# Alpek 1Q25 Earnings Webcast Transcript

## CORPORATE SPEAKERS

Jorge Young, *Chief Executive Officer*

José Carlos Pons, *Chief Financial Officer*

Bárbara Amaya, *Investor Relations Officer*

## WEBCAST PARTICIPANTS

Pablo Ricalde*, Itaú*

Tasso Vasconcellos, *UBS*

Bruno Montanari, *Morgan Stanley*

Leonardo Marcondes, *Bank of America*

Alejandra Andrade, *JP Morgan*

Andrés Cardona, *Citi*

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**Bárbara Amaya:**
**[Slide 2]**
Good morning, everyone, welcome to Alpek's First Quarter 2025 Earnings Webcast.

**[Slide 3]**
I am Bárbara Amaya, Alpek's IRO and I am pleased to be here today with Jorge Young, our CEO, and José Carlos Pons, our CFO, who will be presenting today's material.

**[Slide 4]**
- Today, Jorge will provide an overview of quarterly results and how our long-term vision fits into the current environment, and will move on to the other relevant events, which include more information regarding Alpek's spin-off from ALFA.
- José Carlos will then cover the quarterly financial results in greater detail.
- And then Jorge will provide information regarding our outlook for the remainder of the year.
- Finally, we'll continue with the Q&A session.

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. We express our financial results in U.S. dollars unless otherwise specified.

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, Barbara. Good morning, everyone, thank you for joining us today.

During the first quarter of the year and to some extent anticipated, Alpek navigated a challenging market environment, driven mainly by ongoing global overcapacity and decreasing freight costs. These factors are pressuring regional margins, particularly for the Polyester segment.

Extended maintenance periods at several of our sites also affected our operations, and increased import competition in Argentina further weighed on our results.

Meanwhile, the Plastics and Chemicals segment remained stable, particularly supported by stronger volume and forward buying in EPS.

**[Slide 6]**
In response to the aforementioned factors, we continue a comprehensive assessment of our long-term vision and will be accelerating certain initiatives guiding our decision-making. Let me discuss these pillars:

Number One. Solidifying our core business

- In order to strengthen our operational foundation, Alpek remains focused on enhancing efficiency, competitiveness, and adaptability across our global operations. To achieve this, we are conducting a strategic review of our global asset footprint. This also includes advancing strategic asset divestments, particularly the former Beaver Valley and Polyester Fiber sites, which are currently being evaluated for real estate development or a potential land sale. We are working on this and expect to share further updates during the second half of 2025.

Second. Boosting growth through value-added products

- We are actively focusing on expanding our presence in higher-value, margin-accretive product lines and markets. This includes evaluating plans to scale PET Sheet and Thermoform operations, both in the Americas and in the Middle East. Additionally, in the Polyester segment, our recently developed PET bottle-cap product is gaining traction in the market. While in the Plastics & Chemicals segment, we are exploring higher-value-added products such as specialized EPS with superior insulation and added performance features to meet evolving market demands. While some of these initiatives will take time it is very relevant to keep nurturing them.

Third, Capitalizing on Emerging trends

- We continue investing in innovation and diversification in order to strengthen our portfolio and meet evolving market demands. For example, since its foundation in 2018, Alpek's natural gas business has grown to become a leading domestic distributor in Mexico, and we are now preparing for its expansion into Brazil and into clean electricity. Added to that, Biovento®, our sustainable biofertilizer, recently received approval for commercialization in the state of California, thereby further enhancing our sustainable portfolio product.

And finally, the last pillar is prioritizing our stability through consistent financial flexibility

- Alpek's focus remains on maintaining a strong balance sheet and maximizing cash flow generation. During the first quarter of 2025, we successfully refinanced the $150 million dollar loan that was originally maturing in 2026, extending its term to 2029. These actions reinforce our ability to face the current environment while still supporting future growth initiatives.

Together, these four pillars we form the foundation of our long-term vision. With these, we are confident we will be able to navigate the near-term uncertainty and better position the Company to thrive upon the gradual market recovery, as new trends emerge, and with the continuing evolution of the competitive landscape.

Now, moving forward to recent relevant events:

**[Slide 7]**
As you are all aware, at the end of the quarter, Controladora Alpek was listed on the Mexican Stock Exchange.

On April 4th, the corresponding shares were distributed to ALFA Shareholders and as of April 7th it was listed and began trading, thereby marking a significant milestone in our Company's evolution. It is important to note that this transition does not affect Alpek's current operations or share composition; rather, it simplifies our corporate governance.

Our next step is to merge Alpek and Controladora Alpek into a single-class share structure, which we are confident will enhance stock liquidity. We are targeting the conclusion of this process towards the end of 2025, after obtaining the necessary regulatory approvals. We are actively working on fulfilling the requirements and will keep the market informed as we make progress.

We are excited about this new chapter and remain fully committed to delivering long-term value for our Shareholders.

Now, I will turn the call over to José Carlos to cover our financial performance in greater detail.

**[Slide 8]**

**José Carlos Pons:**
**[Slide 9]**
Thanks, Jorge. Good morning, everyone, thanks for joining us today. Now, I'll go through our quarterly results:

- Volume reached 1.1 million tons, decreasing by 7% on a yearly basis and remaining flat quarter on quarter, reflecting softer demand largely driven by ongoing market uncertainty and import activity. I would like to highlight that while volumes remained below the typical first quarter levels, we anticipate a gradual recovery in demand throughout the following quarters.
- Reported EBITDA was $131 million, which included an inventory adjustment of $15 million, particularly from Polyester as raw material prices declined, as well as $10 million in "Others" which was mainly comprised of shutdown costs from the Beaver Valley site and reorganizational costs in the Polyester business.

- Alpek generated $126 million in Comparable EBITDA decreasing by 18% year-over-year primarily due to weaker demand in the Polyester segment and a decrease in reference margins.

**[Slide 10]**
Now, let me delve deeper into the Polyester segment results:

- Volume resulted in 917 thousand tons, a 7% decrease from the previous year, primarily due to continued market overcapacity and a sequential 1% decrease from seasonal trends during the first quarter. In addition to this, operations in the UK site and to a lesser extent, Brazil, experienced extended shutdowns. It's important to note that these sites have already resumed operations. In Argentina, there has been an increase in import activity driven by recent market liberalization, thereby influencing local demand.
- Asian integrated PET reference margins decreased to an average of $278 dollars per ton, down 9% from the previous quarter, in line with our expectations for the year. In addition, Chinese integrated PET reference margins resulted in $138 dollars per ton, down 18% quarter-on-quarter.
- However, U.S. reference Paraxylene prices saw a 4% increase quarter-over-quarter, resulting in a spread of $206 dollars per ton between North American and Asian prices. That's 7% higher than the previous quarter.
- Thus, Comparable EBITDA was $68 million, down 37% year-over-year and 32% from the previous quarter.

**[Slide 11]**
The results of the Plastics & Chemicals segment remained stable, as evidenced by:

- Volume was 202 thousand tons, a decrease of 5% year-over-year, as there was a higher supply in the region, which pressured the market. However, volume was 2% higher than in the previous quarter due to continued stable demand levels for the segment.
- Looking at the reference margins, as expected, Polypropylene margins experienced a slight decrease to 14 cents per pound, down 7% from the previous quarter, with average reference Propylene prices decreasing to 42 cents per pound, down 21% from the previous quarter.
- As for EPS, North American reference margins also declined to an average of 30 cents per pound, 31% lower quarter-over-quarter, yet significantly higher compared to the same period last year. As for average reference Styrene prices, these decreased to 45 cents per pound, 21% on a quarterly basis.
- Comparable EBITDA was $55 million, an increase of 28% year-over-year, and 16% lower than in the previous quarter, driven by the fluctuations in reference margins for EPS.

**[Slide 12]**
Turning to Free Cash Flow:

- In the first quarter we experienced a Net Working Capital investment of $57 million, mainly due to inventory shifts, given the trade uncertainty. We anticipate normalization to take place in the second half of the year, and we maintain our commitment to strict working capital management.

- CAPEX totaled $30 million during the quarter, including $21 million in maintenance CAPEX and $9 million in strategic CAPEX. Alpek remains focused on maintaining its disciplined capital allocation with a focus on asset efficiency.
- Thus, Operating Free Cash Flow for the quarter resulted in $8 million, a positive result given the challenging global conditions faced during the period.

**[Slide 13]**
And finally, regarding the Company's financial position:

I would like to highlight that we continue to prioritize balance sheet discipline. Our debt profile remains at healthy levels and we have no upcoming maturities.

- Net Debt levels remained flat compared to the previous quarter, at $1.85 billion dollars, however, this was up 4% year-over-year.
- LTM reported EBITDA was $609 million, resulting in a Net Debt to EBITDA ratio of 3.1 times given the LTM EBITDA. We continue to implement measures to deleverage and get closer to our target by 2026 as global macroeconomics ease and the industry works through overcapacity.

With that, I'll turn the call back to Jorge.

**Jorge Young:**
**[Slide 14]**
Thank you, José Carlos.

Based on current market conditions and our internal expectations, we anticipate that some market uncertainty will persist including trade-related matters, while the Company is not updating its full year outlook at this time, it is taking actions to manage controllable factors. As we have stated, our focus remains on improving our cost structure and enhancing asset productivity. These efforts strengthen our long-term competitiveness, positioning the Company to capture growth opportunities as demand recovers and trade stabilizes.

We will provide further updates if needed, as macroeconomic conditions develop, and visibility improves through the second quarter.

Bárbara, I'll turn the call back to you.

## Q&A

**Bárbara Amaya:**
**[Slide 15]**
Thanks, Jorge. At this time, we'll be taking 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 Pablo Ricalde from Itaú. Pablo, please proceed with your questions.

**Pablo Ricalde, Itaú:**
Hi, good morning Alpek team. Thanks for taking my question. I have 2 questions.

The first one it's on the timeline of the merger between Controladora Alpek and ALPEKA. I don't know if you can provide more details on the milestones they need to happen for the merger to occur? That's the first one.

Another one is on the Polypropylene margins. I believe these 14 cents per pound it's historical lows, I don't know if you can explain a little bit more why they're like this low at these levels? Thanks.

**José Carlos Pons:**
Thank you, Pablo. How are you? I hope you're doing good.

With respect to the time of the merger, it is one of our top priorities to do the merger as quick as possible, however, there are certain milestones that we need to meet.

One of them is that we will need to hold an assembly for Controladora Alpek which has already been called and will be done in May. With that we will have financial statements hopefully approved by the Shareholders, and then we can continue with the next phase of this process, which will be working with Comisión Nacional Bancaria to ask for their approval to merge both subsidiaries, which we believe could take around 4 to 5 months in total. That's more or less the experience that one of our sister companies had, and that's what we believe could be done.

I was speaking yesterday with some internal teams, and they believe that we can do it before the end of 2025. That would be our objective.

**Jorge Young:**
Pablo, Jorge here and I will take on the question on Polypropylene margins.

Yes, at the current levels, Polypropylene spreads of 14 cents per pound are on the very low side, not necessarily the lowest we have seen. In the early part of the last decade margins were hovering for some period of time around 12 cents per pound, but certainly they are very close to the bottom and the reason is in North America over the last couple of years there was a wave of additional capacity that was brought into the market.

If you remember the markets were quite tight in the 2021 period, and some players brought capacity. Then demand cooled down to some extent and its been steadying and slightly beginning to improve but there is a level of overcapacity that remains. So, we expect again to navigate a period of low Polypropylene margins.

Having said that, I'd like to add that Polypropylene, the competition in this product is mostly regional as the feedstocks behind Polypropylene is Propylene and to a meaningful extent Propylene is made out of Propane and these raw materials are regional and we don't see consistent influence from formation on Polypropylene and even at the current low level of margins for Polypropylene business in relative terms as we benchmark our performance relative to the industry is in a very good shape. But again, the reason for the low margin has to do with the overcapacity I just mentioned.

**Pablo Ricalde, Itaú:**
Perfect, that was very clear thanks.

**Bárbara Amaya:**
Our next question comes from Tasso Vasconcellos from UBS. Tasso, please proceed with your question.

**Tasso Vasconcellos,UBS:**
Hi Jorge, José Carlos, Barbara. Thanks for taking my question, I have two here on my side.

First question, I'd like some additional color on the potential impacts you see coming from the tariffs coming in the USA, maybe split these two parts in the very short term, how do you see the company position amid these tariffs? What do you view as the main risks and main opportunities in the very short term?

And the second part, looking more in the mid to long term: if these tariffs continue, how do you see the global trade flow evolving?

The second question, Jorge, moving back to the cost reduction plan and alternatives, what and where else the Company sees possibility to cut more costs and how would this impact the volume, EBITDA and/or margins for the Company?

Those are my questions, thank you.

**Jorge Young:**
Thank you for your questions. Let me give you on the first question the additional color on the tariffs issues, especially around the USA. On tariffs in the USA, I think you might have read in consultants and in public information that PET is included in a list of products called Annex 2, for which the additional tariffs at least for now are not applying. And that was to some extent a surprise to us because this is a manufacturing product like many others, but we're looking into that situation. It is very fluid and we're working to resolve that situation.

On other effects that we have from the tariffs is that some of the feedstocks that we do bring into the US, are coming from countries that would be subject to a 10% tariff. However in this case, we can address the situation by redirecting feedstocks with US origin to avoid those ties, those might have some logistics minor inefficiencies but that's another string on another part of the story on the tariffs.

And the third one is that we import our own PET sheet from Oman into the US. Oman has had a free trade agreement with the US since 2009. However, Oman is included in the list of countries where the tariff will apply and that level is 10%, I think we can mitigate that through actions in the marketplace and other things. And we expect that over the following months an agreement will be reached to restore the free trade agreement between the US and Oman, so we are expecting to see that although the timing is uncertain but those are the short-term concerns that we have.

Over the long-run, I mean I think if the tariffs stay to some level, I think they will eventually benefit local production, we have significant assets in the US. I have to say also that in tariffs on our product EPS, the tariffs do apply. So, we should expect to see some tailwinds on EPS. Also, everything that is coming and flowing between North American countries that are compliant with the US, Mexico and Canada, free trade agreement are not subject to tariffs, so, that's another long-term opportunity not only for US assets but for our North American assets. So, that's why it's a fluid situation, that's what we are facing right now. We think it's uncertain in the short term but with our local footprint of assets we would expect in the long term to recover and restore some competitive advantage.

On the question about the footprint, that's what we are looking, I mean we have some of our sites are very large integrated where we make for example, we have several sites where we make in the same location PTA and PET, those tend to be our larger sites or more integrated sites with more advantages. Our site in Oman where we make Polymer and PET Sheet totally integrated in one site, that's a very strong site. Although we have some sites at the same time that are smaller, older in capacity, those are the ones that we tend to look constantly. An example in the recent past, we did shut down one of our PET plants in the US and our Fiber plant in Monterrey. So, we still have a few of those assets, those tend to be the smaller assets in terms of capacity and if we do an adjustment in those assets, it will likely come with either at the bottleneck or increased production in the stronger, more integrated assets. That is a process that we do on a constant basis, and I will leave it at that level at this time, and once we have the if and when we have the very specific actions, we'll share with you all as soon as possible.

**Tasso Vasconcellos,UBS:**
Very clear, thank you.

**Bárbara Amaya:**
Our next question comes from Bruno Montanari from Morgan Stanley. Bruno, please proceed with your question.

**Bruno Montanari, MS:**
Hi everyone, thanks for taking my questions, I have a few here.

First one, can you share with us how demand has behaved perhaps in March and April compared to the dynamics seen in the first quarter? I'm trying to understand directionally where the second quarter is heading to.

My second question is, in a very challenging global economic environment including the chance of a recession in the US, which could also affect Mexico, would the Company be able to divest from the available land at a favorable valuation so a cash inflow that would make sense for you to delever?

And then if I may add a third one, when you talk about the potential for new businesses with bio energy, clean energy and others, would this move the needle on the results? Especially in the next one or two years? And that could also help with a deleveraging outlook?

Thank you very much.

**Jorge Young:**
Thank you for the question Bruno. Yes, let me give you some color on demand, in March and April, I think it varies by your geography and so forth. But I mean, one of our flagship markets is North America, the US, we will definitely see an improvement in the demand in the second quarter. Demand in the first quarter was very slow, the cold weather and the seasonality and in the second quarter, there is a recovery to normal levels for the second quarter, so that's looking good. Directionally on Q2, we will expect some of those volumes to improve.

On the other hand, we expect to continue to see more pressure on ocean freights. As you know, ocean freights for containers, for which are applicable for competitive products coming from Asia, we continue to see the declines, they are reaching very low values in April. Perhaps even on sustainable values so a rebound now is a possibility but that would be ahead when going into the second quarter. So again, its demand certainly will improve in some of our Mexico and US markets importantly, but we are still leaving with an uncertain environment.

On the question about the recession and the impact on our ideas to sell some of our real estate assets, I will ask José Carlos to give you full flavor of what we're seeing right now. Thank you.

**José Carlos Pons:**
Thank you, Bruno, hope you're doing well. Yes, we've been making a lot of progress into how to monetize that asset, we have not wasted the last year in that sense. What've done is regularize and understand the situation, the market, the potential for development. We've also working on the environmental, cleaning down the site. So, we've been doing a lot of work in terms of preparing that asset for potential monetization. We're confident that we have a very valuable asset, the demand for such land in the location it is, we understand has good expectations. So, I understand your question regarding recession, but on the other hand, we do have a valuable asset that could be very

interesting to some of the developers, so we will try to test the market during the year and have a good idea of the interest and we will keep you updated.

**Jorge Young:**
On the third question, let me just add one slight addition to José Carlos response on the assets. The asset in Monterrey in particular, it has a potential more for commercial and housing rather than industrial repurposing, and there are already some zoning approvals that happened over the last year or so, last two years, that allow that asset to be repurposed for commercial and residential use, which is very important for the asset valuation that obviously requires more work as all the activities José Carlos did mention, but that's a key feature for that asset.

And the asset in the United States in Pennsylvania, that's certainly an industrial asset, and there has been already interest from several parties and we expect that one to materialize sometime in the second half of the year. Again, it's in our interest to, you know, to expedite these decisions, but also ensuring we obtain the right value for Alpek.

And from the new businesses that we did mention in our remarks, I think the one that is going to move the needle is the trading of energy of natural gas. It has already begun to move the needle, it's now in the consistent, I would say, double digit EBITDA contribution per year, but we expect that to grow as we have a very strong position in our sourcing, and we will expect to enhance our margins in natural gas trading next year. We are entering now into commercializing natural gas in Brazil and now actively selling or commercializing electricity, that's just beginning, but over the next couple of years, we will see contributions from that, we will perhaps next year show as another segment, we will debate that for next year, but that one is already moving the needle.

The others will probably take a little longer, either because there are investments that we need to carefully analyze, or the trends will take a little longer.

**Bruno Montanari, MS:**
Super, thanks for the excellent color.

**Bárbara Amaya:**
Our next question comes from Leonardo Marcondes from Bank of America. Leo, please proceed with your question.

**Leonardo Marcondes, BofA:**
Hi everyone, hi Jorge, José. Thanks for picking my questions. I have two from my side here.

The first one is related to the Guidance and the spreads right, two months ago you released the Guidance with expectations for Chinese PET integrated margins of around $106 per ton, right? In the first quarter, the average was a little below the $140 right, so I would like to know if you could give us a bit more color on what has changed since then, and what are the current expectations now for the remainder of the year?

And my second question is regarding the working capital, usually I don't like to ask about it but I think it is important to understand this dynamic for this quarter. This quarter there was a big working capital consumption, even amid spreads and volumes compression rate, so I would like to understand a bit better what happened during this quarter and what could we expect in terms of working capital release or consumption for the remainder of the year as well.

Thank you.

**Jorge Young:**
Good question Leonardo, thanks for the questions.

On the Guidance of spreads, yes, the first quarter Chinese PET spreads were in the $130's as you said, somewhat below $140, April is shaping more into the $160's which is closer to the Guidance, our Guidance was about $160. But what follows next still for us uncertain, I think probably the reason why it did rebound a little bit in April, some amount in April, is that with the oil prices coming down, some of the feedstocks like Paraxylene in Asia also fell and that expanded the margin so it has held there at one level of $160 for a couple of weeks now, but again the level of overcapacity still persist in the $130's. Producers probably in Asia do not make money at all and $160 would make more sense, we want to see the current level to sustain for a few more weeks. I'll ask José Carlos to comment on the question of working capital.

**José Carlos Pons:**
Thank you, Leo. How are you?

I'll start by saying that the first quarter was characterized by a strong volatility in terms of what everyone saw on potential trade matters. So, we saw some of our customers and even ourselves gaining up some inventory, so that we would protect our customers in any significant change, so we will expect gradually that inventory to come down to more reasonable levels and normal levels, and that will be one of the key levers for us to release the working capital that we increased in the first quarter. I'll say that's basically what will happen and that will be one of the key levers to improving our working capital. Of course, it remains one of our key priorities to maximize operating free cash flow and we're not only focusing on working capital, probably you also saw that we had minimal CAPEX and focused on maintenance during the first quarter and that's one of the reasons that's one of the levers that we're pulling in order to improve our free cash flow.

So, you clearly will see, or we expect to see in the second quarter an improvement in the working capital.

**Leonardo Marcondes, BofA:**
That's very clear. Just to understand on a year basis, there should be a working capital release, right? At least you expect that.

**José Carlos Pons:**
Correct, correct. We expect the year to end with a lower working capital so there should be a release below $100 million dollars.

**Leonardo Marcondes, BofA:**
Perfect, thank you very much José and Jorge.

**José Carlos Pons:**
Our pleasure.

**Jorge Young:**
You're welcome.

**Bárbara Amaya:**
Our next question comes from Alejandra Andrade from JP Morgan. Alejandra, please proceed with your question.

**Alejandra Andrade, JPM:**
Hi! Thank you so much for taking my question.

My question was more related to your deleveraging plan. Now that you're saying that you might be accelerating asset sales. I know, obviously, it will depend on the environment and the valuation you can get but is that something that you're hoping to close by this year and then use proceeds to pay down debt or how should we be thinking about the acceleration of those asset sales in terms of use of proceeds at this point? Thank you.

**José Carlos Pons:**
Thank you, Alejandra. I hope you're doing well. Thank you for your question.

Certainly, the leveraging is one of our key priorities, as we have indicated in various of these calls our target is 2.5 times. We already indicated in this call that we expect to reach that target during 2026, and it remains one of our key priorities.

Yes, one of the levers that we can pull, is selling non-core assets. Jorge and myself already explained that we have at least 2 pieces of land that are valuable, that could be, let's say, a windfall or an improvement to our deleveraging strategy.

We will do the best for at least one of those 2 divestitures to happen this year. It's a challenging environment but significantly, we're committed to working on that. I cannot promise, but it requires that the market is there for these assets, but certainly we will be working actively to divest them.

Or, in the case of the Monterey site, I should say we will make a decision on what's the best strategy for that asset. I don't want to guide you towards only divestiture. We will make a decision and analysis on what's the best value creation for our shareholders for that asset. So, I don't want to misguide you in that.

**Alejandra Andrade, JPM:**
And you would pay gross debt with any proceeds, or it's more so you'll get the cash, and then kind of decide what to do?

**José Carlos Pons:**
We certainly will pay debt, when any of the proceeds we will use them to pay down debt.

**Alejandra Andrade, JPM:**
Great. Thank you.

**Bárbara Amaya:**
Our next question comes from Andrés Cardona from Citi. Andres, please proceed with your question.

**Andrés Cardona, Citi:**
Hi! Good morning, Jorge, José Carlos, Bárbara.

Following on the color you were providing about demand. I would like to understand what is the level of the inventories at the industry level and how are clients, reacting to this uncertainty regarding tariffs? Are you seeing any preference for local suppliers, or are you, seeing more imports from Asian markets as they, I don't know may have a preference to build up inventories, I don't know any color you can provide there?

And also, you talked about the Chinese PET Margins, into April, can you share what's happening with the Asian and Polypropylene EPS, also, into early days of April please?

**Jorge Young:**
Yes Andrés. On the question about the inventories, I think, as José Carlos did mention, we did increase, our inventories, especially on the on the U.S. Side of our fence, because of the uncertainty of the tariffs, especially in early March, and some of our customers might have done the same. Probably more on EPS than anything else, I think in PET we're seeing again much better and more normal level of volume shipments in the second quarter, talking about North America.

So, generally speaking, yes, I think the value chains did increase inventories, some more in the on the side of the U.S. because of the uncertainty. But I would say things are now normalizing. We have seen also again more interest on domestic supply, even though some of the products, like PET have been included in Annex 2, for which the new tariffs, at least for now, are not applicable.

Again, the uncertainty is slowly, causing customers to position with local supply. I mean the prices and the margins are still very competitive. But definitely, there is going to be a preference for more

local supply, and it is our in our goal to be there for those customers, and capitalize, our local footprint especially in the U.S. and key countries.
On the spreads. I think the spreads might have also rebounded a little bit with the Asian spreads the Polypropylene, and EPS spreads. We expect them to stay very much flat in the in the first quarter.

And the Asian PET spread, I don't have the number exactly here, but probably behaving similar as the as the Chinese spread. We'll share the data separately.

**Andrés Cardona, Citi:**
Thank you. Jorge.

**Bárbara Amaya:**
We had some questions coming in from the chat, I will proceed to read them.

First question, why is reducing leverage a priority still? When repurchasing shares is much more accretive for shareholders.

**José Carlos Pons:**
Thank you for the question. Certainly, we believe that the current value of the shares, especially on, I think, both on Controladora Alpek and Alpek, it provides a good entry value for the potential upside that we will have in the following years. So, we are committed, and we believe that this is a good value for us to be repurchasing shares. You saw, probably, that we were active during the first quarter, and we will continue to be active whenever we believe that there's a good entry point for us to buy shares and depending on the progress that we make on putting together the 2 companies, Controladora Alpek and Alpek, well that could open the door for taking those shares out of the market. That's something that we will evaluate later in the year.

**Bárbara Amaya:**
The next question is the following, at the bottom of the cycle, are you minimizing fixed price contracts in both segments to capture the full recovery margins you see, over the coming years?

**Jorge Young:**
The answer for that question varies by product. In some of our segments we tend to stay, you know, more, exposed to the market conditions and move with the market conditions. That's probably more representative of our Plastics and Chemicals. In the Polyester segment there are some agreements that tend to have a negotiated margin that normally stays for a year, in some cases 2 years. But for the most part, you're talking about one-year agreements, and that's pretty much the modus operandi of the industry. Right? It would be in those types of agreements, do not necessarily fall to the lowest levels of the spot prices. Neither do they increase to the highest level of the spot, prices in an upcycle. But again it, you know, many customers prefer formula, type agreements. And the duration is typically one year agreement. So, I wouldn't say that is changing significantly from previous practice. I mean, I see the point of the question that obviously we are highly interested in

not locking low margins for us, but we also don't want to be out on certain key customers that buy with these patterns on a year-over-year basis. But we try to manage that as wisely as possible.

**Bárbara Amaya:**
The next question is, can you update us on the total and available committed credit lines?

**José Carlos Pons:**
Thank you for the question.
Yes, we continue to have around $600 million dollars of a committed credit lines. They are not used and are available entirely for any potential emergency, if you call it.

**Bárbara Amaya:**
The next question is, could you provide more details on the new added value products you are working on, as well as a new venture in Brazil?

**Jorge Young:**
Yes, I think the as I mentioned over the last few years last 5-6 years, one business that has mature for us with nice results. With I would say, no capital, no asset investments. Requires some working capital yet, but no CAPEX. It's been our commercialization of energy in natural gas. I think in the past we have had good years driven by events in the industry that allow us to make some peak earnings in some periods.

But now we are trying to reinforce and build on the margins of that business so that it moves the needle over the next increases. How it moves the needle over the next couple of years. I think we have also over the last couple of years, made research and send some people to be based in Brazil. It's also a very large market of natural gas. I think we're trying to capitalize on the expertise. Again, we need to see how that evolves. But we're very excited of the move. We're already finding opportunities in that market to contribute with our know-how and bridge buyers and sellers into more efficiency, and also and for us to extract some share of that value creation.

So again, Brazil, we don't expect investments in terms of capital requirements right now, or business definition is more trading, and to a big extent bridging the gap between key suppliers and key buyers and again provide value to both of them.

**Bárbara Amaya:**
The next question is, what are the potential key upsides to your 2025 guidance?

**Jorge Young:**
I think right now, the key upsides is potential rebounding freights that are at the very low cost, some recovery on the margin. I think we remain very active on, on how the tariffs, how they work in the U.S. evolve. That's something that is very fluid and changing almost every week. But there could be again some swings that could benefit us, and again we are doing everything that is in our control and everything we can to make those things happen.

José Carlos, do you have anything else you would like to add to the list?

**José Carlos Pons:**
No, probably I would say that non-strategic asset divestiture could be one upside to our guidance. As I already told you, we're working diligently on that front, but it depends on how we can progress on that. So that would be one of the potential upsides to the performance of our 2025 guidance.

**Bárbara Amaya:**
The next question is, can you update us on dividend strategies? Given the increasingly uncertainty year ahead?

**José Carlos Pons:**
Thank you. That's a great question. Well, Alpek has been known to pay a dividend consistently, have an attractive dividend yield but also to be prudent and to maintain financial discipline, we will continue to be in that way. We will assess the performance of the company on the second half of the year and depending how we've been performing. If some of the potential upsides materialized, we could be in the position to pay a dividend. So, I believe that in the third quarter we can give you an idea of where we are on that front.

**Bárbara Amaya:**
**[Slide 17]**
That was the last question in the queue. Thanks everyone for joining our Webcast. Have a great day!