CORPORATE SPEAKERS

Jorge Young, *Chief Executive Officer*

José Carlos Pons, *Chief Financial Officer*

Antón Fernández, *Investor Relations Officer*

WEBCAST PARTICIPANTS

Tasso Vasconcellos, *UBS*

Leonardo Marcondes, *Bank of America*

Andrés Cardona, *Citi*

Jonathan López, *ICIS*

Alejandra Andrade, *JP Morgan*

Juan Patiño, *SunCapital Valores*

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Antón Fernández:
[Slide 2] Hi everyone, welcome to Alpek's Third Quarter 2023 Earnings Webcast.

[Slide 3] I'm Antón Fernández, IRO, and here with us today, we have Jorge Young, our CEO, and José Carlos Pons, our CFO.

[Slide 4] Let's begin by reviewing today's agenda:

- First, Jorge will discuss overall context of the quarter and results, then
- José Carlos will cover Alpek's financial performance,
- Followed by recent events and outlook for the remainder of the year,
- And finally, we'll open up the call for questions from the audience.

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.

For your convenience, this Webcast is being recorded and will be available on our website. Jorge, I'll turn the call over to you.

Jorge Young:
[Slide 5] Thank you, Antón. Good morning, and thank you for joining us.

Let me start off by providing some context for the quarterly performance:

The macroeconomic environment we have experienced throughout the year remains, with China's economy impacting the petrochemical industry. In turn, the influence of Asian imports and Asian offers into the Americas persists, particularly for PET and EPS.

Meanwhile, regional market demand remains soft, affected by a high inflationary environment, which has deterred consumer spending particularly for EPS.

I would like to highlight that we have continued our focus on cash generation. In Q3, we achieved a strong operating free cash flow of $221 million dollars, as efforts to optimize working capital, Capex and other elements continue to yield solid results.

[Slide 6]
Now let's discuss reference margins for our main products:

For Polyester, Asian integrated PET reference margins declined by 18% quarter-on-quarter, averaging $272 dollars per ton, slightly below our expectations. Meanwhile, Chinese integrated PET reference margins averaged $146 dollars per ton, declining by 35%.

[Slide 7]
For Polypropylene, due to the supply and demand dynamics in the region, North American reference margins remain flat, continuing to average 17 cents per pound, as expected.

[Slide 8]
And for EPS, North American reference margins averaged 19 cents per pound, 58% lower quarter-on-quarter, primarily due to higher raw material prices and a lag in EPS reference prices.

Now José Carlos will review the financial performance.

José Carlos Pons:
[Slide 9]
Thanks, Jorge. Hi everyone, it's great to be here with you.

To begin with, I'd like to discuss the quarter's financial highlights:

- We achieved overall volume of 1.2 million tons and a Comparable EBITDA of $160 million dollars,
- A robust free cash flow generation resulting mainly from Net Working Capital improvement,
- And a Capex optimization

Now, let's look at the results by segment:

[Slide 10]

- For Polyester, volume was 955 thousand tons, 3% lower quarter-on-quarter, partially due to increased Asian imports in the Americas and softer demand in the region

- In Plastics and Chemicals, volume was 222 thousand tons, an increase of 4% versus the previous quarter. We saw overall higher Polypropylene demand in the quarter and particularly lower demand in EPS from the construction industry in the U.S.

[Slide 11]
Moving on to key feedstocks dynamics:

- U.S. reference Paraxylene prices increased by 8%, with the disconnection between North American and Asian prices growing by 20% to $339 dollars per ton.

- In the Plastics and Chemicals segment, average reference Propylene prices decreased to 36 cents per pound, a 10% decrease quarter-on-quarter, yet rising in September to 39 cents per pound.

- Meanwhile, average reference prices for Styrene rose to 53 cents per pound, an 11% increase compared to the second quarter, with greater disconnection between North America and Asian prices.

[Slide 12]
In terms of EBITDA breakdown:

Overall Comparable EBITDA was $160 million dollars; 21% lower than in the previous quarter. This was mainly due to a decrease in reference margins and higher feedstock costs particularly for PET and EPS.

Reported EBITDA was $126 million dollars, 15% lower quarter-on-quarter which includes the following:

- An $18-million-dollar one-time loss related to the filament facility shutdown costs,
- a non-cash hyperinflation effect in Argentina, as well as
- to a lesser degree, a combined positive carry-forward and inventory effect of $1 million dollars

If we take a closer look by segment, Polyester Comparable EBITDA was $114 million dollars, 11% lower versus 2Q.

And in Plastics & Chemicals, Comparable EBITDA was $42 million dollars, a 40% decrease quarter-on-quarter from lower reference margins in EPS and raw material prices rising for Polypropylene towards the end of the quarter.

[Slide 13]
Regarding Free Cash Flow generation:
- CAPEX totaled $38 million dollars mainly due to maintenance
- Net Working Capital investment improved by $214 million dollars, which continues to surpass our initial target for the year and resulted in a positive operating Free Cash Flow of $221 million dollars for the quarter which currently represents $407 million dollars year-to-date.

[Slide 14]
Considering the Company's financial position:
- Alpek's Net Debt decreased to $1.7 billion dollars
- While last-twelve-months reported EBITDA was $646 million dollars, which led to a Net Debt to EBITDA ratio of 2.6 times
- I'd like to reaffirm that Alpek remains committed to leverage levels below the target of 2.5 times.

It's worth mentioning that if we were to exclude both the Filament Site and the Cooper River shutdown from the first quarter, there'd be a Leverage Ratio of 2.3 times

[Slide 15]
And finally, in terms of financial performance, let me take a moment to highlight our healthy debt profile which offers us flexibility for the future.

During the quarter, we announced the successful refinancing of the outstanding balance from the 2023 bond that was due in August with bank debt. This includes our first ever ESG Sustainability-Linked Loan, a $200-million-dollar facility maturing in 2028.

Additionally, we currently have:

- over $500 million dollars in available cash,
- and available committed credit lines of over $600 million dollars

Thank you for your attention. Jorge, I'll turn the call back to you.

Jorge Young:

[Slide 16]

Thank you, José Carlos. As part of our strategy to mitigate the current environment, we are focusing on maintaining our competitiveness and financial strength. With this in mind, the Company made two challenging decisions:

First, Alpek decided to shut down its filament facility located in Monterrey, Mexico and will not be substituting production. The site had an installed capacity of 100,000 tons of textile grade polymer and filament.

As you know, Alpek continuously seeks value creation opportunities by streamlining operations to meet the demands of the competitive markets its companies serve, aiming to safeguard our financial strength. Therefore, and while this was a difficult decision to make, we have opted to close these operations.

I would like to take a moment to express my heartfelt gratitude to each of the employees of this site for their commitment to the company throughout the years.

[Slide 17]

Second, Alpek, along with its joint venture partners of Corpus Christi Polymers, decided to temporarily pause construction of its integrated PTA-PET plant in Corpus Christi, Texas as high inflationary rates have led construction and labor costs to surpass original expectations.

By doing so, in the following months, the CCP Board will assess options to optimize the project's costs and timeline and will announce in a timely manner. Alpek remains committed to maximizing value for CCP and the site will be properly preserved so that construction may resume in the future.

[Slide 18]

Moving on to ESG, in September we reinforced our commitment to gender equality by pledging to the Women's Empowerment Principles from the UN Global Compact and UN Women.

We will continue to diversify our workforce through strategic hiring, retention, and organizational development. We are confident that having greater diversity and a variety of perspectives will positively impact our business.

[Slide 19]
Looking ahead at the remainder of the year, Alpek envisions similar market and industry conditions with slightly lower-than-expected Asian PET reference margins, but with Chinese PET margins witnessing a recovery from the levels at the end of the third quarter. We also expect some recovery in EPS reference margins.

In terms of annual Guidance, Volume is expected to remain in line. At this time, Comparable EBITDA and Capex are expected to finalize slightly below revised figures.

We aim to preserve and strengthen our solid financial position through various efforts to guarantee Free Cash Flow generation, which we foresee closing the year surpassing our initial target.

On a final note, I'd like to mention two organizational updates:

- Alejandro Llovera, previously President of the Polypropylene Business, will assume the position of President of the Polyester Business
- and Alejandro Alanís, previously Commercial VP of the Polypropylene Business, will assume the position of President of the Polypropylene Business

Both of these changes will be effective as of November 1st. I wish them both success in their new positions and responsibilities.

Thank you everyone. Antón, please proceed with Q&A.

Q&A

[Slide 19]
Antón Fernández:
Thanks, Jorge. At this time, we'll be receiving your questions.

To ask your question live, please raise your hand. We will call on participants in the order they appear.

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 with UBS. Hi, Tasso, please proceed.

Tasso Vasconcellos, UBS:
Hi everyone, thanks for taking my questions, I have three here on my end.

The first one on CPP, that's the second time you hold investment in the project, right? So, it would be great to hear from you what are the main triggers that would make the company resume investments. Is it PetChem prices? Is it the cost structures as you discussed previously today? Is it a greater visibility on the future of the industry? That would be my first question.

The second one, the company did a great job in optimizing cash flow in the quarter despite the challenges faced in the industry and looking forward, what are the main goals here? Where do you see greater opportunities to continue with this optimization? Either in working capital, Capex and so on.

And third, how should we think about dividends? I mean the scenario of a tougher industry on one side but the company being able to maintain a solid cash flow as based on the release here today we also see a comfortable debt profile. So that would be my three questions, thank you.

Jorge Young:
Thank you, Tasso. On the first question about the Corpus Christi Polymers. Yes, this is the second time the project has been put on a pause. The first time was from the previous ownership before going to the bankruptcy. Then it took a while to put the project in a position to be ready to resume construction and that happened last year, and yes, we would need to get more comfortable with our ability to manage the project execution and contain the cost and certainly other factors that you mentioned like visibility on the industry are also considerations. But first and foremost is for the company's ability to have adequate project management.

Second, on your question about cash flow and further optimization. I think our working capital optimization has been significant this year. I mean, we have reached very close to our target levels of working capital. We might still have some other opportunities to pursue in our final optimization of working capital and as of now we will maintain a very strict discipline on projects. We have a list of projects that are attractive in the pipeline, but the time for them to come in the market. We will review those carefully to preserve our financial strength.

The last question, your question was about dividends? Could you repeat the last question?

Tasso Vasconcellos, UBS:
Yeah, yeah, sure. The last question was on dividends because we are seeing a tougher industry environment, right? but the company has been able to maintain a solid cash flow and based on the release here today, the company has a very comfortable debt profile in the next years. So, how should we think about dividends amid a tough environment on one side, but the company being able to maintain a solid cash flow on the other side?

Jorge Young:
Yeah, I think normally our dividend definition comes early in the calendar year. So, as we have done over the last several years, it’s going to be in the first quarter when we will define the dividend and its level, and so we'll communicate accordingly.

I think it's important for us to preserve our financial strength because that's one of our priorities to provide a protector rating and provide our shareholders with a dividend as well, so that definition will come in the first quarter. So even though industry conditions are challenging, that definition is going to be made early in the year 2024.

Antón Fernández:
Thank you, Tasso. Our next question comes from Leonardo Marcondes with BofA, please go on.

Leonardo Marcondes, Bank of America:
Hi everyone, thank you for picking my questions. I have two questions here from my side. The first one is on the PET integrated margins. Well, we try to follow spreads here every month and we saw that these reached their bottom in the year during September, right? So, in this context could you provide a bit about your view on how do you see these margins going forward for the remainder of the year and also for next year?

And my second question is regarding the working capital. You did a very good job amid an increase in feedstock price during this quarter, so could you provide a bit more color on what measures have led to a such gain in working capital? Thank you.

Jorge Young:
Yes, on integrated PET margins, especially the ones we track and follow and report on China, it's our view and belief that those have reached bottom, and we would expect some gradual recovery going forward. We expect the non-China, the Asian reference margins, to retain I would say a healthy differential above the China margins. We will expect some gradual recovery as we go along, but the level is still premature to define very precisely.

In the question about working capital, I think we have optimized our inventories. I mean we, last year, we were coming from stronger volumes, and we had prepared this year for somewhat better volumes compared to the ones that actually turned out to be. So, we had an opportunity to reduce our inventories and I think we have been also quite sharp on keeping all our accounts receivables within the expectations for timely collection and we have worked well with our supplier base to have competitive terms. But it's been focusing on our inventories that has led to the gains throughout this year, and, as I mentioned in the previous questions, we might still have some further opportunities to fine tune the level of working capital.

Leonardo Marcondes, Bank of America:
Thank you very much.

Antón Fernández:
Thank you, Leo. Our next question comes from Andrés Cardona with Citi. Hi Andrés, please state your question.

Andrés Cardona, Citi:
Hi, good morning, all. Following on PET margins, I just want to understand how sustainable is for the Chinese margins to stay at these low levels that seems below the cash cost? And, if the recovery that you are seeing on the integrated PET margin has to do with oil prices rally or what is driving the recovery?

Perhaps the last one thing on margin is we are nearing end of the year when you guys usually negotiate 2,000, or next year contracts, right? So, it will happen in an environment of very depressed margins, how to think about these contracts and can you remind us how much you usually typically contract in terms of volumes for the year after and if maybe this low environment may, I don't know, make you more willing to have more exposure to the spot?

Jorge Young:
Yes Andrés, I'll answer the questions. I think current PET margins, especially those in China, I think we concur with your view that those are below their cash cost, and we think it's a matter of time before they have to rebound and again the timing and the level is still to be determined.

I think, the oil price is a variable but for the most part the petrochemical chains tend to pass through eventually the oil price, and it becomes more an event of supply-demand within each respective product. So, I think oil is a secondary variable in the spreads and yes very high oil prices perhaps delay some of the margin recovery, but I think it's a second secondary variable in impact. And, as far as our contracts and exposures, I mean we have a mix of already in the company where we have exposure to the global margins depending on our regions right. I mean, some regions like South America and most of the PET we sell from the Middle East are traditionally more exposed to the to the Asian market prices.

North America is more structured with contracts. Some contracts are multi-year, some contracts have already been settled for next year, and some contracts we are in the middle of negotiating period. So, I guess in that case, there is some diversification on our approach to the market.

Antón Fernández:
Thank you, Andrés. Our next question comes from Jonathan López from ICIS. Please, go ahead.

Jonathan?

Jonathan López, ICIS:
Hello, can you hear me?

Antón Fernández:
Yes, perfectly well, thank you.

Jonathan López, ICIS:
Thank you, thank you, sorry about that. So yeah, I'm Jonathan from ICIS, the LatAm correspondent, so I keep hearing chemical companies in Latin America saying that the recovery will not really arrive anywhere before 2025. Some of them say beginning of 2025, some others say mid-2025. To the CEO, when do you really think chemicals globally will recover?

Jorge Young:
I mean it's a good question. I guess in the case of Polyester, which is one of our key products, again, I see two maybe two steps. I think the margins went probably too low, especially on Chinese margins, and we would expect again some gradual recovery to happen later this quarter or throughout 2024. But to what extent they recover and when they become, I would say, more average margins or above average

that might take a little longer perhaps as you mentioned until 2025. But we would expect some sequential recovery fairly soon because they just went too low.

Similar case with EPS. I think reference margins in EPS have gone very low in Q3 and we would expect some gradual recovery in the following quarters and for polypropylene we would expect more flat margins this quarter and maybe recovering towards the latter part of next year.

Jonathan López, ICIS:
Thank you.

Antón Fernández:
Thank you, Jonathan. Our next question comes from Alejandra Andrade from JP Morgan. Please go ahead.

Alejandra Andrade, JP Morgan:
Hi, thank you for taking my question. My question was on CAPEX because we obviously saw a big drop in terms of the cash CAPEX that you spent in the quarter. I know you have guidance, so that would indicate that theoretically you should increase Investments next quarter, but I'm just wondering if you're just trying to be more disciplined with CAPEX overall and if we should expect actually this low pace to continue into the fourth quarter? Thank you.

Jorge Young:
Thank you, Alejandra. Yes certainly, we are very disciplined right now with our CAPEX decisions. I think in the Q4 we will see some increase compared to Q3 because in Q3 we spent relatively little amount of money in Corpus Christi and even though we have paused the project, in Q4 we will see some of the expenditures needed from Q3 and to demobilize the project. So that will happen in Q4, and we have other CAPEX that will pan out in Q4 and expect some sequential increase in Q4 relative to Q3.

But in 2024, you might expect to see something closer to the pace of Q3 or if we have a pipeline of attractive projects that will bring into the equation when we feel good about the prospects and the strength of the balance sheet. We don't want to again compromise our balance sheet and in due time we'll bring more projects into the question for sure.

Alejandra Andrade, JP Morgan:
Thank you so much.

Antón Fernández:
Thank you, Alejandra. We have a question from the Q&A function, and the question reads: Hi can you confirm your EBITDA and net leverage guidance?

Jorge Young:
Yes, our EBITDA guidance that we came up a few months ago was for $770 million dollars on Comparable EBITDA. So, as we mentioned earlier, we expect to be slightly below that level because of the evolution in Industry margins. we will also be somewhat below our last guidance in CAPEX.

Anything else from the question?

Antón Fernández:
And the Net Leverage.

Jorge Young:
Yes, net leverage. I mean, we are again, it's one of our priorities to remain at 2.5 times or less. This quarter we were at 2.6 and we might see a very slight increase in Q4, but again we expect to be as soon as possible within our target range of 1.5 to 2.5.

Antón Fernández:
Thank you. That was our last question in the queue. You will find both a video recording of this webcast as well as a transcript at alpek.com. Feel free to contact us directly for any additional information.

Have a great day.