higher quarter-on-quarter, largely due to:

- Strong demand and efficient operation across all our sites
- And a lack of weather-related events, which affected us in 2021

In Plastics and Chemicals, volume was 6% higher quarter-on quarter, as:

- Polypropylene demand remained strong
- Alpek was able to operate idled EPS reactors throughout scheduled maintenance at our U.S. based facilities

**[Slide 10]**
Moving on to raw material price dynamics:

- Average spot Brent Crude Oil price increased to $97 dollars per barrel, 23% higher than in the previous quarter largely due to the effects of the Russia-Ukraine conflict
- U.S. reference paraxylene prices increased by 21%, largely in line with the rise in crude oil, and
- In Plastics and Chemicals, Propylene prices remained stable, averaging 63 cents per pound, a 4% decrease when compared to the previous quarter

**[Slide 11]**
Switching over to EBITDA breakdown for the first quarter, we can see that total Comparable EBITDA was a record $333 million dollars, and 11% higher quarter-on-quarter. This was primarily due to better-than-expected margins for our main products, as well as higher volume across both segments.

Reported EBITDA was $456 million dollars, 70% higher, quarter-on-quarter. This result also included:
- A non-cash inventory gain of $63 million dollars
- A positive carry-forward effect of $66 million dollars

In terms of results by key segment, we can see that Polyester Comparable EBITDA was $193 million dollars, 21% higher quarter-on-quarter and 116% higher year-on-year, making this the strongest quarter ever for the segment.
- Results largely benefited from the entry of 2021 contracts, as well as strong Asian Polyester reference margins, which remained higher than expected, averaging $420 dollars per ton

In Plastics & Chemicals, Comparable EBITDA also set a new quarterly record of $142 million dollars, an increase of 3% quarter-on-quarter and 46% year-on-year. This was mainly due to:
- Solid EPS margins, stemming from strong demand coupled with higher import parity pricing due to increased marine freight costs
- As well as polypropylene margins which remained higher-than-expected for this point in the year

**[Slide 12]**
With regards to Free Cash Flow generation in the quarter:
- Net Working Capital investment increased by $193 million dollars, largely due to rising raw material prices during the quarter
- CAPEX totaled $40 million dollars and was mainly used for maintenance and minor asset replacements
- Alpek paid a $176 million-dollar shareholder dividend, as approved during its annual Shareholders' Meeting in March
- Resulting in a positive Free Cash Flow of $120 million dollars as record EBITDA more than offset the increase in Net Working Capital in the quarter

**[Slide 13]**
Finally, I want to discuss the Company's financial position during the first quarter:
- Alpek's Net Debt increased to $1.31 billion dollars
- Last-twelve-months EBITDA also increased to 1.28 billion dollars, resulting in an improved Leverage ratio of 1.0 times Net Debt to EBITDA

- If considering Net Debt to Comparable EBITDA, we also see that Alpek further improved this ratio to 1.2 times

That concludes my comments. I will now turn the call back to Pepe.

**José de Jesús Valdez:**

Thank you, José Carlos.

**[Slide 14]**
Turning our attention to recent events, per our announcement earlier this year, Alpek reached an agreement to acquire OCTAL, a major PET sheet producer. The process has continued moving forward as planned, having already received the majority of necessary approvals from regulatory authorities. This transaction continues to be expected to close by the end of the second quarter of this year.

Upon closing, Alpek estimates an accretive EBITDA effect of $85 million dollars during the second half of 2022, which is not included in the Guidance figures.

**[Slide 15]**
As we've stated in the past, Alpek strives to maintain world-class Governance practices. To this point, the Company implemented a series of initiatives during its latest Annual Shareholders' Meeting, which included:

- Increased disclosure on its proposals to shareholders, such as financial reporting, Board composition and fit, as well as dividends
- And, the addition of a new member to Alpek's Board, which would have increased the share of both independent and female members

On April 18th, we were deeply saddened by the passing of Francisco Garza Egloff, a member of Alpek's Board of Directors. We are grateful to him for his valuable contributions to the Company. Our thoughts and prayers are with his family and loved ones. As of now, Alpek has no plans to replace his Board seat.

**[Slide 16]**
Finally, regarding our outlook for the remainder of 2022, and based on the stronger-than-expected margins so far this year for the key products in our portfolio, Alpek has decided to revise its Guidance upwards.

Our new Guidance figures are based on the following key market and business assumptions:

- Average Brent crude oil reference price of $100 dollars per barrel
- Asian Integrated PET Reference Margin of $355 dollars per ton, based on higher demand and freight costs combined with the normalization in the Asia versus North America PET spread mentioned last quarter
- As well as a slower decline for North American Polypropylene margins, though still expected to close 2022 at original Guidance levels

- Overall Volume and CAPEX remain unchanged, as both are currently on track with original Guidance

Based on these assumptions, Guidance for overall Comparable EBITDA for 2022 is now set at $1.25 billion dollars.

As always, I would like to thank our team, customers, and suppliers for helping Alpek reach new heights. I would also like to thank you for your attention today.

I'll now turn the call back to Alejandro to open the Webcast for Q&A.

**[Slide 17]**

**Alejandro Elizondo:**

Thank you, Pepe. At this time, we will now take your questions. To ask your question live, we ask that you raise your hand virtually through Zoom. We will call on participants in the order that hands are raised. Alternatively, you may also type your question through the Q&A function. We will attempt to cover as many questions as time allows.

Our first question comes from Alejandra Obregón with Morgan Stanley, Alejandra your line has been unmuted, please go ahead and ask your question.

**Alejandra Obregón, Morgan Stanley:**
Hi, good morning Alpek team, congratulations on the amazing numbers and thank you for taking my question. The first one I think has to do with with supply-demand dynamics: so you have talked about this very tight environment in PET and I guess some of your peers have also spoken about this so I was hoping to hear more on that, you're very close to capacity in PET, the Americas is a deficit market and apparently global markets are actually very tight as well, so I was just wondering if this is a point where we should be worrying about availability, could this be an issue going forward, especially as we face seasonally stronger quarters ahead of us and could this be a reason for you to change the way you're thinking of Corpus Christi? That's the first question, I'll stop here and then ask the second one.

**José de Jesús Valdez:**
Okay well Alejandra, I think you're right, the demand for PET has actually been higher than our estimates not only for this year but I would say for the last three years and it has compounded, so yes the supply balance dynamic in particular in the U.S. is tighter than normal, but I do believe that the capacity is in place in North America to supply the demand within the next months and of course there will continue to be imports into North America so I do not believe issues of availability.

I think the market will be well-supplied, but certainly I would hope that this relatively high utilization rate will help, of course, maintain margins at a profitable level, this is what's been the answer to your question, again we do expect as I did mention that, by the end of this second quarter, you know, the OCTAL product, I mean the OCTAL project, will be authorized, we are working very hard to make that actually end of May so if we can accomplish that, that will also give us more flexibility to increase imports of PET into North America so that would also help address this problem of availability, so yes the situation, I mean operation rate is high but we do not foresee problem of shortages or problems of availability.

**Alejandra Obregón, Morgan Stanley:**
Understood, that was very clear, thank you! Then a second question if I may, having to do with the contract-based part of your business, I was just hoping to understand these type of contracts, especially whether they have an energy and a transportation component baked into them and when throughout a typical year can we expect to see all that portion of the contract-based rolled over, in any given year, how does that work? Anything that can help us understand that will be very helpful, thank you.

**José de Jesús Valdez:**
Normally, we sign I say, one-year contracts with our customers in North America or with most of our customers in North America and typically these contracts are raw materials-plus, so it's cost-plus, so that probably answers one of your questions, yes to the extent that these contracts are raw material-plus then they will take into account some of the increases in energy, that's on the one hand and also in some cases, we even do contracts for more than a year, two years, perhaps three years at the most, so that also sort of happens and as I said, these contracts are typically agreed at the end of the year, in the last quarter of the year, so like for the U.S. we already have contracts with most of our customers for 2022 and we will revise these contracts in, you know, in the last quarter of this year so that's more or less the way this works, so at least, on a year perspective that keeps us in our largest market which is the U.S. in certain stability, okay?

And in South America, for example, the situation is different, in South America our contracts are normally based more on Asia prices plus, okay? So that's a different dynamic, by definition they are not as stable as in the U.S., but they are certainly, at least in terms of the volume, we know what we can sell there. Margin can change depending on what changes in Asia, but volume wise they're very predictable.

I think you mentioned also Alejandra Corpus Christi and perhaps, you know, I'm sure this question will come up again, but let me tell you where we are in this moment and perhaps, as early as tomorrow, we are reviewing the status of the project. Significant progress has been made, we do have a very clear definition of the investment cost going forward and I would say that most likely a decision will be taken during next month May, let's say May probably to sanction the project, if all of the shareholders are in agreement. From the perspective of market, as I mentioned, it's a positive situation and the cost as I said, we believe we have more confidence in our estimate than months before, we believe we have a FEL-3, which gives us a plus minus 10 percent degree of change, so we have the information ready for making the decision and as I say, I think we will announce what the final decision is within the next month and a half at the most.

**Alejandra Obregón, Morgan Stanley:**
Understood, that was very clear and congratulations again, thank you.

**Alejandro Elizondo:**
Thank you, Alejandra. Our next question comes from the line of Tasso Vasconcellos with UBS. Tasso, your line has been unmuted, please go ahead and ask your question.

**Tasso Vasconcellos, UBS:**
Hi everyone, thanks for taking my questions and congrats on the quarter results. My first question is maybe a follow-up on the margins for both Polyester and P&C segments: margins are clearly remaining at very very healthy levels although some normalizations are expected looking ahead, could you break down a little forward the major upside and downside risks you view from both, supply point of view and the demand point of view? We have seen demand remaining very very healthy so believe risk is here are more on the supply side but would be great to hear additional thoughts from you on that.

My second question, you mentioned that demand remained strong despite the situation in Eastern Europe during the quarter, could you also comment where Alpek was most impacted by the conflict? What did you feel so far as a consequence of the war, other than in pricing and what might be the major implications for the company afterwards? Those would be my two questions, thank you.

**José de Jesús Valdez:**
Okay, as you mentioned, on the demand side, demand and supply you did mention that, well, demand as I said before, we continue to believe that demand is going to be very stable for the rest of the year, we don't see major issues with demand and again, margins at least in what respects to the U.S. market also I would say stable for the reasons I just mentioned before, I did forget to mention during my presentation, a very important event that has significance for at least the next five years and that is the fact that on March this year the FTC decided to extend for five more years the anti-dumping and duties against China, India, Oman, and Canada in PET. So that's an important development since you know at least for the next five years will give us that certainty, so that, again on the margin that should represent an upside, on the volume, as I say we see things stable we don't see any threat of a significant reduction in volumes in both, in Plastics and in Polyester.

On the supply side, you have the supply side where things could change, polypropylene at the last quarter this year, this is the startup of a new plant in Canada and that could, let's say, represent a downside if you want to look at that way. Also again, you know, once the plant starts it certainly takes some time to get a normal operation and on the supply side in the short term on polypropylene, well, there are two plants in the U.S. on *force majeure* and a third plant that is having some mechanical issues so we believe that perhaps for the rest of May, those plants will not be operating or at least not fully, at full capacity, so that in a way, you know, gives us again confidence that margins could continue to remain healthy for a longer period of time.

And in terms of the implications, I mean of the Russia-Ukraine war, I mean, other than of course the humanitarian consequences of that which we very much regret, in our business the main impact has been through higher energy prices, crude oil and natural gas prices those have been the main, you know, impact that we've seen, the higher crude oil prices does not really impact our margins, in fact sometimes as we have explained to you, it does help our margins but it does have an impact in our cash flow because it does increase our investment in working capital, as prices are higher receivables are higher so it does have, implication on the cash flow of the company.

During this first quarter, you know, a significant part of our EBITDA went to finance, the increasing working capital, so part of that had to do with these higher crude oil prices and of course it does impact our natural gas prices as well but again, we believe that the impact natural gas prices in the U.S., I mean not globally of course, globally it has had a big impact, but in the U.S. the impact or the reason we have seen increase in energy prices has more to do with weather-related factors and with prices of coal. Prices of coal are very high so that makes, you know, natural gas able to replace coal increased demand and the higher or the colder weather, particularly during the month of April, has also had a significant impact in prices. Again, I think in natural gas it's more that than the war in Ukraine, and the reason for that is the LNG facilities in the U.S. are working already at full capacity so there has not been a significant increase in energy due to the war, it has increased the volume but it had already been planned that way, so those will be, I say, the consequences of the Russia-Ukraine. We do have an operation in the UK as you know and the increase in natural gas and power prices in that particular plant are more significant, but we're relatively hedged to those price increases with the contracts that we have.

**Tasso Vasconcellos, UBS:**
That's very clear, thank you.

**Alejandro Elizondo:**
Thank you, Tasso. Our next question comes from Vanessa Quiroga with Credit Suisse. Vanessa, please unmute yourself and go ahead and ask your question.

**Vanessa Quiroga, Credit Suisse:**
Excellent, thank you Pepe, José Carlos, Alex. My question is regarding your assumptions for the new Guidance: what are you assuming for the Asian spread of PET and for the North American spread for polypropylene in this Guidance, not for the average of the year but for the end of the year if possible, and also how much is impacting freight costs, in import parity levels? Thank you.

**José de Jesús Valdez:**
Okay, well those are key questions Vanessa, I would say I think I did mention during my presentation that we are in terms of PET I think we're assuming Asian margins of four of I'm sorry, 355 dollars as opposed to 315 in the original Guidance. In terms of polypropylene actually we are assuming that polypropylene margins end up the year as in the original Guidance, and again reasons that I mentioned have to do with the start of the new facility, the new plant in North America and so, in those two segments we do assume that they're gonna go gradually down.

In terms of ocean freight, you know, that's the most difficult variable for us to forecast to be honest. What we are saying is that at least for this quarter, second quarter, the freights are going to remain pretty much where they are today and during the second half of the year, we assume that the cost per container is going to go down to somewhere between 6,000 and 7,000 dollars per container, and versus the nine to ten thousand that we have today, so we do assume that freight rates are gonna go down in the second half and so those will be the key assumptions. In very simple terms you could say that the

Guidance today is based on the fact that second quarter remains relatively strong, similar to first quarter, might even be a bit higher and the second half goes back very close to the original Guidance, so again if situations were to remain as they are, we might have an upside in the Guidance EBITDA, but we will discuss when the time comes.

**Vanessa Quiroga, Credit Suisse:**
Pepe, in dollars per ton, how much is the freight?

**José de Jesús Valdez:**
In dollars per ton, we are talking, of depending of you know, East coast, West coast but we're talking around somewhere between 300 and 400 dollars per ton.

**Vanessa Quiroga, Credit Suisse:**
Okay, okay, wow, yeah, thanks Pepe.

**José de Jesús Valdez:**
You're welcome.

**Vanessa Quiroga, Credit Suisse:**
That's very clear.

**Alejandro Elizondo:**
Thank you, Vanessa. Our next question comes from Andrés Cardona with Citi. Andrés, please unmute yourself and ask your question.

**Andrés Cardona, Citi:**
Thanks Alejandro, good morning Pepe and José Carlos. I have two questions maybe staying with the previous question, I would like to understand what is your view about the market dynamics that are driving a kind of a reliability premium for the domestic production in the Americas, how sustainable do you think it could be over the mid to long term?

And the second one is very strong cash flow, outlook remains very positive, leverage remains low despite the OCTAL acquisition so, how are you thinking about capital allocation nowadays if you are still looking for M&A opportunities and how can you like, prioritize it versus extraordinary dividends? If you can share your thoughts about these two points.

**José de Jesús Valdez:**
Let me, perhaps, start with the second question, for the time being as you know, we have the investment of the OCTAL facility and that we're gonna have to pay within the next couple of months, so that will significantly increase our debt short term, of course, we have secured their contracts which are very attractive, at very attractive rates and we are ready to do that. The second step, Andrés, would be the decision of whether to continue or not with Corpus Christi, which I would say is high probability that we will, so that will that also represents a commitment and a CAPEX commitment for the next two, two and

a half years, we also have to take that into consideration, so in terms of what I would say, very likely investments those two are clear.

And the other question, we will continue to look for M&A, well of course, we will continue to look for M&A opportunities and again, decision on whether to pay additional dividends or not, are going to be based on the cash flow that we see during the rest of the year, but nothing has yet been decided other than the fact that we are ready to go ahead with Corpus Christi and we're ready to go ahead with OCTAL.

And then your first question, you mention reliability premium, well I do believe, that's a good question. I think during these last couple of years, I think a lot of our customers, domestic customers in particular, I think they have become more appreciative of the advantages of having a domestic supplier, not only in terms of of the cost or the freight cost, but also in terms of the delivery schedule, of the certainty of delivery, reliability of the shipments, so yes, I think that going forward, I think the customers, domestic customers, they're gonna be more willing to accept a higher premium relative to imports, I'm convinced that's gonna happen but difficult to put a number on that right now.

**Andrés Cardona, Citi:**
Thanks Pepe.

**Alejandro Elizondo:**
Thank you, Andrés. Our next question comes from the line of Jean-Baptiste Bruny with BBVA. Jean, please unmute your line and ask your question.

**Jean Bruny, BBVA:**
Hi, thank you very much. Just a couple of questions on OCTAL actually, can you be a bit more specific on the authorization you already received and the one which are still pending and in the last call you mentioned that you expected an impact on EBITDA after consolidation of about 80 million dollars from the consolidation of OCTAL, is the number still the same at current stage or are you a bit more optimistic or pessimistic? Thanks.

**José de Jesús Valdez:**
All right, well, in terms of OCTAL, I actually, I believe we have very good news. We have obtained the most important regulatory authorizations, the project has been approved by pretty much every country where we had to request a permit including the U.S.A., including Saudi Arabia, Brazil.

**José Carlos Pons:**
Turkey.

**Alejandro Elizondo:**
Turkey.

**José de Jesús Valdez:**
Turkey, I think pretty much every country has approved or authorized us to go ahead with the project so, the only exception being Ukraine for reasons that I am sure you can understand, so Ukraine who was

originally part of the agreement, we have a waiver to go ahead and close the transaction without the authorization from Ukraine so I would say from the regulatory perspective, we are all clear to close the transaction, what is pending right now is only the final, you know, the final agreements mostly between OCTAL and their banks to be ready for closing and that's what I said, we should, if things go as expected, be able to close sometime in May actually the transaction. We are very optimistic, the last authorizations we received were over last weekend, Friday from the U.S. and Sunday from Saudi Arabia, so there is actually no more conditions to be made, it's just the paperwork, you know, that to close all the deal.

In my presentation, I mentioned that we expect, assuming that we close in June, we would expect an incremental EBITDA, not considered in the guidance, of 85 million dollars, again this is aligned with sort of the assumptions behind our guidance, that second half is going to be very much in line with budget or with the guidance. Should the margins continue, you know, as they are today, yeah, there is a significant upside on the EBITDA that we could get from OCTAL and even more if we can close the transaction end of May, we will have an additional month, so yeah, I think there is an upside and again, we are doing everything we can to close the transaction by the end of next month.

**Jean Bruny, BBVA:**
Thank you, thank you very much.

**Alejandro Elizondo:**
Thank you for your question, Jean. We will now move on to written questions. Our first question comes from Ben Isaacson with Scotiabank, Pepe, Ben asks what is your aspiration between contracted versus spot PET volume? Why not move to a 100% contracted and improve your multiple by reducing variability and investor uncertainty?

**José de Jesús Valdez:**
A significant portion Ben, of our contracts is, I mean, it’s on a cost-plus basis, pretty much everything in North America, Mexico as well, the only, as you say, spot prices that we have is South America, Brazil and Argentina, those are the biggest PET sales that are not strictly under sort of a cost-plus or fixed price and yeah, as you mentioned, this a matter of, yeah, we could increase this certainty of stability for cash flow but again remember, just imagine what would have happened to us if those prices had been fixed two years ago, we would have lost a lot of upside.

So it's a matter of again, negotiating with the customers what they want and they just want to be more related to the prices in Asia and again, in these last couple of years that has been a very big advantage for us because the impact of the freight rates and the margins in Asia we've been able to capture, if we had been on a cost-plus basis, the margins would have been significantly lower, so there is, I understand your point, we would like to have everything stable but you know perhaps, if you are suggesting what we should do is to fix those contracts at times like this, when the freight is high and the margins are high but as you can imagine our customers are quite tough, but yeah, I mean the issue of trying to have more predictability, more stability, is something that we will continue to work and then as you say, we try to increase our multiple based on that.

**Alejandro Elizondo:**
Thank you, Pepe. Our next question comes from Sofía Martin with GBM. Sofía asks: given the higher than expected results and revised Guidance, can we expect an extraordinary dividend?

**José de Jesús Valdez:**
Sofía, thanks, again, as I mentioned, that is going to depend on cash flow generation from now on and also I would say, OCTAL is pretty much a done deal from our perspective and also in the decision to move ahead with Corpus but if though, I mean, if the results continue to be strong, you know, like Guidance or a little better than Guidance which is a possibility to be honest then I would say yes, I think it's a good chance that the board will decide to increase the dividends. Always of course, watching the leverage of the company, without going to something that would, reduce our financial stability, yeah, but that's a possibility.

**Alejandro Elizondo:**
Thank you, Pepe. Maybe following that thread of conversation, our next question is also from Ben Isaacson who asked for a pro forma leverage post OCTAL acquisition.

**José de Jesús Valdez:**
I would say with OCTAL only I think it would be like 1.5, around 1.5.

**José Carlos Pons:**
1.5, 1.6, yeah.

**José de Jesús Valdez:**
But Ben, our goal as we have explained to you many times, would be to get closer to 2x's. So that's something that we have some flexibility there and hopefully we will continue to reduce our debt very quickly, I mean, when people say, yeah, what happened when your margins normalized, well I don't know, March is normalized also the investment in working capital is going to come down most likely and that, you know, will free a lot of cash flow I think our investment in working capital over the last two years, has been more than 400, 500 million dollars, so, we do have, yeah, so you say margins normalized, EBITDA goes a little bit down but then working capital most likely would also come down but those are, that's the range Ben that we're considering, you know, trying to stay below two times even in the worst case.

**Alejandro Elizondo:**
Thank you, Pepe. Our next question is also from Ben who asks: what debottlenecking opportunities are there to permanently increase both Polyester or Plastics and Chemicals productions problems? What is the timing and CAPEX behind those?

**José de Jesús Valdez:**
We are already in process with some debottleneckings of some of our plants but not major debottleneckings, you know, it's multibottlenecking in our Brazilian PTA plant, we have that under consideration and small debottlenecking in our Pearl River facility also is on the way, and for the time

being those are the main projects, but yeah a very small debottlenecking in EPS in the U.S. Eventually we do believe that we're going to pursue a project in Altamira to debottleneck PTA a little bit, but more than the bottlenecking, I think, the objective is to improve the cost, to reduce costs and improve or reduce our carbon emissions, so we do have some opportunities in all of those areas.

**Alejandro Elizondo:**
Thank you, Pepe. Our next question is also from Ben who asks: the increase to your contract margin, how much of that was because of higher ocean freight rates? and if freight rates return to normal levels, how much of the contracted 100 dollars per ton in PET margin could be lost?

**José de Jesús Valdez:**
That's a good question, I would say probably, in the U.S. market probably, I would say perhaps like 5 cents per pound could be lost from the contract.

**Alejandro Elizondo:**
Very well, thank you, Pepe. We have another question coming in via live from Alejandro Chavelas. Alejandro, your line has been unmuted, please go ahead and ask your question.

**Alejandro Chavelas, Credit Suisse:**
Hi Pepe, José Carlos, thanks for the space and congratulations on the results. Just a question, I've been looking at Asian Polyester producers and if I'm reading this correctly, that Polyester fiber margins have been falling a lot and utilization of Polyester producers has been falling a lot because of the COVID lockdowns. Could you help us understand what is the impact of that in your business, like with PTA in particular, PTA spreads fall significantly, how do you read this? Because I know it's not exactly the same business as PET but there are some cross reading implications, so if you can help us understand that better that's super useful.

**José de Jesús Valdez:**
Yeah, well of course that there are impacts, our exposure to fibers though, as you know, is very limited nowadays, we shut down our fiber capacity in the U.S. last year, so we have a really very small capacity in Polyester fibers, so the direct impact into fibers is very limited.

In terms of PTA, I guess you are right Alejandro, I mean, when you look at the margins, PTA margins in Asia under the circumstances, I would say they are on the low side and I think PTA margins in Asia are on the low side, I mean in the low side you consider all the cost of other chemicals into the PTA which have been higher and cost of energy, so the margins you look compare historically they look okay but if you add those cost factors, the margins are actually relatively low in PTA and I think the explanation is exactly what you're saying, the fact that the Polyester fiber has not been, the demand has not been as strong as expected.

So I think we already have some of that in our PTA margins, again fiber is not an important sector for us and PET, what I explained before, PET we are sort of isolated, at least versus China because of the anti-dumping, in Polyester fiber we do have also anti-dumping filament to the U.S., we are going to have a dumping in Mexico against Polyester filament from China and India also starting this October so, in Brazil we do have some filament, textile filament as well. We also have an anti-dumping against China, so I guess all of these factors sort of protect us a little bit from the Chinese or Asian situation in fibers.

**Alejandro Chavelas, Credit Suisse:**
Right, I understand so the impact on PTA margins from this struggling Polyester industry is already reflected in current PTA margin, right?

**José de Jesús Valdez:**
I would say so.

**Alejandro Chavelas, Credit Suisse:**
It's more upside than downside at this point.

**José de Jesús Valdez:**
I think so.

**Alejandro Chavelas, Credit Suisse:**
Okay, great, thanks Pepe.

**José de Jesús Valdez:**
You're welcome.

**Alejandro Elizondo:**
Thank you, Alejandro. Well that was the last question we have in our queue.

As always I'd like to remind you that you can find both a video recording of today's webcast as well as a full transcript on our website at alpek.com. Thank you all for participating today.

Have a great day!