CORPORATE SPEAKERS

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WEBCAST PARTICIPANTS

Tasso Vasconcellos, *UBS*

Leonardo Marcondes, *Bank of America*

Nikolaj Lippman, *Morgan Stanley*

Andrés Cardona, *Citi Banamex*

Regina Carrillo, *GBM*

Andrés Lomeli, *LCA Capital*

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Antón Fernández:
[Slide 2] Good morning, and welcome to Alpek's First Quarter 2023 Earnings Webcast. We very much appreciate everyone's participation.

[Slide 3] I'm Antón Fernández, Alpek's IRO, and today I have the pleasure of being joined by our CEO, Jorge Young and our CFO, José Carlos Pons.

This presentation is divided into two parts. First, Jorge and José Carlos will comment on Alpek's First Quarter Performance, Footprint Optimization, Corporate Governance, and revised CAPEX. 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 it is 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 Jorge.

Jorge Young:
Thank you, Antón. Good morning, everyone, and thank you for joining us.

I would like to report that despite the challenging market environment during the first quarter, Alpek delivered a comparable EBITDA of $207 million dollars that was in line with the outlook we envisioned.

We also made progress in improving our asset footprint, through the rationalization of one of our polyester assets, strengthening our business accordingly, which we will review in further detail later in the call.

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Let's start by reviewing the main topics we will cover today:

- First, I will introduce some of the key highlights for the quarter and José Carlos will cover Alpek's financial performance in greater detail a bit later in this presentation;
- Second, we will provide more insight into the Asset Footprint improvement I just mentioned;
- Third, we will cover Alpek's recent additions to our Board of Directors;
- And finally, we will provide more comments on our revised CAPEX Guidance for 2023

The first quarter results were characterized by lower demand mainly in the Polyester Segment, although we did experience some signs of recovery as the quarter progressed. The main reasons were:

- Still elevated inventories in the value chain;
- We maintained reduced exports, particularly in polyester due to higher regional prices of key feedstock, Paraxylene;
- Macroeconomic environment pressures, such as high inflation rates that impacted consumption;
- Continuous seasonality for PET, and relatively weak demand in some industries such as construction affecting EPS business

[Slide 5]
On Polyester, Asian integrated PET reference margins were 2% higher versus the previous quarter, averaging $343 dollars per ton and with a spread between Chinese and Asian reference margins also increasing to $120 dollars per ton.

[Slide 6]
Meanwhile, Polypropylene reference margins declined to an average of 17 cents per pound, 26% lower, quarter-on-quarter which is in line with Alpek´s expectation. The sequential decrease was mainly due to rising Polypropylene supply in the Americas as new capacity has come on stream.

[Slide 7]
EPS Reference Margins have continued to gradually return to historical levels, averaging 49 cents per pound, a 23% reduction quarter over quarter.

[Slide 8]
Reference ocean freight costs have continued to normalize to historical levels, resulting in a reduction in import parity pricing which is relevant to our businesses, in particular for polyester and EPS.

At this point, José Carlos will take over and delve more into the financial results.

José Carlos Pons:
Thank you, Jorge, and thank you all for being here with us today.

[Slide 9]
I would like to share with you some of Alpek's main highlights during the first quarter:

- To begin, overall volume was 1.16 million tons a reduction of 6% Quarter-over-Quarter primarily as a result of high PET inventory levels in the market, seasonality, and lower exports in the Polyester Segment;
- Comparable EBITDA, reached $207 million dollars in line with Alpek´s expectations for the quarter, however representing a reduction of 23% Quarter-over-Quarter, mainly due to lower demand, the decrease in reference margins in the Plastics & Chemicals segment and continued normalization of reference ocean freight costs;

- In the first quarter Alpek paid a dividend of $159 million dollars reaching an implicit dividend yield of 5.4% for the year

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- Total volume was 1.16 million tons this period, a reduction of 6% quarter-on-quarter
- In the Polyester segment, volume was 939 thousand tons, 7% lower quarter-on-quarter. The segment experienced a softness in demand due to high PET inventory levels in the market, particularly at the beginning of the year. During the first quarter we also experienced reduced exports driven primarily from the increased cost of Paraxylene due to price disconnection between North America and Asia;
- In Plastics and Chemicals, volume was 222 thousand tons, 2% higher quarter-on-quarter and above expectations, despite demand softness in some industries and additional Polypropylene supply in the Americas

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Moving on to raw material price dynamics:

- The industry experienced a gradual decline in Brent crude oil prices to an average of $81 dollars per barrel, 8% lower than in the previous quarter;
- Accordingly, U.S. reference Paraxylene prices decreased by 3%;
- In the Plastics and Chemicals segment, average reference Propylene prices increased to 50 cents per pound, a 56% increase when compared to the previous quarter primarily due to shortages in PGP supply

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Switching over to EBITDA breakdown for the quarter:

Overall Comparable EBITDA for the quarter was $207 million dollars; 23% lower than in the previous quarter. This was mainly due to lower demand, a decrease in Plastics and Chemicals segment reference margins and continued normalization of reference ocean freight costs; it is important to note that these figures were within our quarterly expectations.

Reported EBITDA was $187 million dollars, 1% higher quarter-on-quarter and this result primarily incorporates the Cooper River Site one-time shutdown costs.

If we take a closer view at results by segment, Polyester Comparable EBITDA was $133 million dollars, 12% lower quarter-on-quarter, As commented before, this result reflects:

- An increase in Asian integrated Polyester reference margins;
- Softer PET demand due to higher-than-expected inventory levels,
- And Paraxylene price disconnection between North America and Asia that continued affecting the import parity pricing and exports

In Plastics & Chemicals, Comparable EBITDA resulted in $77 million dollars, a 36% decrease quarter-on-quarter. This was mainly due to:

- An increase in supply of Polypropylene affecting reference margins;

- And a gradual return to historical levels of EPS Reference Margins due to lower demand within certain industries, such as construction

[Slide 13]
With regards to Free Cash Flow generation:

- Net Working Capital investment increased by $66 million dollars, primarily due to rising raw material prices in the Plastic & Chemicals Segment;
- CAPEX totaled $52 million dollars and was mainly allocated for the Corpus Christi Polymers project and, to a lesser degree, towards scheduled maintenance;
- Alpek distributed a total dividend of $185 million dollars during the first quarter. Of this amount, $159 million was paid to Shareholders as approved at the Annual General Shareholders Meeting, and the remaining amount to minority shareholders;
- Free Cash Flow for the quarter was minus $29 million dollars

[Slide 14]
Finally, regarding the Company's financial position during the first quarter:

- Alpek's Net Debt increased to $2.1 billion dollars;
- Last-twelve-months reported EBITDA was $1.2 billion dollars, therefore resulting in a Leverage Ratio of 1.8 times Net Debt to EBITDA

Thank you everyone, I will now turn the call to Jorge.

Jorge Young:
[Slide 15]
Thank you, José Carlos.

- In line with Alpek's footprint optimization efforts, Alpek announced that it would indefinitely shutdown the PET Resin operations at the Cooper River site near Charleston, South Carolina

- The site was developed in the early 70's, and has an installed capacity of 170,000 tons of PET Resin

- The corresponding PET Resin production was transferred to other Alpek sites, enabling cost reductions of approximately $20 million dollars at an annualized rate. This initiative is aligned with ALPEK´S efforts to continuously enhance cost competitiveness

- Effects associated with the shutdown during 1Q23 include $14 million dollars in non-recurring Reported EBITDA costs, which will be compensated during the year from cost optimizations. Additionally, there is an effect of $47 million dollars in asset impairment, which represented approximately 2% of Alpek´s total fixed assets

[Slide 16]
At Alpek´s Annual General Shareholders Meeting, we accomplished the election of three new members to the Board of Directors. These are José de Jesús Valdez, our former CEO, and two independent board members, Montserrat Ramiro Ximénez and Alejandro Mariano Werner. As a result, Alpek´s Board of

Directors is now comprised of 9 independent Board members. We are excited to welcome the new members of the Board of Directors and I am confident that their addition will support Alpek´s long-term growth strategy and ESG goals.

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To conclude, Alpek originally provided 2023 CAPEX Guidance figures based on the long-term growth strategy to Strengthen Core Business and provide Strategic & Focused Growth.

We have decided to revise the CAPEX Guidance to $335 million dollars, from the previous amount of $445, as we are taking more time to further optimize the investment estimates and prepare the projects for final investment decision.

Thank you for your attention, I will now turn the call back to Antón to open the Webcast for Q&A.

Questions and Answers

[Slide 18]
Antón Fernández:
Thanks, Jorge. 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.

Our first question comes from Tasso Vasconcellos from UBS. Hi Tasso, please proceed with your question.

Tasso Vasconcellos, UBS:
Hi Antón, hi Jorge, hi José Carlos. Thanks for taking my questions. I have two questions here, more focus on the CAPEX, the new Guidance you gave.

First, I think it would be great to hear more details on the breakdown for this CAPEX, from this $335 million dollars for the year. What is the maintenance CAPEX? What is CCP? What is strategic investment cost of optimization and growth? If there is any, and so on, so a breakdown on the CAPEX.

And second, we've seen the reduction on this CAPEX's Guidance right for the year, but you maintain it the volumes, the expectation revenues, the EBITDA and so on. So it would be great to hear from you exactly where this CAPEX would be invested and since it did not impact this year's expectations, what could be the impact on next year's performance?

Those are my two questions. Thank you.

Jorge Young:
Yes, Tasso, thanks for the question. I think on the CAPEX Guidance, basically it's one of our projects that has the intent to reduce our variable costs that we're going to take more time to further optimize investment and make it more attractive.

As far as the remaining Guidance of $335, the main component is our investment in Corpus Christi Polymers, that continues unchanged from the last time, there are other projects for improvements across the plants, but the second largest category would be our maintenance CAPEX, so those are the Corpus Christi, our Maintenance CAPEX and other miscellaneous projects across our system. And the project we're taking more time to study and more than anything, further optimize investment has no implications on 2023 volumes, or cost, that's more a longer term project scope.

I hope that answers the questions Tasso.

Tasso Vasconcellos, UBS:
Sorry guys, I was mute. Yeah, that answers, thank you.

Jorge Young:
You're welcome.

Antón Fernández:
Thank you Tasso. Our next questions comes from Leonardo Marcondes from Bank of America. Hi, Leonardo, please proceed with your question.

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

Antón Fernández:
Perfectly well, thank you.

José Carlos Pons:
Very well.

Leonardo Marcondes, Bank of America:
Okay, thank you, thank you for picking my questions. I have two from my side.

My first question is regarding the shutdown of the Cooper River site. I would like to know if you guys could share what level, what should be the level of integrated margins for you guys to decide to reopen the site?

And my second question is regarding the spreads. We will look to the PP margins, this is the petrochemical which has been facing the most challenging scenario, right? So I would like to know, when do you guys expect a rebound in PP margins to healthier levels? And what should be the drivers for this eventual pick-up in margins? Thank you.

Jorge Young:
On the Cooper River question, I think it's very unlikely that we will go back to and reconsider the asset, to run again. As we mentioned earlier, this is an asset that, this is our asset that had the highest cost structure. It was also in our long-term plans to eventually replace this asset with more competitive capacity. We have now more competitive capacity in the system with the recent addition of the Oman facilities, and we have Corpus Christi, our share of Corpus Christi on their way, and the relative size of the Cooper River site would not really materially impact the total margin of the company, in case we were going to restart it, but I hope that answers the first question.

On the spreads of, in particular, polypropylene, I think when you look into, consultant forecasts, generally speaking, it is believed that the current level seems to be the bottom, or very, very close to the bottom. I think we are pleased to report that in spite of that situation, our performance in plastics and chemicals or relative performance in plastics and chemicals, in particular in polypropylene, is very strong compared to peers. I think there is now more capacity and I think that capacity is going to over the next few years, next couple of years, is going to be absorbed in the market, as the market grows a little bit and that capacity is absorbed. That's our view on the polypropylene spread.

So, bottoming out, gradual recovery but over time, because it was a relatively large amount of capacity that came on stream. But again, our asset and our business is very well positioned to weather these next few years.

Leonardo Marcondes, Bank of America:
That's perfect. Thank you.

Antón Fernández:
Thank you, Leonardo. Our next questions come from Nikolai Lippmann from Morgan Stanley. Hi, Nick, please proceed with your question.

Nikolai Lippman, Morgan Stanley:
Alright. Thank you very much for checking my questions and thanks for the call.

My first question pertains to the debate between volumes and margins. So volumes as far as I can see, which is really weak, we look at Nielsen. What category in North America or US looks to be almost low double digit. Crown was up. Can you talk a little bit about that dilemma? To what degree are you hacking margin contracts and letting go of a lot of volumes? What are really the dynamics that are in play here?

And then the second question is pertaining to rPET, how is the recycle product performing in this volume downturn, both in terms of the ability to defend the margin and also the stickiness of these contracts? To what degree are you finding a higher customer loyalty in the rPET project?

And then finally, if you there were, you had comments in the prior quarter pertaining to the Russian source Px, that of course, would be lower priced, and how that was creating a degree of disruption in some of your markets. How is that playing out? Where do we stand now? Thank you very much.

Jorge Young:
Yes, Nikolai thanks for the questions. The first questions on the volume, and the last question about the Russian situation and the paraxylene supply are somewhat over to a large extent related. I think in the volume question there is a component that we have reviews for participation in some regional markets, especially export markets from our facilities, not necessarily the markets where our facilities are located, but export markets, and that is because as we mentioned the last time, we continue to experience higher relative prices of paraxylene in our region. On one hand, those are driven by higher alternative values for the feed stocks that are needed to make paraxylene. That situation is not totally new, because it happens from time to time and normally, we have the ability to import paraxylene to manage when that situation happens.

The issue that we continue to face is over the last 6 to 12 months, especially since the war between Russia and Ukraine began. The cost of transportation of liquid petrochemicals, which is a very different industry than the transportation of dry goods in containers, transportation of liquid has increased in cost because there is a very high demand for vessels to move liquids. So that is causing the import prices of Paraxylene to be also more expensive than normal. We think that situation is going to be here perhaps a couple or a few more quarters, we don't think it's a structural long-term issue, but that is one of the reasons why we have withdrawn from some markets. And yes, in domestic markets to a much lesser extent there are situations where we choose to protect margin versus volume, but the bulk of our volume adjustment is on reduce exports and highly highly correlated to do the more expensive Paraxylene. That again, we have tools to deal with it, but our key tool which is to import, right now we are also facing higher transportation cost in liquids mainly due to the Ukraine, Russia war and all the effects that created on the rebalancing of the world of moving liquid fuels, and especially liquid fuels that drag liquid petrochemicals.

On rPET, the question on rPET, rPET continues to be an essential component for offering for the customers. We deliver rPET content to our customers in various forms, we can make pellets that are 100% made of recycled polyester or we can introduce recycled content into our polymer lines, and the polymerize the molecule in line and repolymerize it and offer a resin with 15 to 25 at least percent rPET content.

So, both presentations are very relevant for us to align with our customers. And so those are again go hand in hand with our priorities to supply our key customers in the region, so that continues as an essential component.

Nikolai Lippman, Morgan Stanley:
Thank you. May I ask for just a follow-up question? May I ask actually two. Are you finding that in North America? So, the majority of this problem is outside of North America, I understand, but there's still a bit of a downturn in the North American market. Are you finding rPET to be defensive? Are you finding

higher level of customer of volume and margin loyalty in the product? Vis-a-vis virgin? Or is it about the same?

And the follow up question number two is, are you seeing the issue of the Px even in the UK market, or is it in other regional markets?

Jorge Young:
Yeah. I think again, the rPET that we sell for the most part goes to customers that are also very important customers, for virgin PET, and again, the offering goes hand in hand. So, the discussion that we have with them is always on both products.

We have programs that have rPET content in the two presentations that we provide to them with them and programs with virgin and again there is a trend and a desire to continue to increase rPET content and we're working on that. But I wouldn't say that there is more loyalty over one or the other again, our customers are very committed to PET packaging. I think they are very interested, PET packaging brings them many advantages for their business and the intent is to make PET packaging more sustainable and again I see those going hand in hand.

In markets, going to the raw material questions like for UK. In UK, we would have the ability to source directly Asian feedstock and that's a way for us to deal in that particular market with our raw material competitiveness, and we can compete effectively that way. That strategy would be much more complex in other regions because there are more logistics barriers, and in the other regions like in the Americas, we have our PTA plants and that would be more difficult to even consider, but in the UK in particular, we can source Asian origin PTA.

I hope that answers the questions, Nik.

Nikolai Lippman, Morgan Stanley:
Thank you very much.

Antón Fernández:
Thank you Nik, our next questions come from Andrés Cardona, from Citi. Hi Andrés, please go ahead.

Andrés Cardona, Citi Banamex:
Hi! Good morning Jorge, José Carlos and Antón.

Let me ask you about the integrated PET margins and how do you see them performing into the early second quarter and also you may provide also some short-term color about what's happening on volumes, or what to expect in second quarter?

Thanks.

Jorge Young:

Yeah, I think there are still probably very similar levels as the first quarter. I'm talking about the reference margin. There is some compression in the gap between the China margin and the Asian margin, but relatively small. I would say, generally speaking, still in line with the Guidance that we have. As far as volumes, we did see a gradual improvement within the quarter on first quarter. We continue to see that in the second quarter is gradual. And we see also signals for that to continue to improve in the second half. I think obviously there is the seasonality of PET resin. And again, these are signs that we expect the volume to pick up some. The extent of how much it picks up is still to be determined but yes, we're seeing some signs of gradual improvement as the year progresses, beginning even within the first quarter.

Andrés Cardona, Citi Banamex:
Thank you.

Jorge Young:
You're welcome.

Antón Fernández:
Thank you, Andrés. Our next questions come from Regina Carrillo from GBM. Hi, Regina! Please go ahead with your question.

Regina Carrillo, GBM:
Hi! Good morning. Thanks for taking my question. I have a more strategic question. Do you see any potential benefits coming from near-shoring in the short or medium term for your operations in Mexico or the US, or maybe for one of your two divisions? Thanks

Jorge Young:
I think the near-shoring, generally speaking, would be a positive event mostly for our plastics and chemicals. They serve some industries that are related to the industries that would benefit from near-shoring. But yes, that will definitely be a positive factor for us. But obviously it will happen gradually over time.

Regina Carrillo, GBM:
Yeah, perfect. Thank you, Jorge.

Antón Fernández:
Thank you, Regina. We have one last question through the Q&A function. The question is from Andrés Lomeli, from LCA Capital and the question reads, given the reduction in Capex expectations for 2023 to 335 million dollars, will there be a potential for an extraordinary dividend payment?

José Carlos Pons:
Thank you, I think that's a very good question. Certainly, our expectation is to take a decision on the second half of the year if there's a potential for an additional dividend. We currently maintain a very prudent leverage, as you saw, we ended up with the 1.8x Net debt to EBITDA and therefore with the improved working investment that we're going to see through this year, the potential upside on working

capital, we could see the possibility for an incremental dividend in the second half of the year. That's a decision that certainly we'll take towards the latter part of the year.

Antón Fernández
Thank you, José Carlos.

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Antón Fernández:
I believe that was the last question in the 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 transcript on our website at www.alpek.com. Thank you all for participating in Alpek's webcast.

Have a great day!