



# SQMM

**NDR London**

Patricio de Solminihac, CEO

December 5-6, 2016



## ► Important Notice

Statements in this presentation concerning the Company's business outlook or future economic performances, anticipated profitability, revenues, expenses, or other financial items, anticipated cost synergies and product or service line growth, together with other statements that are not historical facts, are "forward-looking statements" as that term is defined under Federal Securities Laws.

Any forward-looking statements are estimates, reflecting the best judgment of SQM based on currently available information and involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those stated in such statements.

Risks, uncertainties, and factors that could affect the accuracy of such forward-looking statements are identified in the public filing made with the Securities and Exchange Commission, and forward-looking statements should be considered in light of those factors.



# ► SQM at a Glance

World Leader in Specialty Businesses: Potassium Nitrate, Iodine, Lithium & Solar Salts

## ✓ Financial Profile

- ✓ Revenue LTM<sup>(1)</sup> : US\$ 1.8 billion
- ✓ EBITDA<sup>(2)</sup> LTM : US\$ 688 million
- ✓ EBITDA Margin LTM : ~ 38%

## ✓ Healthy Credit Metrics

- ✓ NFD/EBITDA LTM : .55
- ✓ Moody's : Baa1
- ✓ Standard and Poor's : BBB

(1) LTM: Twelve months ended September 30, 2016  
 (2) EBITDA: gross profit – SGA + depreciation & amortization

### FERTILIZERS

### SPECIALTY CHEMICALS

Potassium

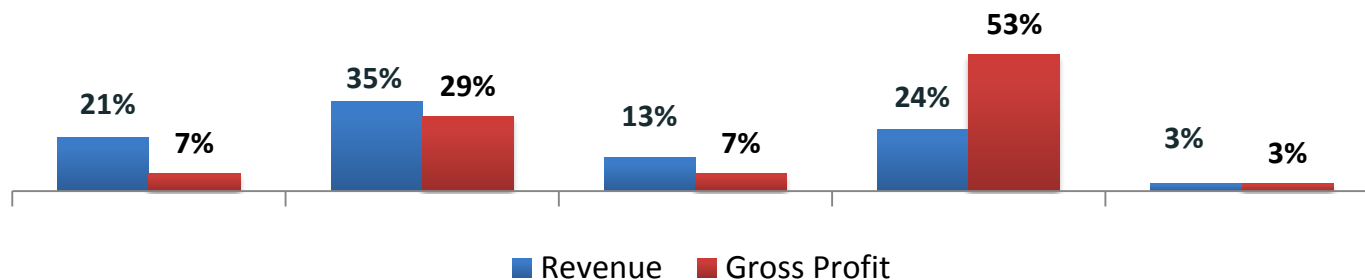
Specialty Plant  
Nutrients

Iodine &  
Derivatives

Lithium &  
Derivatives

Industrial  
Chemicals

Contribution to YTD Revenue vs. YTD Gross Profit



# ► Natural Resources and Experience

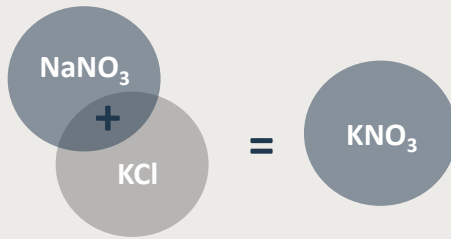
High-quality reserves → low-cost operations

## Caliche Ore

- ✓ Caliche ore is only found in Chile
- ✓ The world's largest deposits of **nitrates and iodine**
- ✓ Proprietary mining rights pursuant to exploitation concessions

## Salar Brines

- ✓ High concentrations of **potassium and lithium**
- ✓ High evaporation rates
- ✓ Production rights are pursuant to a lease agreement with CORFO until 2030
- ✓ Technology and experience to efficiently operate



- ✓ Sustainable Operations in the North of Chile.

- ✓ Sodium nitrate + Potassium chloride = Potassium nitrate + (Sodium chloride)
- ✓ Know How – Exploration, Process and Logistics

# ► Arbitration: CORFO and SQM

✓ **May 2014: Arbitration was initiated between SQM and CORFO**

CORFO Alleges	SQM Position
SQM incorrectly determined lease payments, and underpaid CORFO US\$8.9 million (2009-2014)	<ul style="list-style-type: none"> <li>• All payments were made appropriately</li> </ul>
International reference price for KCL (used in order to calculate lease payments) should have been used for all potassium salts, without making corrections to reflect for potassium content	<ul style="list-style-type: none"> <li>• Per contract, CRU British Sulfur determines reference price</li> <li>• Agreement states that unit of K content must be taken into consideration</li> <li>• CRU has determined reference price for all potassium products</li> </ul>
Lease agreement reference price for lithium should be based on sales to non-related customers and not average price to all customers	<ul style="list-style-type: none"> <li>• Parties previously discussed reference pricing, and agreed on lease payments based on average price from all customers.</li> <li>• Average price referenced in bullet above based on all customers has benefited CORFO over life of contract</li> </ul>
SQM did not properly construct/replace property markers per agreement	<ul style="list-style-type: none"> <li>• Mining properties are fully protected from legal point of view</li> <li>• Responsibility belongs to property owner (CORFO), and has never been transferred by CORFO to SQM</li> <li>• SQM has offered to construct and replace markers</li> </ul>
<b>As a result of these allegations, CORFO is calling for early termination of the lease agreement</b>	<b>SQM has fully complied with all contractual obligations with CORFO over the life of the contract</b>

✓ **August 2016: CORFO formally initiated second arbitration regarding Project Agreement against SQM**

✓ **Sept 2016: SQM formally initiated third arbitration against CORFO to look at the total period**

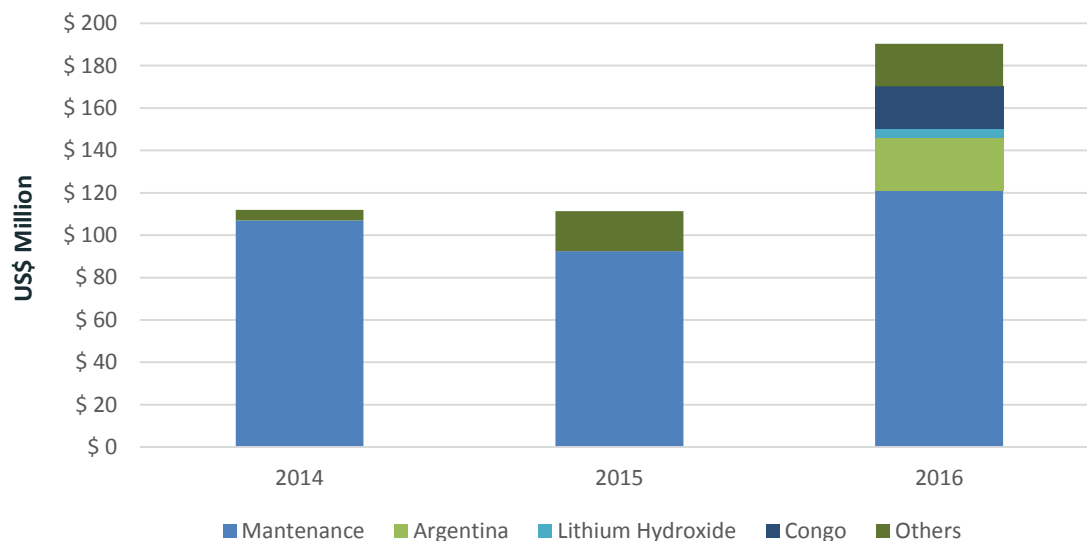
# ► Strategic Plan: Looking towards the future

✓ **Goal: To increase EBITDA to over US\$1 billion by 2020**

SQM Strategic Goals	Initiatives to Reach Goal
SPN: Continue to add value to KNO <sub>3</sub> market	<ul style="list-style-type: none"> <li>• Build new NPK plants and form new strategic partnerships</li> <li>• Aggressive investment in market development. New products, new uses → new customers in diverse regions</li> </ul>
Potash: Be a low-cost producer	<ul style="list-style-type: none"> <li>• Extend Lean implementation in all our plants</li> <li>• Evaluate new projects at low end of cost curve</li> </ul>
Lithium: Grow and diversify geographically	<ul style="list-style-type: none"> <li>• Develop 50,000 MT project in Argentina</li> <li>• Analyze other opportunities to supply growing market</li> </ul>
Iodine: Increase market share	<ul style="list-style-type: none"> <li>• Ensure operational optimization between nitrates and iodine</li> <li>• Promote R&amp;D for new uses in the market</li> <li>• Continue to develop downstream market through partnership with Ajay Chemicals</li> </ul>
Solar Salts: Achieve 200K MT/year by 2020	<ul style="list-style-type: none"> <li>• Provide a full service for solar salt projects, leveraging production and logistics experience</li> </ul>
New Business	<ul style="list-style-type: none"> <li>• Metal exploration: copper, gold, zinc within our current natural resources</li> <li>• Analyze diverse natural resources around the world, engaging <u>ONLY</u> where we believe we will have sustainable competitive advantages</li> </ul>

## ▶ Capital Expenditures

### Capex



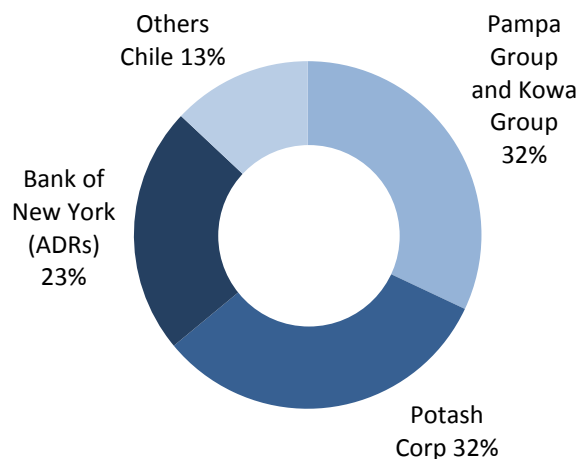
✓ Historical maintenance Capex ~US\$100-120 million

### Growth Plans

- ✓ **2016:** ~US\$25 investment in Exar; ~US\$20 investment in Elemental Minerals
- ✓ **2016-2017:** Lithium Hydroxide Expansion: ~US\$30 million
- ✓ **2016-2018:** Potassium Nitrate Expansion: ~US\$140 million
- ✓ **2016-2019 (first stage):** Chaucharí – Olaroz project in Argentina - ~US\$425 million + ~US\$250 million (pre VAT) for stages I and II, respectively. (50/50 JV: SQM will be responsible for 50% of the capex)

# ► Other Relevant Topics

## Ownership Structure<sup>(1)</sup>



## Other Considerations

- ✓ Market conditions
  - ✓ Iodine prices
  - ✓ Potash prices
- ✓ Arbitration with CORFO

## Dividends

- ✓ Provisional Dividend US\$225 to be paid in December 2016

## SQM Business Opportunities

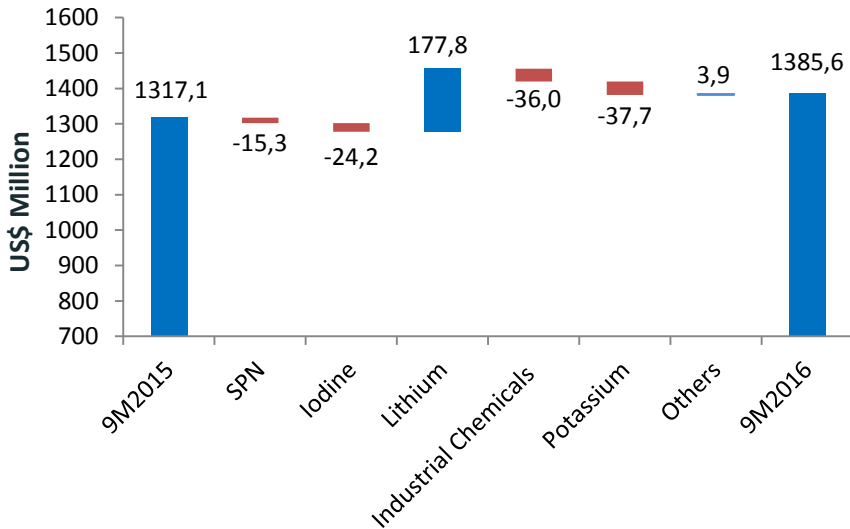
- ✓ JV to develop Caucharí-Olaroz lithium project
- ✓ Strong demand growth in lithium market → higher volumes and prices
- ✓ Potassium nitrate capacity expansion: positioned to supply growing solar salts and water soluble fertilizer markets
- ✓ Strong cost position
- ✓ Strong balance sheet

(1) As of June 30, 2016

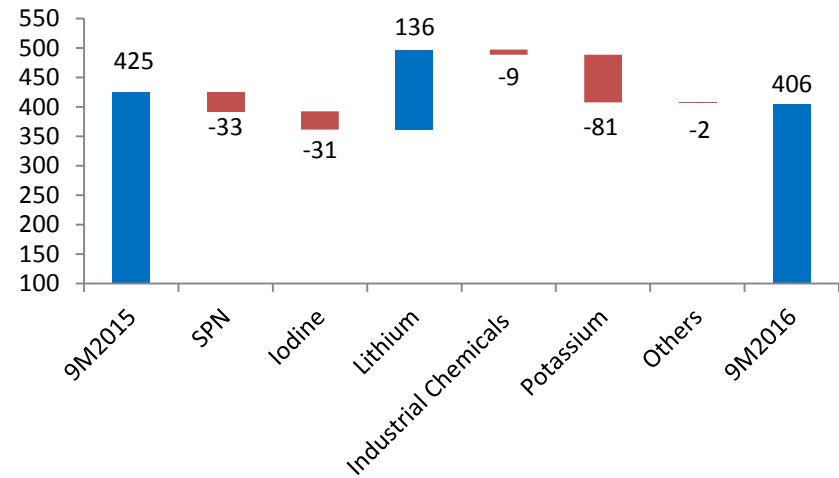


# Results

## Revenue Contribution 9M2016/9M2015



## Gross Profit Contribution 9M2016/9M2015



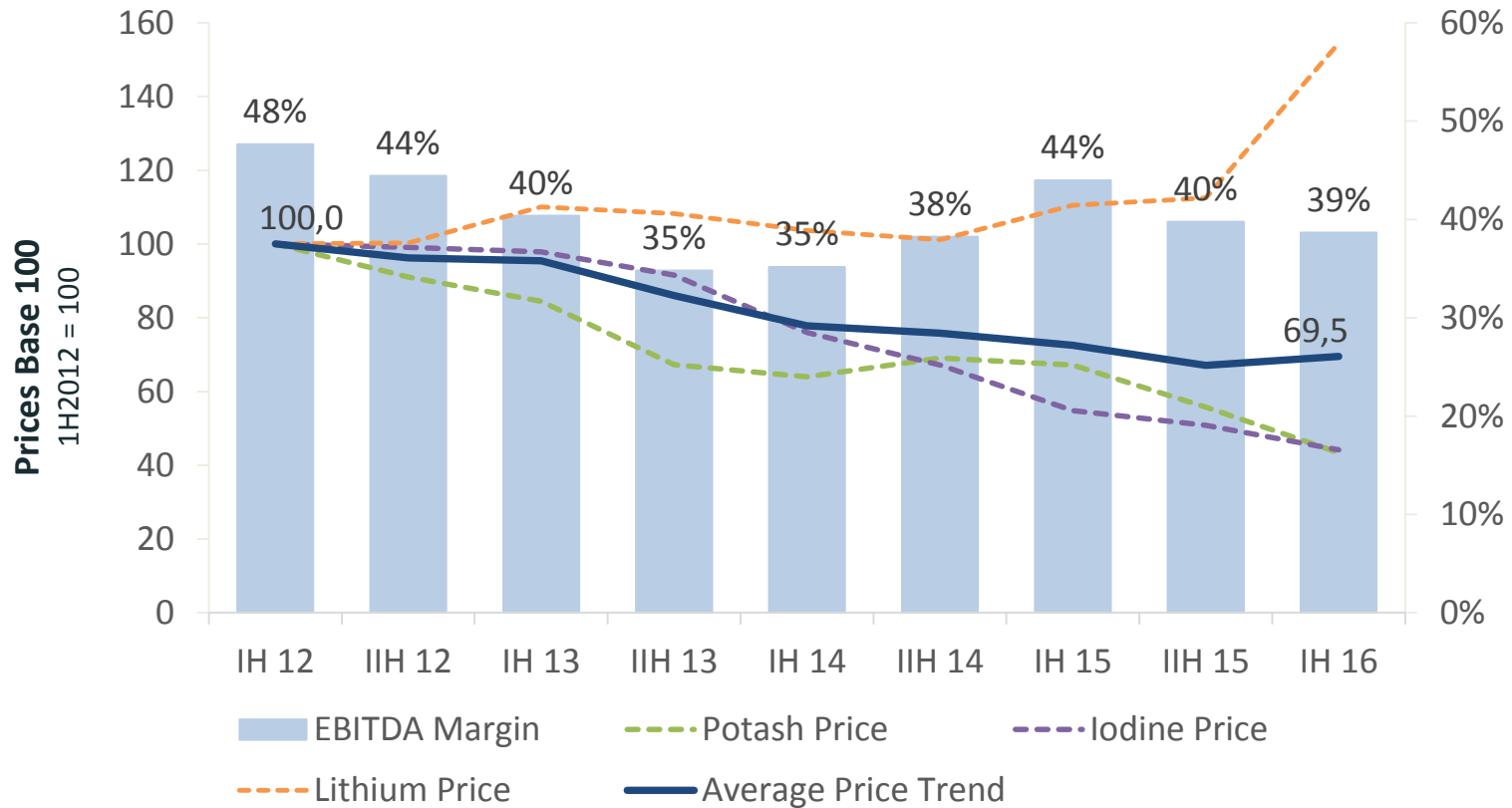
	SPN	Iodine	Lithium	I. Chem.	Potassium
P	↓	↓	↑	↑	↓
Q	↑	↑	↑	↓	↑

✓ Impact of lower pricing outweighs higher volumes in most business lines

# ► Prices vs. EBITDA Margin

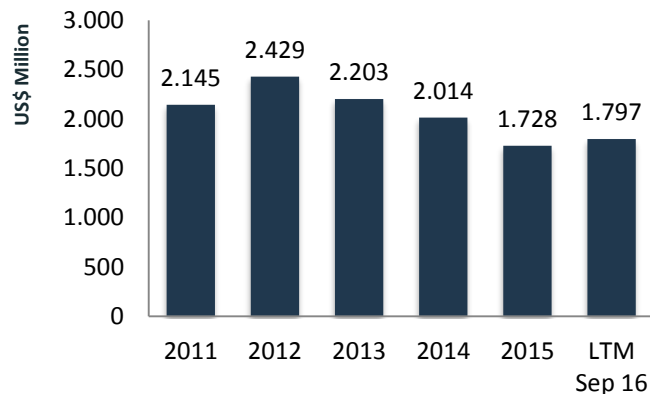
- ✓ Cost savings initiatives have protected margins, despite lower pricing environment in most business lines

### Prices (Base 100) vs. EBITDA Margin (%)

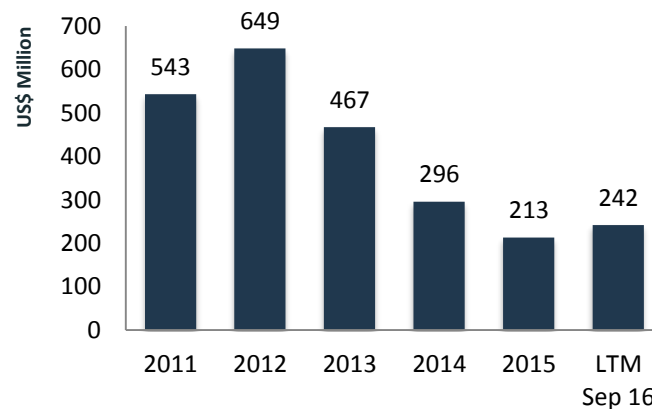


# ► Financial Performance

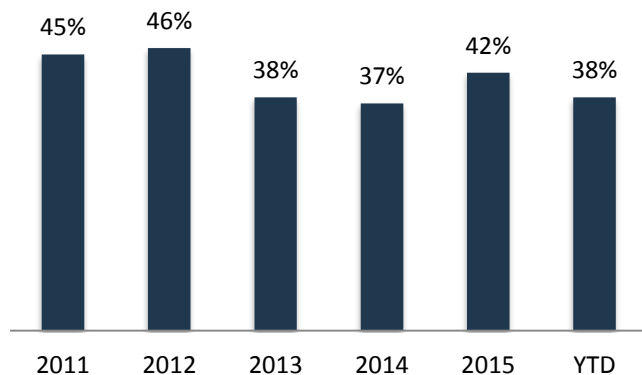
## Revenues



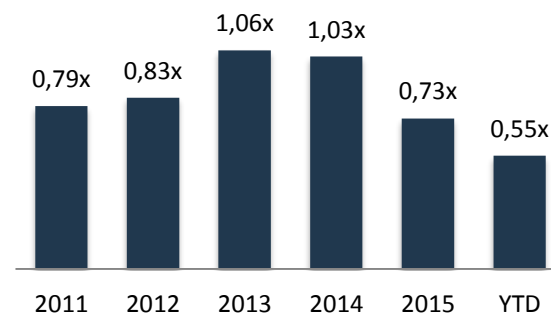
## Net Income<sup>(1)</sup>



## EBITDA<sup>(2)</sup>/Revenues



## NFD<sup>(3)</sup>/EBITDA



- (1) Net income for LTM September 2016 includes one-time charge of US\$32.8 million related to stopping of our train that runs between Coya Sur and Tocopilla. Net income for 2015 includes one-time charge of US\$57.7 million related to restructuring iodine and nitrates facilities
- (2) EBITDA: Gross Profit – administrative expenses + depreciation & amortization
- (3) Net Financial Debt: interest bearing debt net of cash and cash equivalents, considering the effects of derivatives



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