



# INVESTOR

# DAY 2018

NYSE

September 5

## CUSTOMARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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Statements in this presentation concerning the Company's business outlook, future economic performance, 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 the U.S. Private Securities Litigation Reform Act of 1995.

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

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# INVESTOR DAY PROGRAM

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01. Patricio de Solminihac  
CEO

02. Ricardo Ramos  
CFO

03. Gerardo Illanes  
VP Finance & IR

04. Q&A

Presentation is available  
on our website [www.sqm.com](http://www.sqm.com)



PATRICIO DE SOLMINIHAC

CEO

# OUR HISTORY



**25** SQM  
1993 - 2018

Celebrating 25 years listed on the NYSE

New agreement with CORFO; announcement of lithium capacity expansion in Chile from 48k MT/year to 180k MT/year over next few years

**1926**

Maria Elena begins operations using the Guggenheim Method

**1968**

SQM is incorporated

**1993**

Listing of ADR Program on New York Stock Exchange  
SQM begins developing the Salar de Atacama

**1997**

Lithium carbonate production begins

**2014**

Lean methodology adoption begins company-wide

**2018**

**1830**

Commercial exploitation of the caliche ore deposits in northern Chile began

**1951**

SQM constructs crystalized nitrates plant in Coya Sur

**1986**

Production of potassium nitrate begins

**1996**

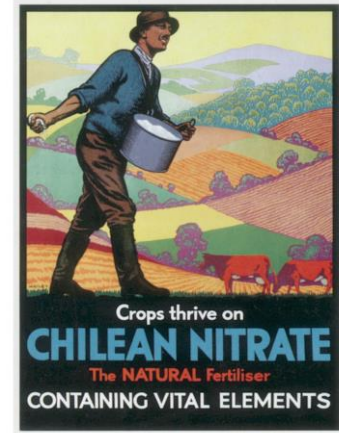
SQM begins iodine production in Nueva Victoria

**2005**

Lithium hydroxide production begins

**2017**

Joint venture with Kidman resources to develop the Mt. Holland Lithium Project in Australia



# CORPORATE STRATEGY

Be a global company with people committed to excellence, dedicated to the extraction of minerals and selectively integrated in the production and sale of products for the industries essential for human development



Ensure availability of key resources required to support current goals for medium and long-term business growth



Consolidate a culture of lean operations (M1 excellence) throughout the organization, including operations, sales and support areas



Significantly increase nitrate sales for all its applications, and ensure consistency with the iodine sales strategy



Maximize the margins of each business line through appropriate pricing strategy



Successfully develop and implement all lithium expansion projects, acquire more assets to complement our current portfolio

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Strengthen the organizational structure to support the development of the strategic plan, focusing on the development of critical capabilities and the application of the corporate values of excellence, integrity and safety

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Develop and actively manage a robust risk control and mitigation process, while focusing on sustainable operations and the environment

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Improve our stakeholder management to establish links with the community, and communicate to Chile and the world our contribution to industries essential for human development

# SPECIALTY PLANT NUTRITION



## Potassium Nitrate (KNO<sub>3</sub>)

LTM CONTRIBUTION TO:



### 2017 Recap

- Currently 16 WSNPK plants; further market development
- New production plants
- Continued cost improvement for all products
- Add value to KNO<sub>3</sub>

- Water soluble fertilizer market growing at ~10% per year
- SQM volume growth outpacing the market in 2018, over 10%, 2019 will see continued increase
- Expanding nitrates production from 1 to 1.5 million MT/year. Currently at 1.3 million MT/year
- Two new NPK plants: Italy and Mexico

## SUSTAINABILITY & INNOVATION

As a result of Lean M1 Operations, in May 2018 the port of Tocopilla shipped **250,000 MT**, setting a new shipping record

In 2017, SQM and the Ayllu Wine Program worked with farmers and the Indigenous Association to produce over **7,500 bottles** of wine in the Salar de Atacama

# POTASSIUM CHLORIDE



## 2017 Recap

- Kore Potash project
- Continued cost improvements for all products

## MOP (KCL)

LTM CONTRIBUTION TO:



- Low-cost raw material for our growing potassium nitrate business
- Market growing, expected to reach ~63-64 million MT
- 2018 sales volumes estimated to be less than 1 million MT, lower in 2019 as result of increased lithium and potassium nitrate production
- Approximately 1/3 of SQM sales to Brazil in 2018

## SUSTAINABILITY & INNOVATION

Approximately **15%** of our employees are women, more than double the average in the Chilean mining industry

**95.8%** of the energy required for our operations is solar



# IODINE & DERIVATIVES



## 2017 Recap

- More than 35% market share; >12k MT sales volumes in 2017
- New capacity expansion
- Look for new projects in iodine derivatives

## Iodine (I<sub>2</sub>)

LTM CONTRIBUTION TO: 10% 12%  
GROSS PROFIT REVENUES

- Market demand will grow close to 3% in 2018
- Sales volumes up, expected to surpass 13k MT in 2018
- Expansion project from 11-14k MT/year was completed
- More SQM iodine projects in pipeline; preparing to meet future market demand

## SUSTAINABILITY & INNOVATION

**Best safety record** over the last 12 months

New uses for iodine help keep demand **growing consistently**

# INDUSTRIAL CHEMICALS



## Solar Salts (KNO<sub>3</sub>, NaNO<sub>3</sub>)

LTM CONTRIBUTION TO:



### 2017 Recap

- 2017 sales volumes expected **100,000** MT

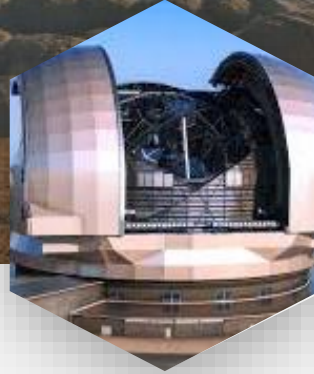
- Market growth coming from solar salts for CSP (concentrated solar power) projects
- Goal for 2020 volumes to reach 200,000 MT

## SUSTAINABILITY & INNOVATION

Over **61,000 hours** of training completed in 2018.

Important geographical growth related to the use of solar salts: **Spain, USA, South Africa, Morocco, Israel, Chile, UAE, Saudi Arabia** and others.

# LITHIUM & DERIVATIVES



## 2017 Recap

- Exar project
- JV with Kidman Resources (Mt. Holland, Australia)
- Look for new lithium projects outside Chile
- Leadership position in the market



LTM CONTRIBUTION TO:



- Market growth in 2018 expected to surpass 20%
- Sales volumes in 2018 will surpass 50k MT
- First stage of lithium carbonate expansion in Chile completed on time and on budget (~US\$75 million)
  - 70k to 120k MT in 2019 (US\$200 million)
  - 120k to 180k MT in 2021 (US\$250 million)
- Lithium hydroxide expansion in Chile from 6k to 13.5k to be completed this year.

## SUSTAINABILITY & INNOVATION

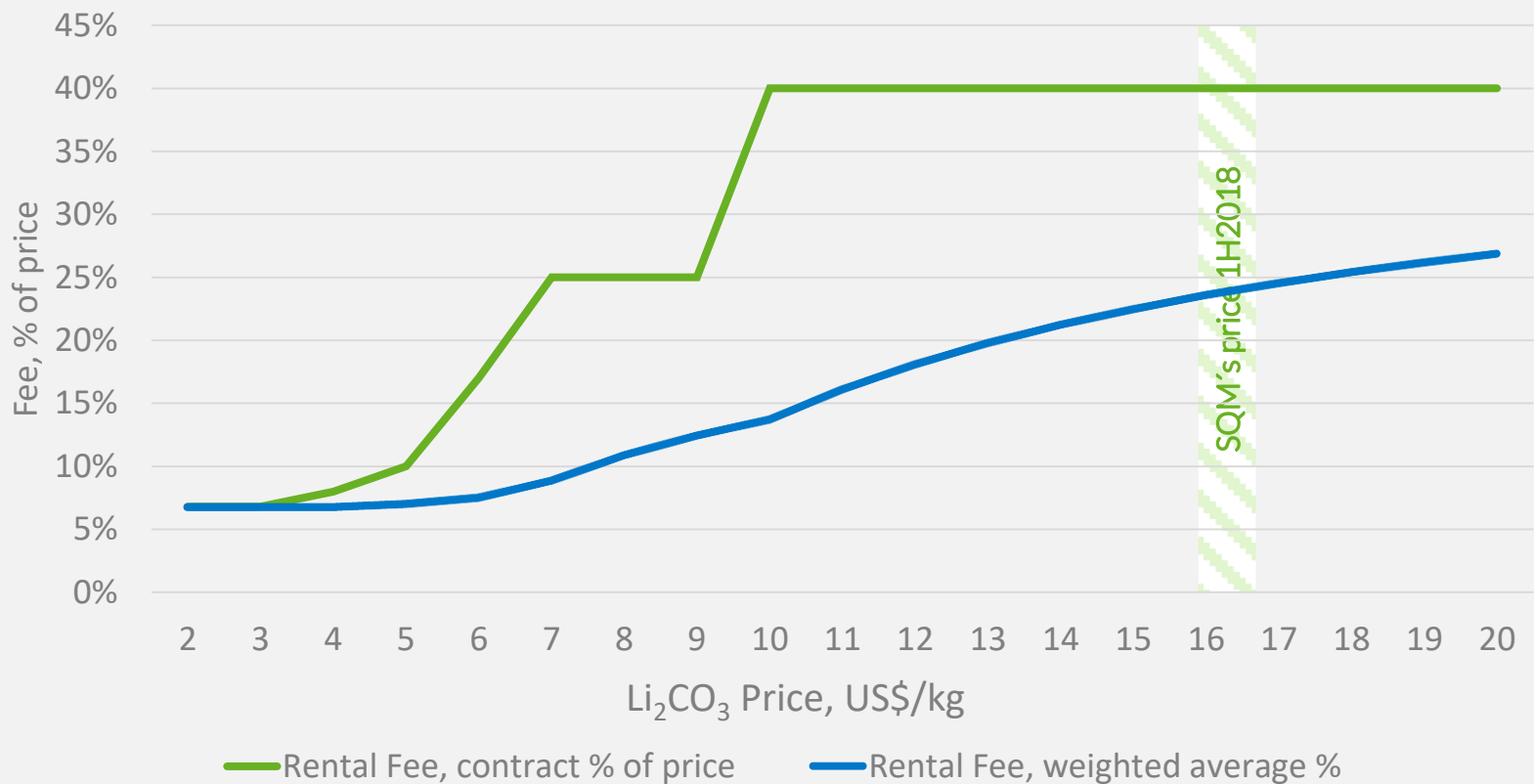
Will be able to almost **quadruple** lithium production without extracting more brine from the Salar de Atacama

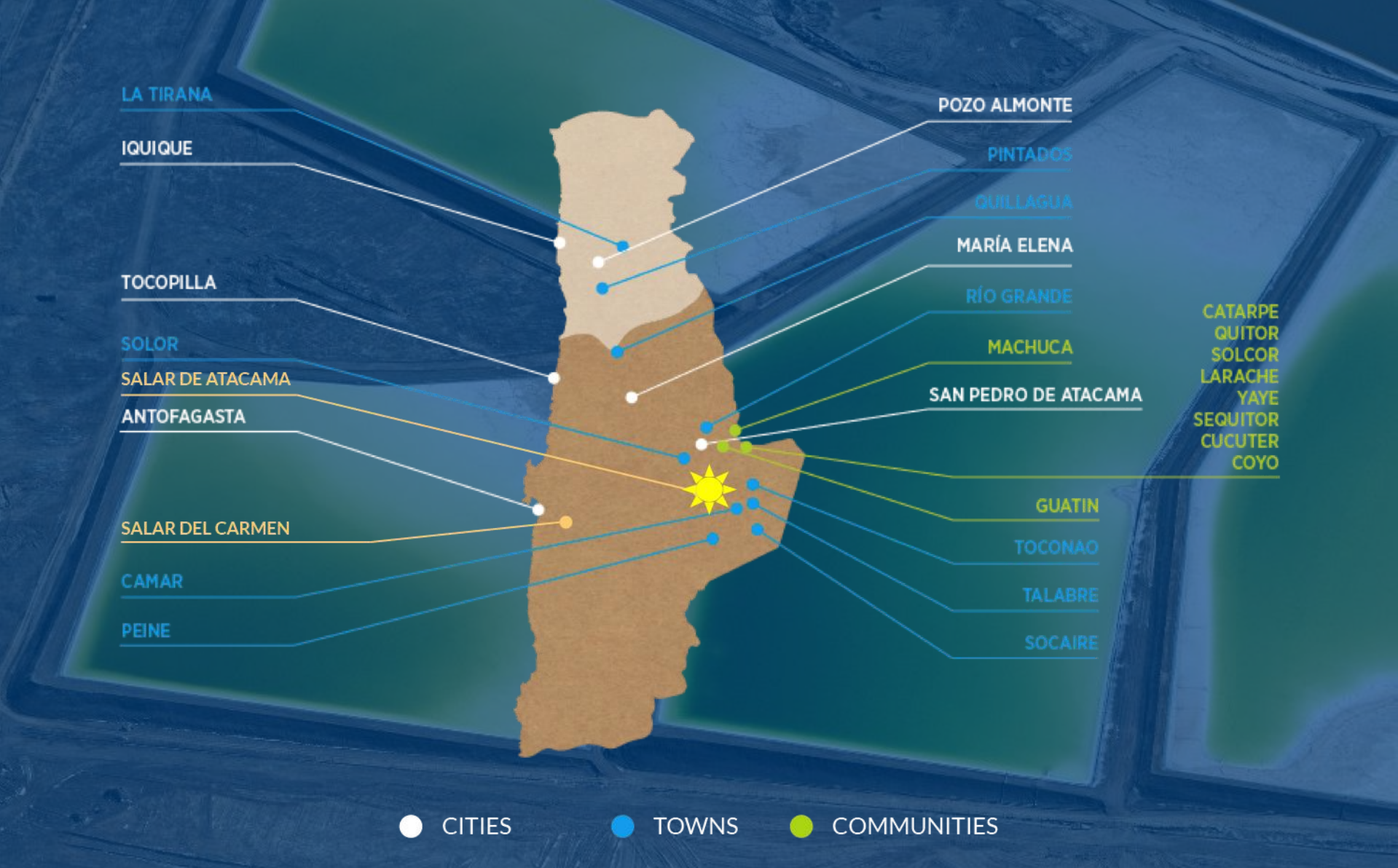
Continued development of **large-scale** lithium projects in Chile and abroad

# CORFO & CONTRACT NEGOTIATIONS IN THE FUTURE

- Agreement reached with CORFO to maintain the lease through 2030
- Total production quota: 2.2 million MT of LCE
- New rent scheme became effective April 10, 2018
- Major investments and expansions in Chile

### CORFO RENTAL FEE (LITHIUM CARBONATE)





## CONTRIBUTIONS TO THE DEVELOPMENT AND COMMUNITIES

- Annual contribution of US\$11-19 million for R&D efforts
- Annual contribution of US\$10-15 million for neighboring communities of the Salar de Atacama
- Annual contribution of 1.7% of SQM Salar's sales per year for regional development



## LITHIUM EXPANSION IN AUSTRALIA

- Mt. Holland, 50/50 JV with Kidman Resources
- Estimated to contain 189 million tons of 1.50%  $\text{Li}_2\text{O}$  or 7.03 million tons of LCE (according to JORC Code\* standards)
- One of the world's most significant hard rock lithium deposits. Expected to be at the low end of the global hard rock cost curve
- Exclusive option to lease a premier site in Kwinana, Western Australia to build a refinery and produce battery-grade refined lithium
- Production focus on lithium hydroxide
- Capacity: 45k MT of  $\text{LiOH}$ /year
- Estimated commission date: 2020 - spodumene concentrate, 2021 -  $\text{LiOH}$
- Current status: advancing on feasibility studies for mine, concentrator and refinery

## CONCLUSION

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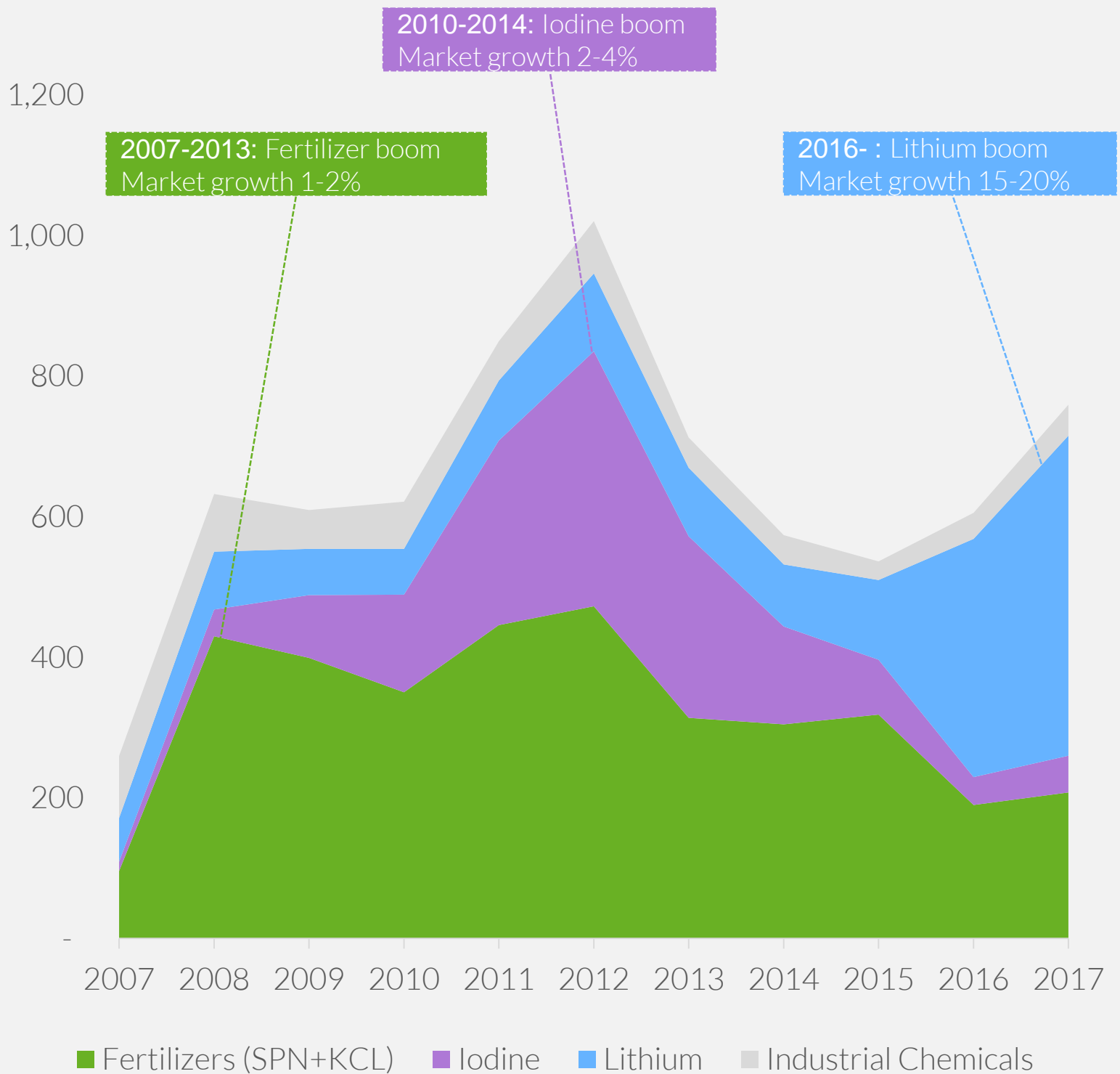
01. On track to capture opportunities in SPN, lithium, iodine and industrial chemicals business lines
02. Lithium is, and will continue to be, our main business line
03. We will continue to make decisions to maximize SQM value in the long-term



RICARDO RAMOS  
CFO



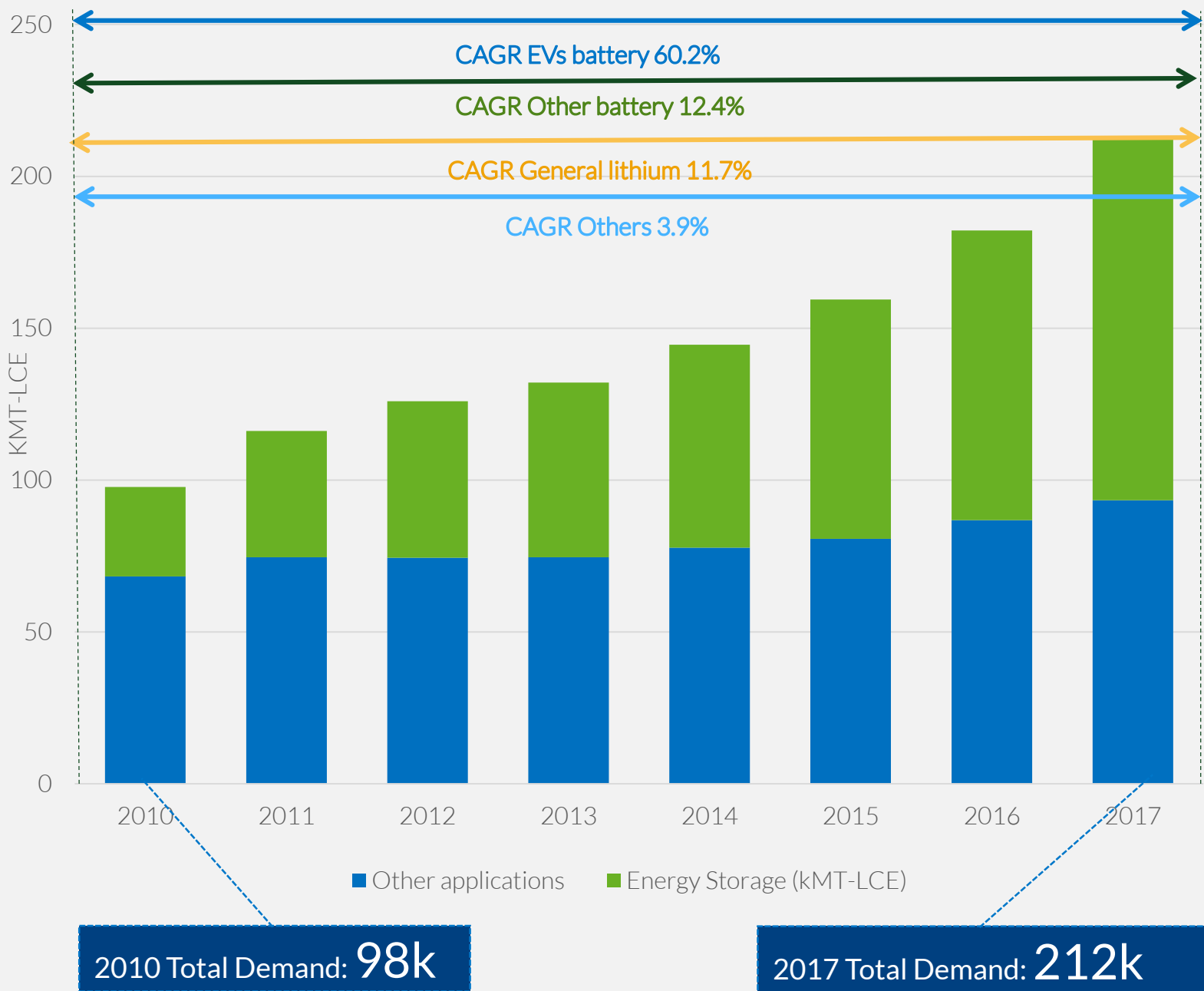
# GROSS PROFIT EVOLUTION



# A CLOSER LOOK AT THE LITHIUM MARKET

## LITHIUM CHEMICALS DEMAND COMPARISON

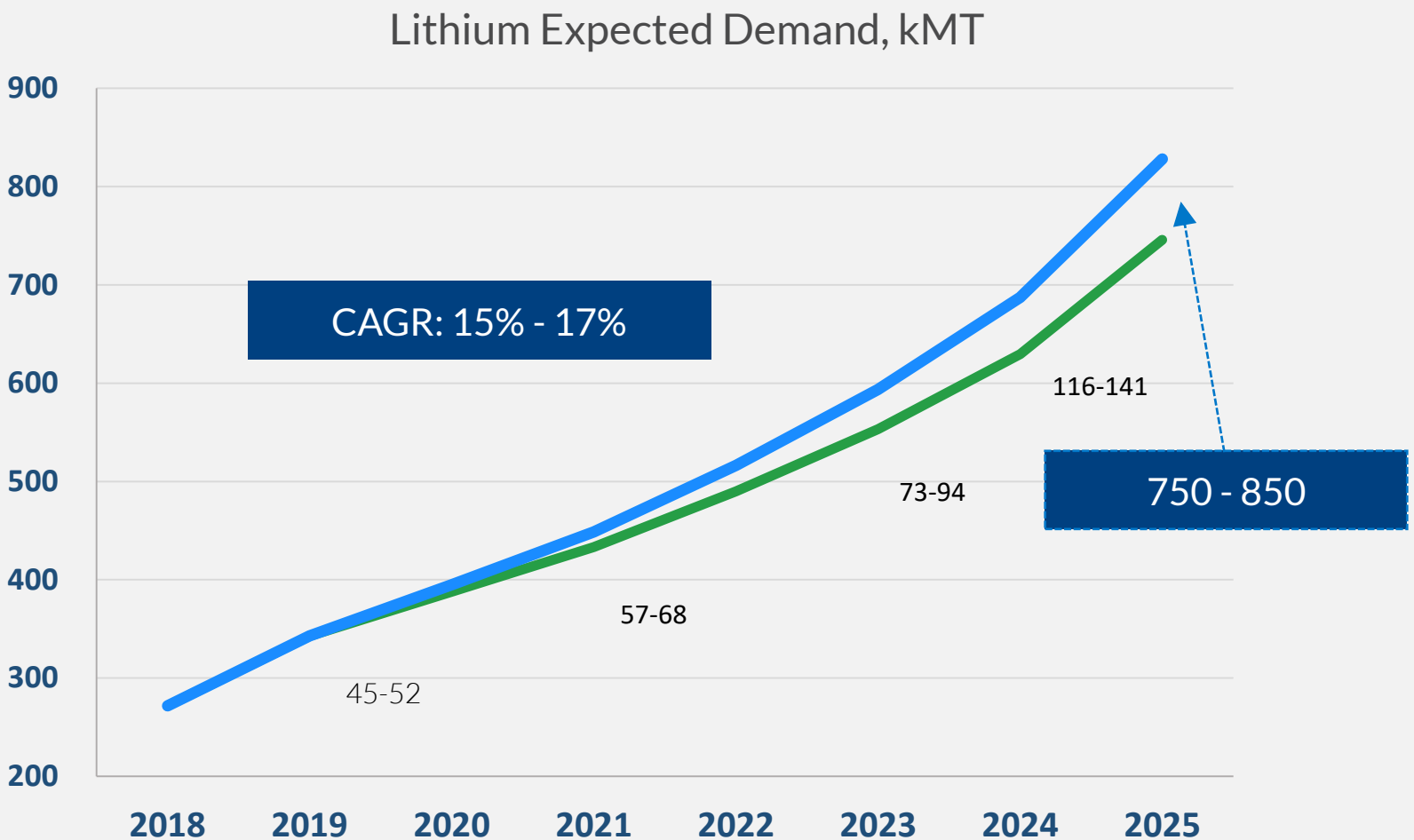
Lithium Demand Evolution  
2010-2017



Demand growth has been led by energy storage related to electronic devices and power tools. Further growth will be related to electric vehicles.

# A CLOSER LOOK AT THE LITHIUM MARKET

## EVEN HIGHER EXPECTED DEMAND GROWTH



- Annual vehicle growth ~2%
- EV penetration is expected to be from ~3% to 9%-11%
- Average battery size from ~40 to 50 kWh (~0.7 – 0.8 kg LCE/kWh)
- ➔ EV Lithium demand is expected to be higher than 400k MT in 2025
- Other batteries uses: CAGR ~11%
- Others: CAGR ~4%

Source: SQM Estimates



# A CLOSER LOOK AT THE LITHIUM MARKET\*

Demand is growing, and new capacity is needed.

## SQM's Strategy:

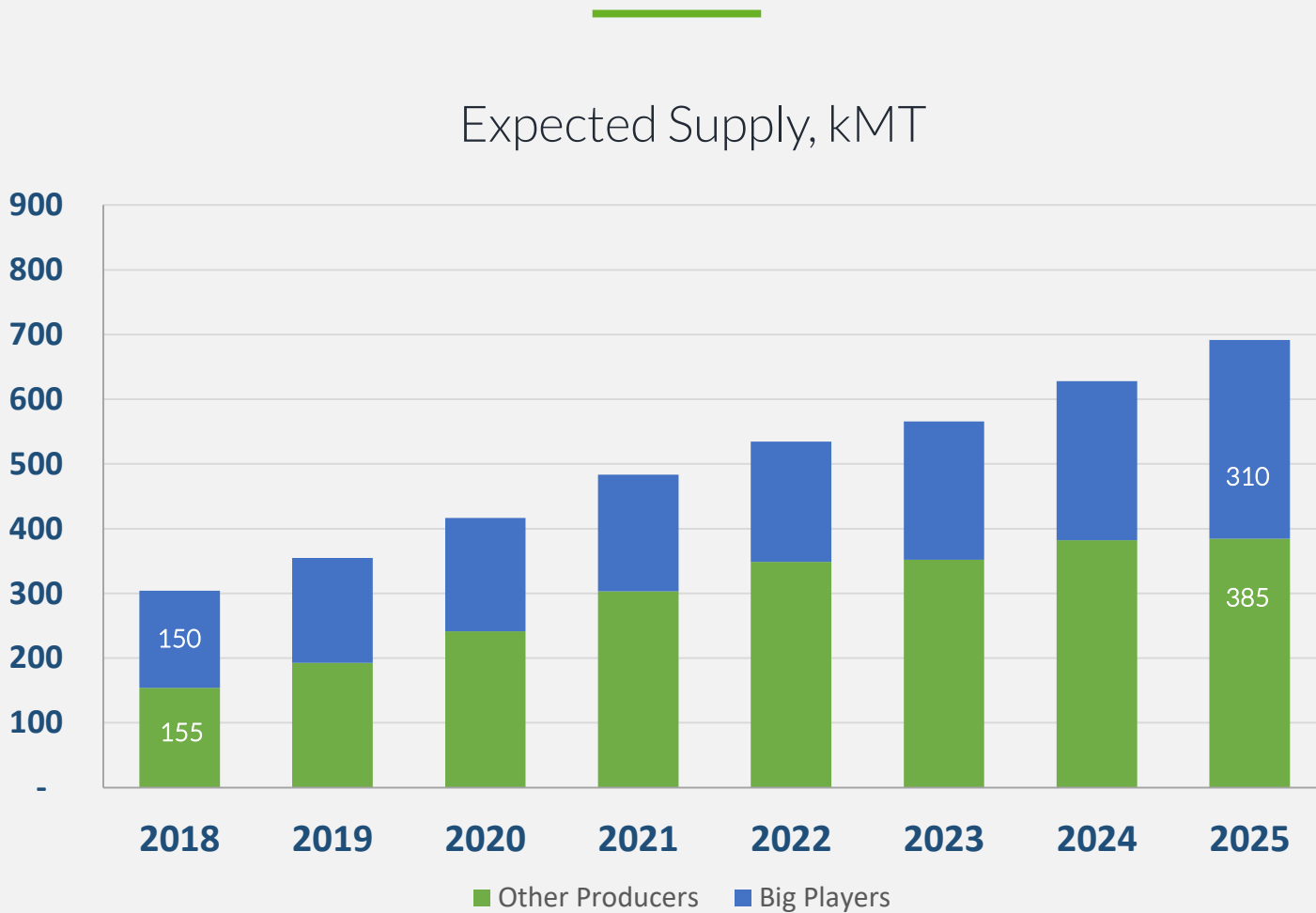
- Chile: capacity increase  
(48k → 70k → 120k → 180k MT)
- Australia: 45k MT
- ➔ Be prepared for higher demand growth rates
- The best quality (physical and chemical), looking at the long-term requirements
- Focus on technological development, cost reduction and environmental sustainability
- Value-added relationships with our customers
- Potential M&A activities



\*Source: SQM Estimates



# GLOBAL LITHIUM SUPPLY EVOLUTION



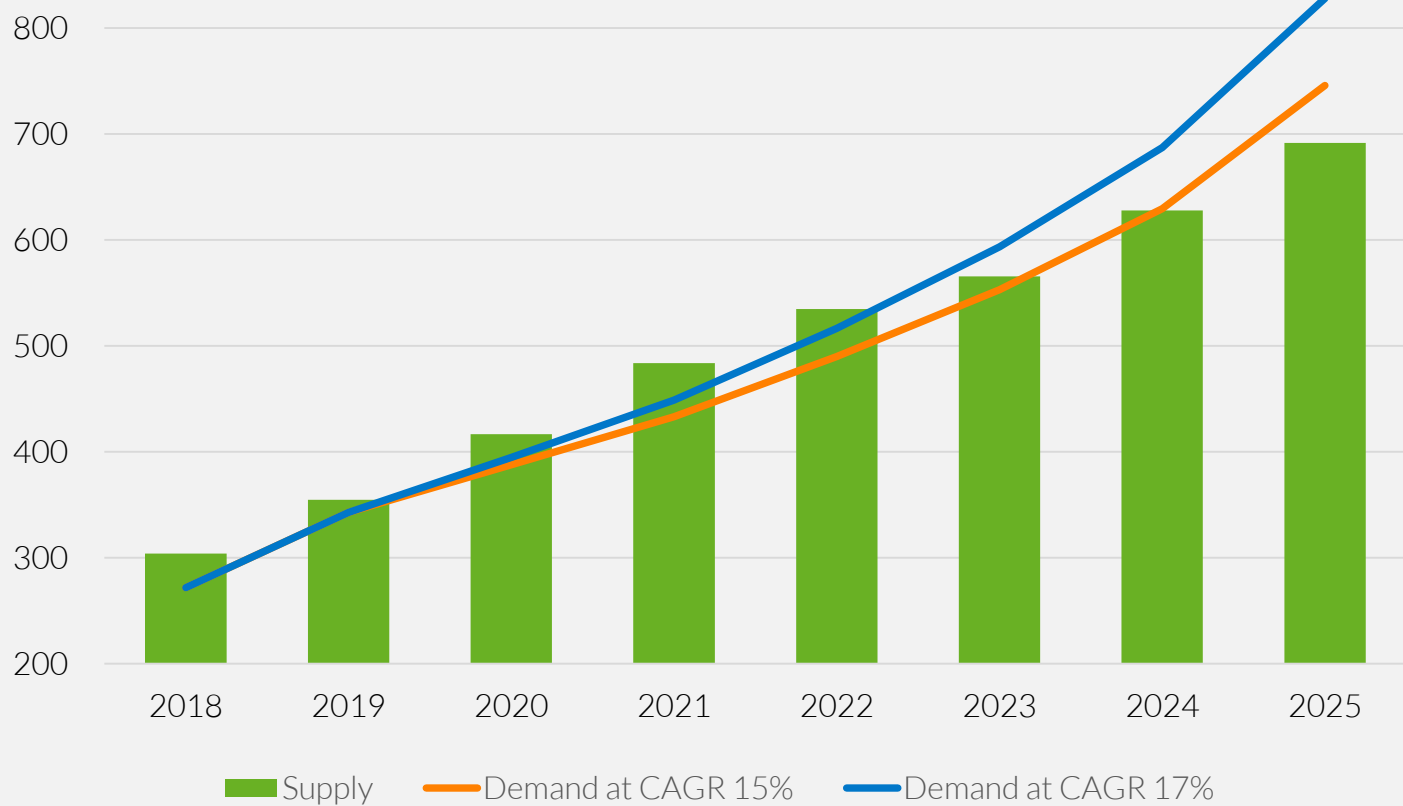
## KEY ASSUMPTIONS:

- Other Players: Wodgina, Pilbara, other minerals and other brines  
From 155 to 385k MT → CAGR ~14%
- Big Players: SQM, Albemarle & Tianqi (Salar de Atacama & Talison)  
CAGR: ~11% (~8% in 2019/2020, ~3% in 2021/2022, ~15% in 2023/2024, ~25% in 2025)

\*Source: SQM Estimates

# GLOBAL LITHIUM SUPPLY & DEMAND EVOLUTION

Supply & Demand, kMT



- 2024-2025, market will need new projects or the big players will have to increase their market share
- Systematically, new projects have been delayed longer than expected and related production has been less than projected
- High quality battery grade lithium is very difficult to obtain during the early production years. Quality restrictions in the future are expected to be greater than today
- In the past we have underestimated the demand. Small variations in the penetration of the EVs can have significant effect on lithium demand

\*Source: SQM Estimates

# SUMMARY NEW CAPACITY IN CHILE & SQM JV CAPACITY

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SQM medium term projects and capacity:

- Current Capacity: 70k MT/year (Chile)
- End of 2019: +50k MT/year = 120k MT/year (Chile)
- End of 2021: +60k MT/year=180k MT/year (Chile)
- End of 2021: +22.5k MT/year=202.5k MT/year (Chile+AUS)

**As leading player in market, we want to have capacity and flexibility to respond to market**

**01.** All projects at low-end of cost curve

**02.** Capex in Chile is approximately US\$4,000/ton

**03.** Highly talented professionals  
Experience and know-how in process development  
We have the size, the people, the distribution network and the resources  
Capex on time and on budget → focus and priority

**SQM's Sustainable Competitive Advantages**





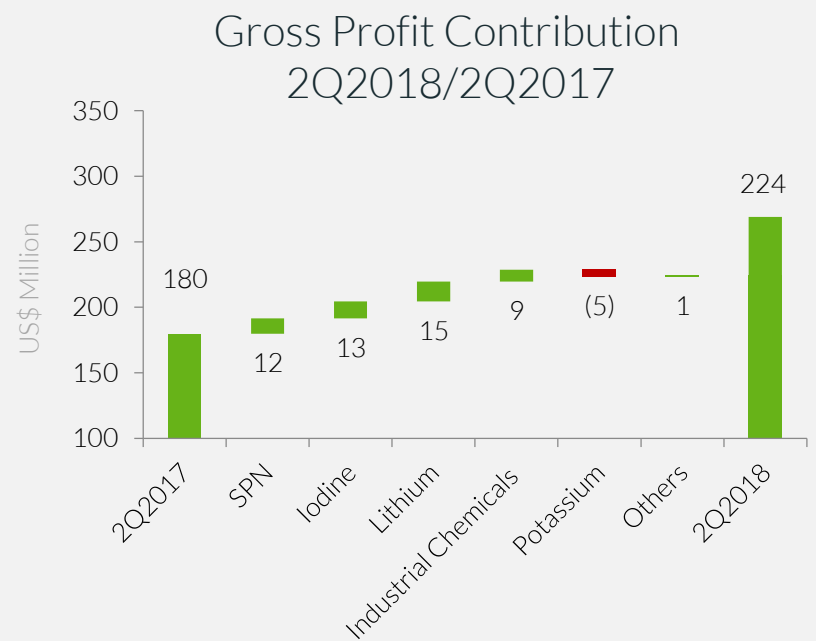
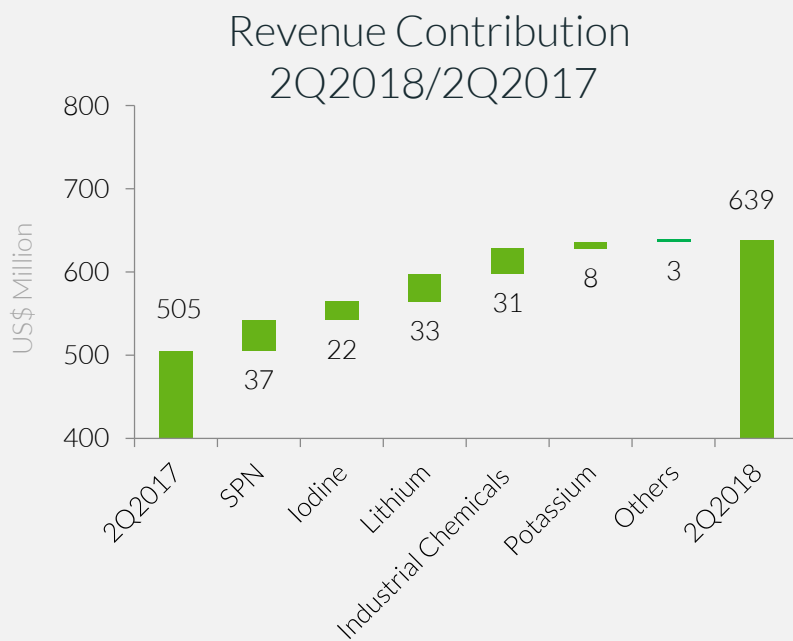
**GERARDO ILLANES**

VP FINANCE & IR



# REVIEW OF RESULTS

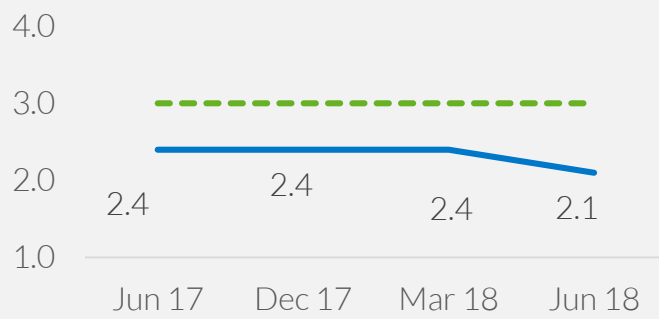
	SPN	Iodine	Lithium	I.Chem.	Potassium
PRICE	↑	↑	↑	↑	↑
QUANTITY	↑	↑	↓	↑	↑



Prices increased in all business lines in the 2Q2018 compared to the same period of 2017. Significantly increased lithium prices outweighed the impact of lower sales volumes in the 1H2018.

# STRONG FINANCIAL POSITION

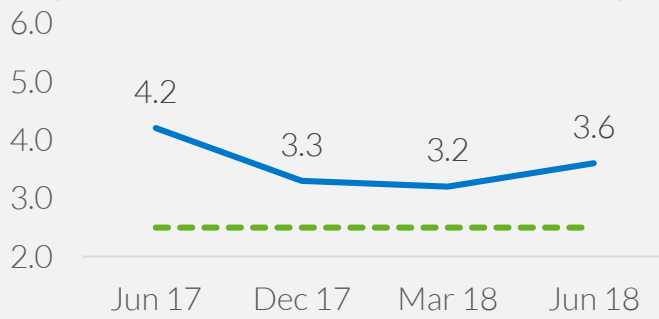
**Accounts Receivables  
(Months of Sales)**



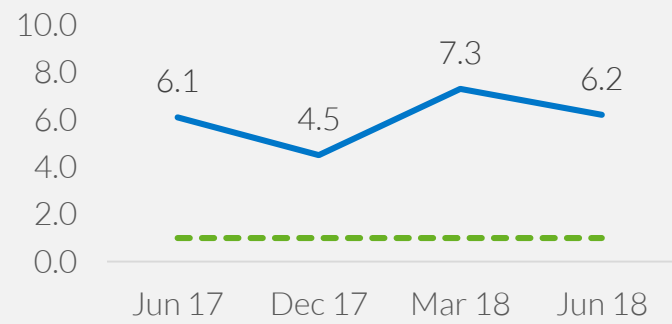
**Inventory  
(Months of Sales)**



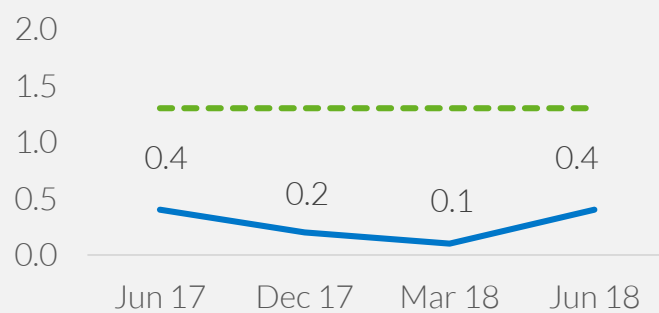
**Liquidity  
(Current Assets/Current Liabilities)**



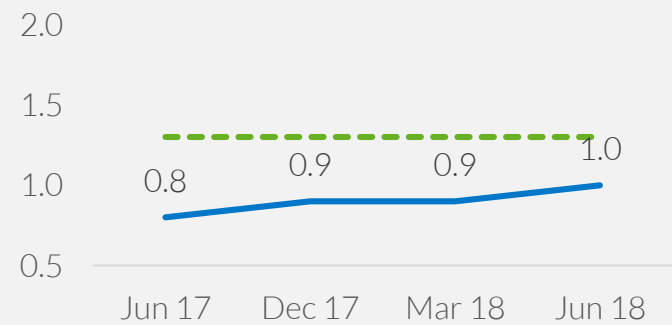
**Cash / Short-Term Financial Debt**



**Net Financial Debt/ EBITDA**



**Leverage**



# CAPEX

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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

2017-2021: Lithium Carbonate Expansion to 180k MT: ~US\$525 million

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

2018 CAPEX in Chile: ~US\$360 million





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