CORPORATE SPEAKERS

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[TRANSCRIPT BASED ON CLOSED CAPTIONING / PLEASE REFER TO AUDIO FOR OFFICIAL RECORD]

Antón Fernández:
[Slide 2] Hello and welcome to Alpek's Second Quarter 2022 Earnings Webcast.

[Slide 3] Good morning, my name is Antón Fernández, and I am honored to assume my new role as Alpek's Investor Relations Officer. 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, Pepe and José Carlos will comment on Alpek's second quarter performance, recent events, and updated Guidance figures. 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 uncertainties. 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 Pepe.

José de Jesús Valdez:
Thank you, Antón, we're happy to have you as the new IRO. Good morning, everyone and thank you for joining us today.

I am very pleased to mention that, in the second quarter, Alpek continued to navigate 2022 successfully. Margins were more robust than expected across all key products in our portfolio, which supported the Company in achieving record quarterly highs for both Comparable and Reported EBITDA.

[Slide 4]
Let's begin with a review of the main topics we will cover today:

- First, Alpek Alpek significantly surpassed financial performance expectations for the second quarter; as José Carlos will review in greater detail later in this presentation
- Then, we will discuss the conclusion of the OCTAL acquisition and its added value to our portfolio
- Third, we will give an update on Corpus Christi Polymers
- Fourth, we will cover the recent SBTi approval
- And finally, we will provide revised 2022 Guidance, per the Earnings Report released yesterday

[Slide 5]
Let me provide some context for the second quarter results. These past few months have been marked by sustained inflationary pressures. Meanwhile, Asian integrated Polyester reference margins averaged $410 dollars per ton for the quarter, higher than expected, and only 2% lower than the previous quarter, with the spread between Chinese and Asian margins narrowing slightly to $93 dollars per ton.

[Slide 6]
North American Polypropylene reference margins, however, experienced an unexpected quarterly increase, averaging 39 cents per pound, 3% higher quarter-on-quarter due to tight market conditions.

[Slide 7]
Also in North America, EPS average reference margins declined by 14 cents per pound during the second quarter, due to higher raw material prices, but nonetheless remained at strong levels.

At this point, José Carlos will take over and go into more detail regarding the specific 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 quarter under discussion:

- Overall volume increase to 1.26 million tons
- Record quarterly Comparable EBITDA of $369 million dollars, with both the Polyester and Plastics & Chemicals segments posting their highest quarterly figures ever
- Leverage increased slightly to 1.2 times due to the OCTAL acquisition

[Slide 9]
Delving deeper into Volume, Alpek reached 1.26 million tons this period, 4% higher than in the previous quarter. This was due to sustained high demand and, of course, the inclusion of the PET business from OCTAL. If we exclude the incremental volume from the recent acquisition, volume decreased slightly by 2% QoQ and was flat YoY, as a result of scheduled maintenance at one of our sites.

In the polyester segment, volume was 1 million tons, 5% higher quarter-on-quarter, largely due to:

- Sustained high demand and,
- The recently incorporated PET sheet and PET Resin facilities from OCTAL

In Plastics and Chemicals, volume was 2% lower quarter-on quarter, due to the fact that:

- The increase in EPS volume was offset by a slight decline in Polypropylene volume

[Slide 10]
Moving on to raw material price dynamics:
- Average spot Brent Crude Oil price increased to $113 dollars per barrel, 16% higher than in the previous quarter largely due to the effects of inflationary pressures
- U.S. reference paraxylene prices increased by 41%, much greater than the rise in crude oil, and
- In Plastics and Chemicals, Propylene prices remained stable, averaging 61 cents per pound, a 4% decrease when compared to the previous quarter

[Slide 11]
Switching over to the EBITDA breakdown for the quarter, we can see that total Comparable EBITDA reached a record $369 million dollars, and was 11% higher than the previous quarter. This was primarily due to better-than-expected margins from our main products, as well as strong volume across both segments.

Reported EBITDA was $507 million dollars, 11% higher, quarter-on-quarter. This result also included:
- A non-cash inventory gain of $80 million dollars
- A positive carry-forward effect of $73 million dollars

In terms of results by key segments, Polyester Comparable EBITDA was $218 million dollars, 13% higher quarter-on-quarter and 113% higher year-on-year, making this the strongest quarter ever for the segment.
- This was due to solid volume and resiliency of the Asian Polyester reference margins, which remained higher than expected, averaging $410 dollars per ton
- Excluding incremental EBITDA from the new PET business, Polyester Comparable EBITDA would have still been higher than the first quarter

In Plastics & Chemicals, Comparable EBITDA also set a new quarterly record of $147 million dollars, a 3% increase quarter-on-quarter and 22% year-on-year. This was mainly due to:
- Increasing Polypropylene margins stemming from limited supply, which led to tight market conditions
- As well as stronger-than-expected EPS margins

[Slide 12]
With regards to Free Cash Flow generation in the quarter:
- Net Working Capital investment increased by $238 million dollars, largely due to rising raw material prices during the quarter
- CAPEX totaled $678 million dollars and was mainly allocated to the OCTAL acquisition
- This all resulted in a negative Free Cash Flow of $535 million dollars as record EBITDA was more than offset by CAPEX

[Slide 13]
Finally, I want to discuss the Company’s financial position during the second quarter:
Alpek’s Net Debt increased to $1.78 billion dollars and last-twelve-months EBITDA also increased to 1.5 billion dollars, resulting in a Leverage ratio of 1.2 times Net Debt to EBITDA

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

José de Jesús Valdez:

Thank you, José Carlos. Let us review the recent events.

[Slide 14]
Per the announcement sent out in May, Alpek concluded the OCTAL acquisition earlier than anticipated, thus assuming operational control as of June 1st. This includes a main facility with both PET Sheet and Resin in Salalah Free Zone, Oman, a PET Sheet Recycling facility in Cincinnati, Ohio and a PET Thermoform Packaging facility in Riyadh, Saudi Arabia.

These assets bring Alpek into the PET Sheet market, which has an estimated annual growth rate of 6%, and allow it to serve increasing demand for its PET Resin business. The strategic locations I just mentioned also facilitate the lower-cost procurement of raw materials as well as access to existing and new clients across the Americas, the Middle East, northern Africa, and Europe.

Furthermore, the addition of PET Sheet to our portfolio, brings opportunity for us to vertically integrate it into our existing PET facilities in the future. And very importantly, OCTAL's D-PET proprietary technology for PET Sheet will generate a product with approximately 25% lower carbon footprint than the rest of the industry, which is very exciting to us as it brings us further along in our ESG goals.

We are excited to welcome OCTAL's management team and employees into our team.

[Slide 15]
Earlier this week, the Company announced that the three partners of Corpus Christi Polymers: Indorama Ventures, FENC and Alpek will resume construction of the PTA-PET site in August of this year, with an expected completion date in early 2025.

CCP will function as an independent tolling company whereby each partner will procure its own raw materials and have access to one third of the annual capacity, which is 1.1 million tons and 1.3 million tons of PET and PTA, respectively. For Alpek, this is equivalent to approximately 367 thousand tons of PET and 433 thousand tons of PTA. This is expected to be the most competitive site in the Americas and will allow Alpek to continue supplying increasing customer demand. Its strategic location in the U.S. Gulf Coast will also facilitate competitive raw material procurement and lower distribution costs, as well as raise scalability across Alpek's sites in the Americas.

[Slide 16]
On July 7, Alpek announced that it has received approval from the Science Based Target initiative, SBTi, for its ESG target related to carbon emissions reduction. The SBTi's Target Validation Team has classified the Company's scope 1 and 2 target ambition and has determined that it is in line with limiting warming to well-below the 2 degrees Celsius trajectory, which guarantees the Company's efforts to combat climate change.

As part of the science-based target the Company has committed to reduce:
One: Absolute Scope 1 and 2 greenhouse gas emissions by 27.5% by 2030 from a 2019 base year
Two: Scope 3 emissions by 13.5% within the same time frame

This reaffirms Alpek's emissions reduction target as feasible and well-aligned with the Paris Agreement. Alpek is confident that by transitioning to fully renewable electricity sources, improving its energy usage, and generating emission-free steam, among other initiatives, it will be well on track to meet its targets and continue its path towards carbon neutrality by 2050.

[Slide 17]
Finally, regarding the outlook for the remainder of 2022, and based on the stronger-than-expected margins that we have seen this year across the key products in our portfolio, the new PET business, and our results thus far, particularly for Plastics & Chemicals, Alpek has revised 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, unchanged from previous Guidance
- Asian Integrated PET Reference Margin of $370 dollars per ton, which considers an average of $330 dollars per ton for the second half of the year based on expected normalization and solid demand
- As well as a slower decline than previously expected for North American Polypropylene and EPS margins
- Overall Volume and CAPEX remain unchanged, as both are currently in line with the original Guidance

Based on these assumptions, Guidance for overall Comparable EBITDA for 2022 is now set at $1.475 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 Antón to open the Webcast for Q&A.

[Slide 18]

Questions and Answers

Antón Fernández:

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. 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.

The first question comes from Luiz Carvalho from UBS.

Luiz Carvalho,UBS:
Hi Pepe, hi José Carlos, Antón, can you can you hear me well?

José Carlos Pons:
Very well.

Luiz Carvalho, UBS:
Okay, thank you, so two questions from my hand, first of all congrats on the results, very strong. The first one is in regards to the PTA and PET spreads looking forward, right? I mean during the third quarter at least the first month, we're still seeing the companies being able to pass through the prices, we are seeing somehow a decrease in terms of the feedstock cost, so just trying to understand the dynamics now and look into the fourth quarter, I mean seasonality plays, you know, a bit against in terms of demand but just trying to get a better sense in terms of how you're seeing the supply/demand and the spreads for the remaining of the year and 2023?

And the second question is, if you can provide a bit more details about the Corpus Christi project, what are the next steps and what could we expect in terms of potential impact on the spread as well looking forward and of course the Alpek participation of that? Thank you.

José de Jesús Valdez:
Okay, well, Luiz regarding your first question, as I mentioned PET spreads in both, in China and in Asia have been stronger than we anticipated, you know, for the original Guidance and the budget. During the first quarter and we would talk mostly about the Asian reference price more so than China because I do believe the Asian margin has more impact in our operations than the Chinese since with the Chinese in most of our markets we have anti-dumping duties, so we will talk about Asian prices to simplify the discussion.

Well, during the first quarter this year, the Asian prices were $420 dollars, during second quarter the Asian prices were $410 dollars, so a very slight two percent decrease, lower than what we were expecting, now for the third and fourth quarters we are assuming that this margin is going to go down to $330 dollars, from $410 to $330 dollars, again as we start this month, margins are still higher than that, but which we are trying to be a conservative because in terms of supply/demand when you look at the numbers, there is inferior, at least enough supply to meet the demand at a global level, so that's why we are assuming this $330 dollars which would be the normal margin that we have seen during the previous four or five years, that $330 comes from that, from those numbers. There have been as you know restrictions based on the pandemic and things like that but we still assume that that's going to be the margin.

Now of course this also held by logistics, logistics costs are higher than previously and that's helping a little bit, on the other hand we do have a challenge with the prices of raw materials of Paraxylene in particular in North America, during the last couple of months prices of paraxylene in the US in particular have been much higher than the prices of paraxylene in Asia and that's due to the fact that gasoline prices and in particularly gasoline margins over crude have been very high and that has increased the opportunity cost for the xylenes that are the main feedstock for the paraxylene. So as a result of that, we have experienced very high prices of Px during the last two months and although we believe that they are going to normalize during the next month, you know, particularly as the summer driving season ends, we are also considering that factor for, you know, for having those $330 dollars margin, just in case that reductions in price in North America take longer, so again that's basically the reason that we're seeing the margins where they are, next year we still believe that the supply demand particularly when you look at North America are going to remain healthy and we do hope that margins will be a little bit better than normal still for 2023, okay, so I hope that answers your first question.

With regards to Corpus Christi, well Corpus Christi I think already mentioned, we are going to go ahead with the construction with taking a significant time to finalize engineering to make sure everything is ready to go without interruptions and without creating productivity issues in the project that were factor why the high cost of over runs were experienced in the last couple of years. So we feel confident that we do have a budget that is very realistic and doable and again based on that we've given the green flag to start next month and we expect to finish, at least mechanical completion, by the end of 2024. Three partners are, you know, three parts, 33.3% each and well, the increasing capacity is going to be significant but we have to remember that nowadays there is close to one million tons of PET that are being imported into North America, so again, I think with with the growth in the market plus the fact that some of those imports can be replaced, we do believe that the new Corpus Christi capacity will, you know, be allocated into the U.S. market without creating a big disruption in the market, that's our perception today from previous, I guess, calls or conversations with you, we have mentioned to you that we have been expected in the medium term growth for PET in particularly North America somewhere between zero and one percent per year and I'm talking here of mostly virgin PET and I think we have also increased our expectation a little bit, we now see virgin PET with perhaps, grow somewhere between two and three percent per year, so that would also help to accommodate the new capacity of the Corpus Christi plant.

Luiz Carvalho, UBS:
Okay, very clear and if I made just a quick follow-up, how do you think that this may impact your, you know, the dividend plans? I mean for 2024 because of the CAPEX related to the project.

José de Jesús Valdez:
Well, we mentioned total investment for this project is going to be around $300 million power share, $300 million dollars over the next two and a half years and to be honest that, of course it's going to be

an important investment but I don't think that will have, that will imply any restriction on the dividend payments that we have planned, I think we will be able to go ahead financing the project and at the same time pay dividends, particularly if the results remain as strong as they have been and the Leverage is you know, is also at the 1.2x level after the OCTAL acquisition so I've shared with you that we feel comfortable, so to say or so to speak, is our target level for leverage is more around the 2.0x and we are 1.2x so, we believe there is room to go ahead with this project and to pay dividends without exceeding this 2.0x Net Debt to EBITDA figure.

Luiz Carvalho, UBS:
Okay, clear. Thank you very much Pepe and José Carlos, Antón thank you.

José de Jesús Valdez:
You're welcome.

José Carlos Pons:
Thank you.

Antón Fernández:
Thank you Luiz. The next question comes from Nikolaj Lippman from Morgan Stanley. Nik your audio has been enabled, please unmute yourself and proceed with your question.

Nikolaj Lippman, Morgan Stanley:
Hi good morning!. Thanks a lot, thanks for the call, congrats one more time on these absolutely incredible numbers. Now I have two questions pertaining to recycling and ultimately sort of entry barriers to the industry.

1. What degree are you working on trying to establish a recycling standard for the industry together with both, your peers and brand owners? and
2. Very much for you Pepe, I really appreciate your comments in the past pertaining to the different alternatives in chemical recycling, I was wondering if there's anything new to share in respect to that? and

Also when we think about the Corpus plant, it's so big that if you decide with your partners to have a standard of chemical recycling baked into part of that, it almost becomes the industry standard so, my question is
1. Do you plan to have any kind of recycling capacity as part of that nominal capacity one? and
2. Would you prefer to have a proprietary technology or would you want to work with your partners? Like you're doing with Integrex, to have a similar standard between you and your your partners in the project.

Thank you very much and again congratulations.

José de Jesús Valdez:
Well, I think in terms of recycling, our main objective really, more than having a proprietary technology and trying to take advantage of the market or I think our most important or biggest concern is to make

sure that we recycle as much product as possible and I do not believe that today that you're going to have a standard recycling, I think you're going to see a lot of very different technologies coming into the market, eventually when those settles, you might all converge into a, you know, a sort of standard technology which hopefully will be the most effective but right now there are many ways of of recycling mechanical, chemical, even in chemical you know there are several different routes and I think, you know, all of them work, to be very honest what I see as the biggest constraint for increasing in a significant way the recycling content of our products is the collection of used bottles, the collection of bales of bottles, that's the most, again, challenging test, you can have the best technology chemical, non-chemical, but the real difficulty lies how are you going to get the basic, you know, the feedstock to run those plans and that is something which we are working with different groups to try to make sure that we increase that, if you do have enough feedstock, I would dare to say that even with the technologies that are existing today, I mean, we should do a very good job at increasing recycling content to somewhere between 25 even 50 percent, so again our concern is not so much to develop, at this point, to develop a technology that would, you know, separate us from the rest of the industry and in fact, we are very open to cooperation with our peers as you mentioned and other parties, I mean, in some cases cooperation with companies that have nothing to do in the PET business, a lot of the new ideas or the new players have nothing to do and not existing players into the virgin PET arena.

So that's again not our priority, our priority is to make sure that this works and again, from my perspective, of course, we are working in different technological routes with different people but the key for me is however we're going to make sure we can collect more bottles and I will make an important point now and now after we acquire the OCTAL business is now not only the challenge to collect more bottles, how do we collect also more thermoform so that we can also recycle those, so we continue to work in that and as I say I'm a little bit less concerned with technology than with the fact that we do have to significantly increase the collection if we want to make an important change for the industry.

Nikolaj Lippman, Morgan Stanley:
That's very clear just I'm sorry if I missed it, but are you planning to have a recycling part to that Corpus plant or will that be 100 virgin or do you yet to have to make that decision?

José de Jesús Valdez:
No Nikolaj, I think we all want to have a recycle, I mean, recycle capabilities there, we think their technology that are available for that are relatively developed already but again until we have more collection we cannot commit to, you know, a specific project there, I think the desire is there to utilize a plan for recycled product but again we do have to have the the collection first. I remember something you know, you can do recycling, I mean, you can recycle PET going through the plant or you can recycle PET without interfering with the operation of the plant and we are really working very hard with our customers, believe it or not, they want some of our customers are telling us that they probably prefer our pellets than SPT because they want to have the flexibility, the problem with the with the rpellet in the SPT technology is that so far there's some sort of limit to, you know, process 25% something like that and in some cases our customers want to have the flexibility where they can produce certain products with 50% of recycled content or even more even 100% percent so they do want to have that flexibility, it might be that they want to do certain products 100% and certain other products 25% or even less, so we have to also align this very well with the needs from our customers but, I mean, the point is the plant,

of course, is capable of recycling and all of the partners certainly agree that that we would like to do that.

Nikolaj Lippman, Morgan Stanley:
Thank you very much again congratulations Pepe and everyone.

José de Jesús Valdez:
Thank you.

José Carlos Pons:
Thank you Nik.

Antón Fernández:
Thank you for your question, Nik. The next question comes from Alejandro Zamacona, from Credit Suisse. Alejandro, your audio has been enabled, please proceed with your question.

Alejandro Zamacona, Credit Suisse:
Hi Pepe, José Carlos, Antón, thank you for taking my questions. A couple of questions here: the first one on OCTAL - in the press release you mentioned that the Revised Guidance includes a $120 million US dollars for EBITDA contribution from OCTAL and that's roughly $205 million annualized EBITDA and much higher than the $85 mentioned in the last conference call, so the question is, what would be a normalized figure for OCTAL's contribution going forward? And also if you can mention what was the mix between cash and debt to pay for this acquisition? Thank you.

José de Jesús Valdez:
Okay well, Alejandro, I think you're right, I think we mentioned in the original press release, what was it a month and a half ago when we announced the acquisition, that the Guidance, we were increasing our Guidance like $120 million. I think since we have revised that a little bit higher and part of the difference versus the $85 that we originally mentioned has to do with the fact that the acquisition came one month ahead of time. We were assuming that the acquisition would be finalized by the end of June and it was finalized as you know by the end of May, so we have one more month so that increase the Guidance by itself and the other reason was that, of course the margins that we are seeing now are higher than we expected and in fact you know, I will tell you that the contribution from OCTAL in second half of this year is going to be more important than the $120. I think our new Guidance we are assuming like $140 for OCTAL and I have to say that we still see a a significant upside.

Alejandro Zamacona, Credit Suisse:
Okay Pepe and going forward, what would be a normalized EBITDA contribution from this?

José de Jesús Valdez:
Well, the number we based our evaluation was, you know, EBITDA gradually going down to I think, to a a little bit over $100 million dollars but again I mean and this is not the Guidance, but the latest estimate we're having is this year the EBITDA of this company could surpass the $300 million dollar.

Alejandro Zamacona, Credit Suisse:
Perfect, thank you.

Antón Fernández:
Thank you Alejandro, thank you for your question. Our next question Compass, your audio has been enabled, please proceed with your question.

Compass Group:
Hi Pepe, José Carlos and Antón, can you guys hear me?

José Carlos Pons:
Yes, very well thank you, hi how are you?

Compass Group:
Good, very good, I mean, congrats. As Nik said on another great quarter two questions - one is I guess a follow-up on what Luiz was saying about you know normalized margins for the second half, just wondering on the Asian side, I mean you mentioned kind of your assumption is $330 per ton but as I go beyond this year and if I think about normalize whatever that means because it's tough to have a normalized number ever but as we move forward in terms of Asian margins, in terms of Polypropylene margins, in terms of freight costs, I mean at some point they will obviously normalize and just wondering as you look forward, what is that number in terms of margins or freight costs that you use going forward? And what does that mean in terms of potential normalize EBITDA now that you kind of include OCTAL just to get a sense because this year I guess you're going to do 1.5 billion almost EBITDA but you know there's a lot of you know, additional EBITDA that comes with the cycle, so just to get a sense of the new format everything you have, how does that number look like perhaps for 2023 and beyond? that'll be my first question and then I guess somehow related to that, it goes to the discussion about the dividends because as you as you correctly pointed out, I mean you guys would like to be closer to 2x but you're closer to 1x now actually and it might go even a little bit lower than the 1.2x you have now, so how do I reconcile that from the fact that, as you mentioned, CAPEX for Corpus Christi doesn't seem that much if you spread it out in two and a half years and also I would reconcile about the needs of your majority of shareholder who has kind of lost one avenue to deliver with Axtel clearly relies more so how do we put all that together and whether we can expect an extraordinary dividend again this year or that's something that will be discuss more for the next year? Thank you.

José de Jesús Valdez:
Look, first your question about normalized EBITDA, I think if you look at history, I think you could expect that Asian margins that today are over $400 dollars could eventually come back to, I would say $270-$300 dollars, I don't know how long we will take to get there but it could so that's a possibility and that is a number that sometimes we use in our financial projections so in the in the high $200s I would say it's a normalized for PET resin in Asia which will be low $200s for China, today again and that's why your question is so difficult, today the margin in China is $369, the margin in Asia is more than $450 dollars so but eventually that's a number that we could say that Asia could go back to sort of you know high $200s from where it is today.

In terms of the impact in our EBITDA which this year as you say is going to be $1.5 billion, the numbers could tell you that we could go down if everything goes back, I mean not only PET but also Polypropylene and also EPS, if all the margins go back to historical levels, you know, in difficult times, I mean to the low level of historical levels, the margins go back there, well you know, we could probably say that our EBITDA with existing business we have could go back down to like of 1 billion, those are the numbers we see, assuming no Corpus Christi, assuming no new projects, so that's the range that we considered that could eventually get there.

Okay, if that is the case, well, the low leverage close a relatively strongly EBITDA even after normalization and I will add something else that is very important for you, I mean when you look at our leverage ratio today of 1.2x, you have to consider that we do have right now a very high level of working capital, our working capital as you talk of normalization, our EBITDA I would normalize let's say 1.5x to perhaps 1x but if that does happen, most likely we're going to be able to reduce our investment in working capital by around $600 million dollars, so the debt you have today which is $1.77 would go down to $1.1, so again, EBITDA goes down but debt goes down significantly also because the lower working capital and then you have room because you have very low leverage, so that is to say that yes we do believe that the board, not we, are going to declare a extraordinady dividend in the October board meeting or at least I think the management we are going to recommend to do that.

Compass Group:
That’s a great answer Pepe. And I guess my last question can I also a follow-up on the incorporation of the million tons coming from Corpus Christi, you mentioned there's about a million tons roughly speaking that are coming from imports but do you think is it going to be a 100% of those imports being displays and going somewhere else or do you feel that in order to accommodate that extra capacity there will be some high cost capacity in North America that will probably you know stop producing or how do you see that rebalancing as you bring it on?

José de Jesús Valdez:
I do believe you're right, I think some of this new capacity will come from natural growth of the market, some of it will become from replacing imports and some of it you're right, might come from shutting down very high cost capacity. I think it's going to be a combination of those three factors: growth, lower imports and perhaps some of the least efficient plants being shut down.

Compass Group:
Great, thanks a lot for your answers and congratulations again.

Antón Fernández:
You're welcome, thanks for your question. The next question comes from Pablo Ricalde from Santander. Pablo, your audio has been enabled, please proceed with your question.

Pablo Ricalde, Santander:
Hey, hi good morning, I don't know if you can hear me now?

All:
Yes, we do.

Pablo Ricalde, Santander:
I have two follow-up questions on Luiz' questions on the Corpus Christi project – I don't know if you can remind us your CAPEX credit you have for the project, and the second one is I believe you had an agreement with Jacobs to manufacture the plant, that was ahead of the pandemic, I don't know if that agreement continues?

José de Jesús Valdez:
Well there's, Jacobs became a new company, so it's a new company now it's not called Jacobs, it's called Worley, but yes they are the construction manager of the project, they're very familiar with it and they are very involved. Okay and on your first question I will ask José Carlos to answer that.

José Carlos Pons:
Thank you, Pepe. Pablo yes you're right that we have a credit on the CAPEX, it's still finalizing the numbers, but it's between $25 and $30 million dollars.

Pablo Ricalde, Santander:
Okay, thanks.

Antón Fernández:
Thank you, Pablo. The next question comes from Jacob Kim from Scotia. Jacob, your audio has been enabled, please proceed with your question.

Jacob Kim, Scotiabank:
Hello, can you hear me?

All:
Yes, perfectly.

Jacob Kim, Scotiabank:
So congratulations on the results, I just had a few questions: so across your different business lines I guess where are you seeing strength and weakness in end-user demand and I guess as we enter a period of macro weakness what areas of your business has the most potential to surprise to the downside?

José de Jesús Valdez:
Well that's a great question, Jacob and I'm very happy to answer your question. When you look at the end use of our products or the products in the Alpek portfolio, including pretty much everything, you know, you will find that I think somewhere between 80 and 90 percent of our sales go to consumer markets and out of those a significant majority of those consumer markets are either food or beverage. So if anything I can say about our company, about Alpek, is that we have a very stable volume and we have demonstrated over the last 10 years even more that we are relatively I would say, immune to downturns in the overall economy. We demonstrated that in the 2009 period, we demonstrated that at

the beginning of the 2000's, in many occasions we have, I think in 2009 our volume went down somewhere I think it was one percent in the year, one percent, and similar in previous recessions, in '95 in Mexico was very difficult in in the 2000's similar situation and our volume is very very stable it's not really correlated to the GDP growth in that respect because again it's beverage and food. And now again with the acquisition of OCTAL even more so because all of OCTAL's products are going to either beverage or to food packaging so again that's not a concern. What is not as stable as we would like, of course, are the margins – the margins can fluctuate depending on, mostly I would say, on Supply additions. You know the balance between supply and demand changes significantly, but in terms of demand the stability or demand for our products is very very stable, so that again we don't lose sleep over that.

Jacob Kim, Scotiabank:
Understood, awesome. Just a couple more questions: so as we see the petrochemical company valuation levels, they seem to be moving lower, at least on the public Equity side. So given your low leverage, do you see any further M&A opportunity this year, perhaps as region or chemical chain? Or how do you foresee spending the balance, the remaining balance of the year? And just last question if you can you talk just a bit about freight availability and volatile rates and how that's impacting your marginal Outlook and logistic management, and I guess what are the risks of the business and how you're mitigating those.

José de Jesús Valdez:
Okay well look, in terms of M&A opportunities, I would say we we're always looking at that, regardless of whether the valuations are low because you know you say now valuations, so the multiples are low, yeah the multiples are low, but perhaps the EBITDA's are high, so the fact that the multiple is low with a very high EBITDA does not necessarily mean that the value of the company is attractive, so we have to look at both, you know. We have to look at not only multiples, but really we have to look at the cash flow generation of the company or the replacement value of the company as well, and so it doesn't mean that there are, what I'm trying to say is, it doesn't mean there's a lot of opportunities there right now, I don't think that's the case. I think most of the chemicals companies are fairly valued, the opportunities in the chemical industry normally come when times are very hard, which is not the case now, in general. That's the best time to buy, to acquire companies, and in that sense we are not, I mean we're looking at things, but we are not convinced that we're going to find something attractive very soon.

And the rest of your question of volatility, maybe José Carlos can help me with the freight rates. Freight rates we do believe and in all of our projections, even in our original guidance, we are assuming that those are gonna normalize and our assumption was that that would be happening at this point in time actually. We thought that you know this second half of of 2022 would be sort of normalizing, but as you know that they're coming down, but recently, I mean gradually, and I believe that for the time being we still see the ocean freight rates higher, at least you know until the end of the year, with gradual decreases.

You know it's confusing, in particular like freights from Asia to South America they were coming down very quickly in the first half of the year, and then recently they went up again, so very difficult honestly I don't feel we are able or willing to forecast that. We just understand this is something that is outside of control, we monitor that, and what we are seeing today is that yeah they're coming down, but still in a very gradual way. So I think that they're still going to be higher than normal for for the remaining at least of this year, and the big question, and I don't have an answer by the way, the big question is at what level are they going to normalize? Are they going to go back all the way to where they were or they're going to normalize at a higher level? That's something that will also be very important for us and normally in our projections, just as I said about the margins, we also assume in our projections that those freight rates eventually are going to go back to the historical level.

José Carlos Pons:
I don't know Jacob if that was the sufficient answer to your volatility question or do you have anything else there?

Jacob Kim, Scotiabank:
No, that was great, yeah, you thank you both so much for your time and just congratulations once again. Thank you.

Antón Fernández:
Thank you Jacob, the next question come from Leonardo Marcondes from Bank of America. Leonardo, your audio has been enabled, please proceed with your question.

Leonardo Marcondes, Bank of America:
Hi guys, can you hear me?

All:
Yeah pretty well, very well.

Leonardo Marcondes, Bank of America:
Thank you for picking my questions. I have two questions on my side here and I'm sorry if you have already answered those because I got disconnected from the call for a bit, but my first question is regarding the EBITDA Guidance, we see an increase of around $100 million dollars when compared to the last Guidance, when we exclude the effect of OCTAL, right? I just wanted to understand the contribution of the Plastics & Chemicals segment on this change and my second question is also regarding CCP, I would like to know if you guys have already developed the procurement strategy for the plant, I mean from where you guys plan to start Paraxylene and MEG and if there is capacity for these petrochemicals in the US and also if a part of the source should come from the spot? Thank you.

José de Jesús Valdez:
Relative to the EBITDA Guidance, I do believe the Plastic & Chemicals division has an important contribution mostly as I explained before because although we do believe the margins are going to decrease somewhat from what we saw the first half of the year, they are decreasing more gradually than we have anticipated in the original Guidance, that's the explanation and so that's an important part of the additional $100 million dollars as I mentioned there's also some contribution from OCTAL, we have estimated at $120, we raised that to $140, so it's contribution from OCTAL but yeah, most of it is coming from the rest, from Plastics & Chemicals division vs. the original Guidance again and in the CCP procurement strategy I will say that the companies are gonna buy independently the raw materials.

In the case of MEG there is plenty of capacity of MEG in the U.S, actually there is a large MEG plant in Corpus Christi just miles from the Corpus Christi plant which will cover more than the requirements of the plant so that capacity is at least twice the requirements of the new plant, and it's as I say is only a few miles from the site. And in terms of paraxylene, in paraxylene there is also a paraxylene plant in the area and in fact the plant has a pipe connected to that plant, but in case of paraxylene yeah the situation looks tighter in North America so yeah I think we will have to import the paraxylene into North America from Middle East and perhaps Asia into the future.

Leonardo Marcondes, Bank of America:
That's very clear, thank you.

Antón Fernández:
Thank you Leonardo, the next and last question comes from Vicente Falanga from Bradesco.

Vicente Falanga, Bradesco:
Thank you Pepe, José Carlos and Antón. Just to dig a bit deeper on maybe the timing for a normalization of margins in Asia when Xi Jinping gets supposedly re-elected in November and China reopens its economy right? At least that's what the market sees in terms of base case, that the lockdown decisions are political, do you see that as more positive or negative for PET margins in terms of demand that should bring incremental demand for PET but on the other hand, in terms of supply we would expect some Chinese plants that might have been operating with limited capacity would also come back, so what would be your views on the margin impact with the reopening of China? Thank you.

José de Jesús Valdez:
Well, I think we could concur with your idea, I think that there should be some normalization going forward from the perspective of plants operating but you also have to remember that a big change over the last month has been the cost of energy because particularly, you know, some cases power but particularly coal and natural gas.

Coal and natural gas are very important energy feedstocks in that part of the world and I think you're familiar with the prices that they're having right now, prices of natural gas LNG in China and Asia, I mean you can see prices around $30 dollars per MMBtu and at some point in time even higher and same thing happens in Europe. In Europe you see we've seen prices going up to $50 million dollars per MMBtu so I do believe that is also, you know, restricting the capacity to reduce margins as quickly as you would think.

So it's very difficult really to say when are they gonna come down and as I mentioned, let me know where our position is that we are assuming they're going to come down anytime and that's how we build our Guidance but the same thing with the freights but the good news is that they are taking longer both of them but I couldn't really give you an accurate estimate of when are they coming down.

Vicente Falanga, Bradesco:
That's super helpful Pepe and meanwhile you are the leveraging right so it's always good news.

José de Jesús Valdez:
You're right.

Vicente Falanga, Bradesco:
Thank you.

Antón Fernández:
Thank you, Vicente. That was the last question we have time for today. Rest assured we will follow-up via email if we did not get to your question on this call.

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

Have a great day!