

# SQM

2017 RESULTS



# Important Notice

## SQM

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

2017 Revenues: US\$2.2 billion | 2017 EBITDA: US\$894 million | EBITDA Margin LTM: ~ 41%

NFD/EBITDA: .3 | Moody's: Baa1 | Standard and Poor's: BBB

## FERTILIZERS



Potassium



Specialty Plant Nutrients

## SPECIALTY CHEMICALS



Iodine & Derivatives

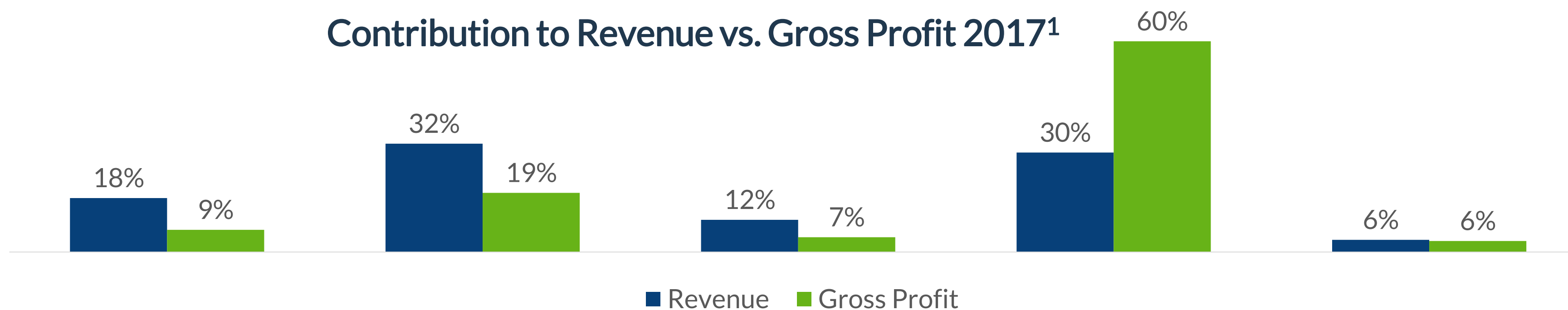


Lithium & Derivatives



Industrial Chemicals

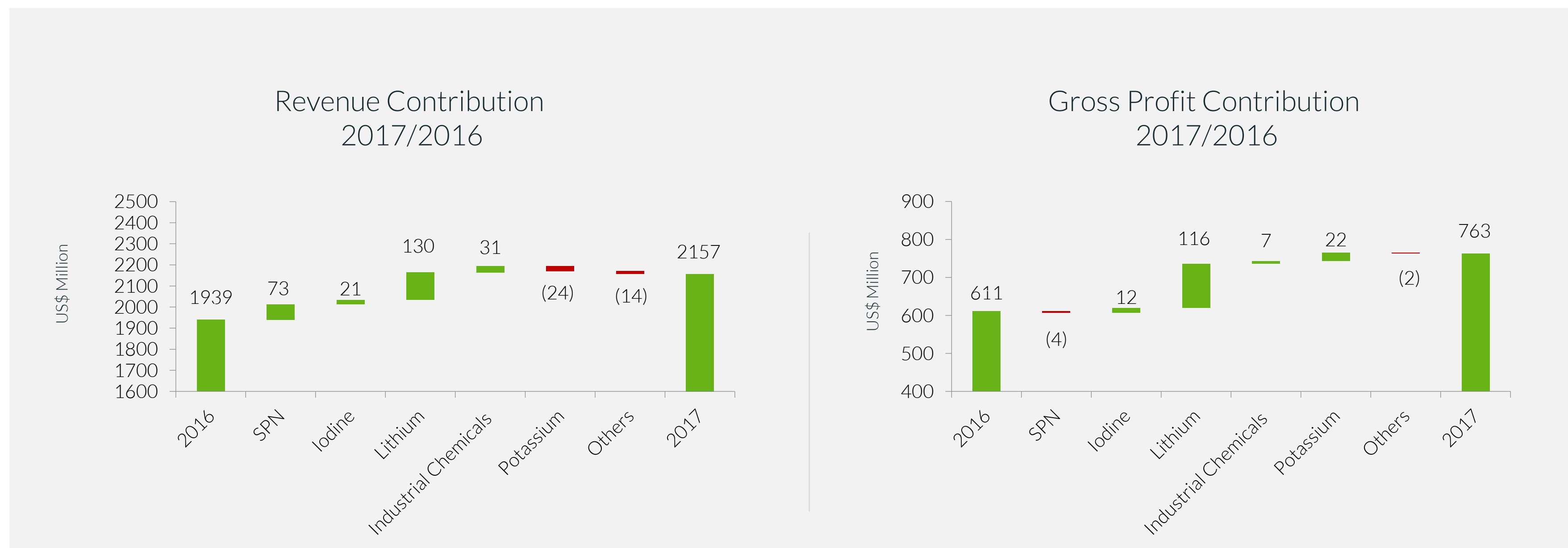
### Contribution to Revenue vs. Gross Profit 2017<sup>1</sup>



<sup>1</sup> Excluding "Others"

# Review of Results

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



Prices increased significantly in lithium business line. Impact of higher volumes outweighs lower prices in iodine and industrial chemical business lines. Higher prices in potassium business line compensated for lower sales volumes.

## Payments

Li <sub>2</sub> CO <sub>3</sub>		LiHO	
US\$/MT	%	US\$/MT	%
<4,000	6.80%	<5,000	6.80%
4,000-5,000	8.00%	5,000-6,000	8.00%
5,000-6,000	10.00%	6,000-7,000	10.00%
6,000-7,000	17.00%	7,000-10,000	17.00%
7,000-10,000	25.00%	10,000-12,000	25.00%
>10,000	40.00%	>12,000	40.00%

### Example<sup>1</sup>

Original Agreement	%	US\$/MT
Li <sub>2</sub> CO <sub>3</sub> , LiHO	6.80%	884
KCL	1.80%	5.04
<b>New Agreement</b>		
Li <sub>2</sub> CO <sub>3</sub>	19.78%	2,572
LiHO	14.85%	1,930
KCL	3.00%	8.40

<sup>1</sup>Avg. price lithium: US\$13,000/MT, potassium: US\$280/MT

# New Agreement CORFO

## Production allowance

Total production quota until 2030: **349,553 MT of LME:**  
 Reminder original quota: 64,816  
 New quota: 185,767  
 Additional quota: 112,723  
 Efficiency quota: 51,063

**Total 2.2 million MT of LCE**

## Capacity Expansion Options

Expansion 1: 50,000 MT by 2023  
 Expansion 2: 100,000 MT (in 4 stages of 25k MT)

## SQM Capacity Expansions in Chile

**Li<sub>2</sub>CO<sub>3</sub>:** 48,000 MT to 70,000 MT in 2018  
 70,000 MT to 100,000 in 2019

**LiHO:** 6,000 MT to 13,500 MT in 2018

# SQM Lithium Projects



## Lithium Carbonate & Hydroxide



### LITHIUM CARBONATE

- Current capacity 48,000 MT
- Expansion to 70,000 MT in 2018
- Expansion to 100,000 MT in 2019
- CAPEX ~US\$170 million

### LITHIUM HYDROXIDE

- Current capacity 6,000 MT
- Expansion to 13,500 MT in 2018
- CAPEX ~US\$30 million

### Argentina **LithiumAmericas**

- Minera Exar, 50/50 JV
- Caucharí-Olaroz, Jujuy
- Capacity 25,000 MT - I stage in 2020

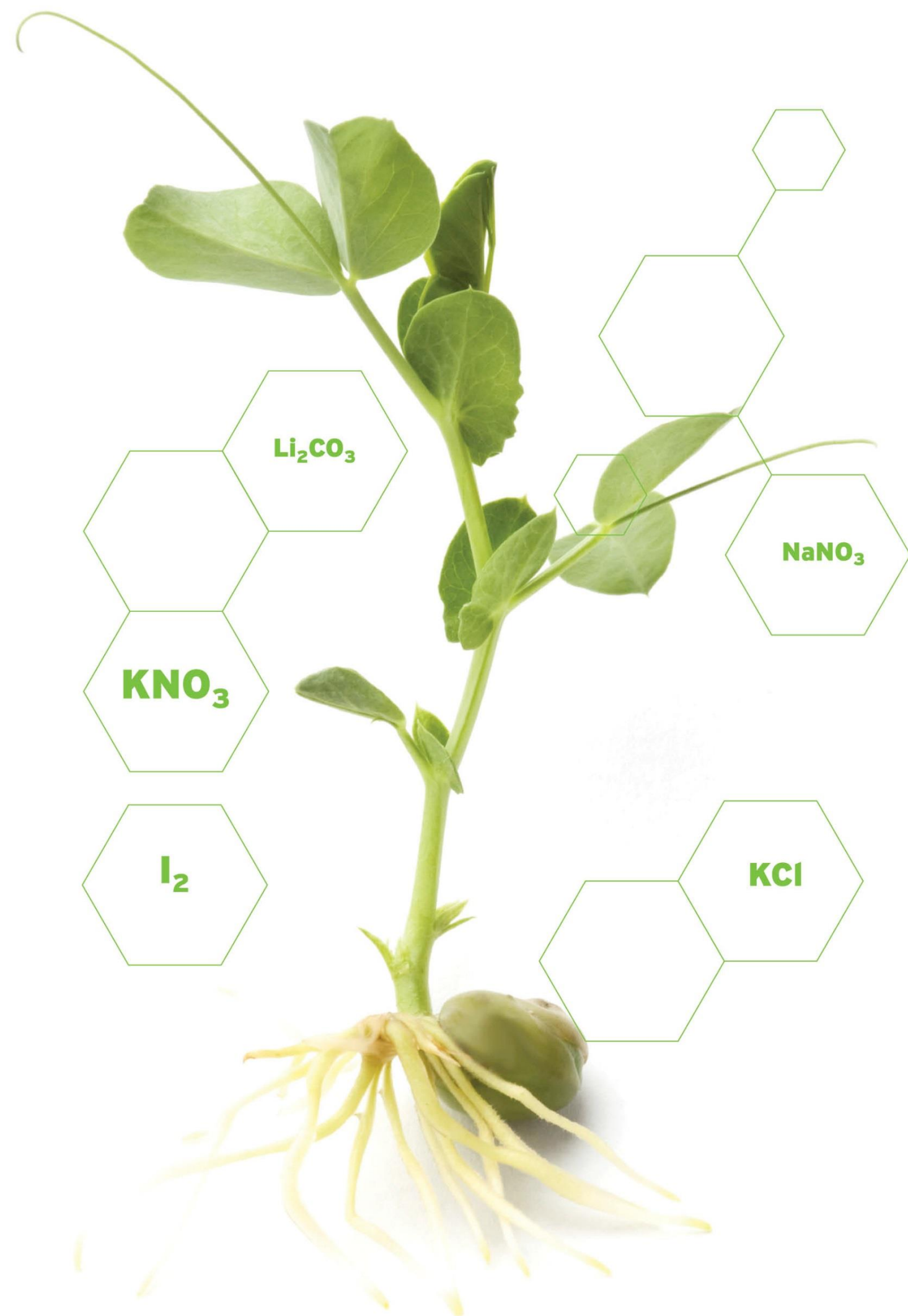
### Australia **KIDMAN RESOURCES**

- Mt. Holland integrated project, 50/50 JV
- Capacity 40,000 MT in 2021



# Market Outlook

- **Lithium Market:** Strong market growth (~20%) in 2018 to ~260k MT, tight market with average prices 20% higher in 1H2018 than in 4Q2017, prices in 2H2018 could be lower than in 1H2018 but higher than in 2H2017. EVs batteries market growing 35% in the next 5 years, total demand more than doubling in the same period. Sales volumes expected to be ~55k MT in 2018 and ~80k MT in 2019.
- **Iodine Market:** Prices have shown recovery in 2017, average price for 2018 is expected to be ~US\$23/kg. Sales volumes for 2018 to be slightly higher than in 2017. Current capacity is 11,000 MT to increase to 14,000 MT in 2018.
- **Potassium Nitrate Market:** Increased demand and decreased supply resulted in the strongest sales volumes during 2017, average prices reduced slightly. In 2018 we expect similar sales volumes and flat prices.
- **Potassium Market:** Average price increased slightly in 2017 compared to 2016. Demand reached ~63 million MT/year in 2017. Sales volumes in 2018 should be ~1 million MT. Prices for 2018 will be set later in the year after the contracts with China are closed.
- **Solar Salts:** Sales volumes expected to be ~ 50K MT/year



# Capex

**Historical Maintenance CAPEX:** ~US\$100 million

**2016-2018:** Lithium Hydroxide Expansion to 13.5k MT: ~US\$30 million

**2017-2018:** Potassium Nitrate Expansion to 1.5m MT: ~US\$50 million

**2017-2019:** Lithium Carbonate Expansion to 100k MT: ~US\$170 million

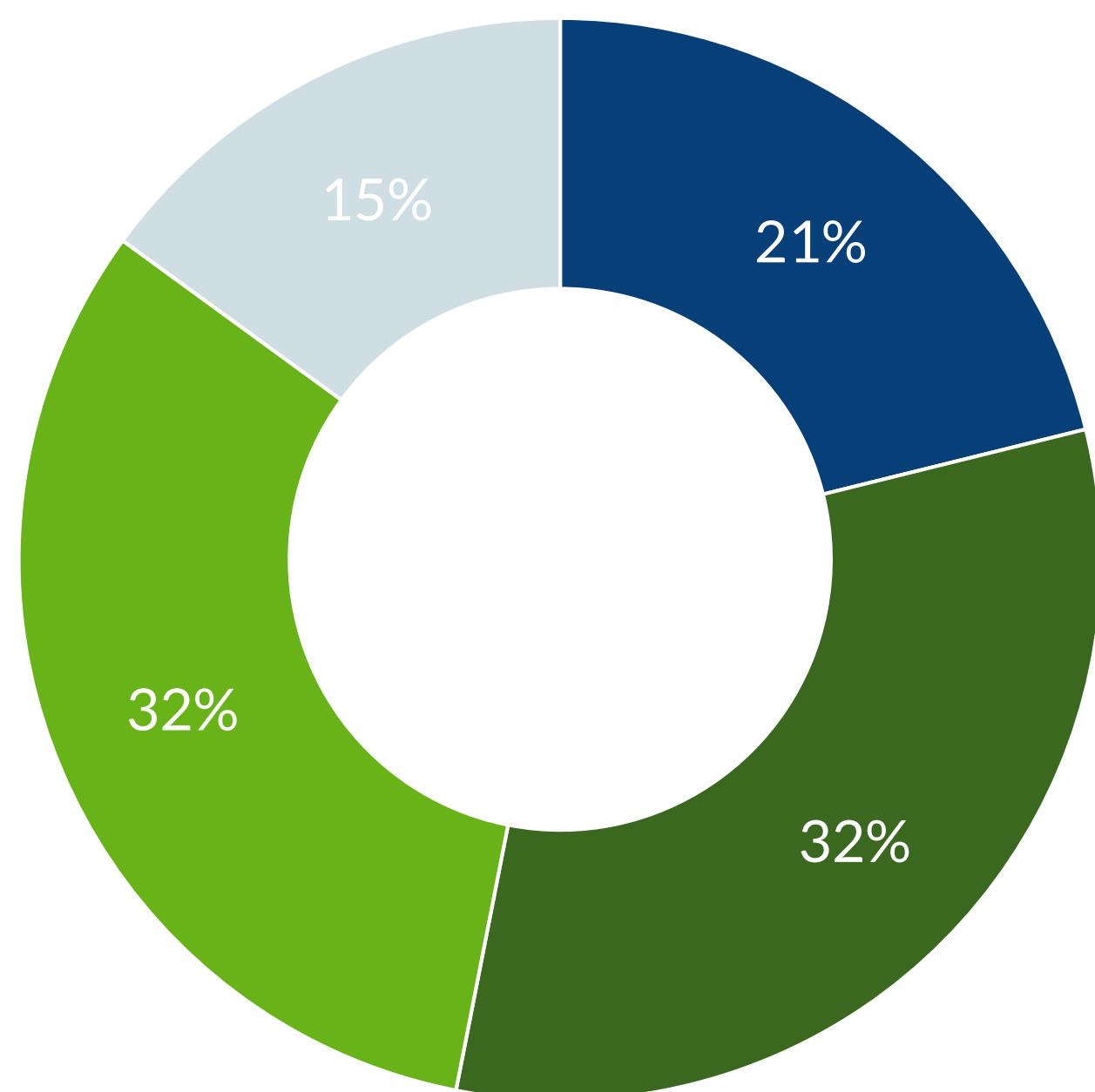
**2017-2018:** Iodine capacity expansion to 14k MT: ~US\$30 million

**CAPEX Framework 2018:** ~US\$517 million, including ~US\$157 investments in project outside Chile



# Other Relevant Topics

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



- Bank of New York (ADRS)
- Nutrien
- Pampa Group and Kowa Group
- Other Chile

## Dividend Policy<sup>2</sup>

2017 Net Income distribution in 3 interim & 1 final dividend

	100%	80%	60%
(a) $\frac{\text{cash+other current financial assets}}{\text{current financial liabilities}} \geq$	2.5	2.0	1.5
(b) $\frac{\text{total liabilities}}{\text{total equity}} \leq$	1.1	1.2	1.3

If none of the above parameters is met: 50% of 2017 Net Income

<sup>1</sup>As of December 31, 2017

<sup>2</sup>Please see the full version on our website at [www.sqm.com](http://www.sqm.com)



# SQM

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