



# BREAKFAST WITH THE CEO

S e p t e m b e r 1 0 , 2 0 1 9

N e w Y o r k



Today's Speakers

# Ricardo Ramos

**Industrial Engineer**

Pontificia Universidad Católica de Chile

**SQM career:**

1989 – Finance Advisor

1993 – Deputy CFO

1996 – CFO

2019 – CEO



Today's Speakers

# Pablo Altimiras

**Industrial Engineer, MBA**

Pontificia Universidad Católica de Chile

**SQM career:**

2007 – Head of Logistics Projects

2010 – Deputy Development Manager

2012 – Development and Planning Manager

2016 – VP Development and Planning

2018 – VP Lithium and Iodine Business



Today's Speakers

# Gerardo Illanes

**Civil Industrial Engineer**

Pontificia Universidad Católica de Chile

**MBA**

Goizueta Business School of Emory University, USA

**SQM career:**

2006 – Finance Director SQM North America

2012 – Finance Director of Commercial Offices

2016 – VP Corporate Finance

2018 – CFO

# Breakfast Program



1.

**Speakers Introduction**

2.

**Future vision for lithium market.**

Pablo Altimiras, VP Lithium & Iodine Business

3.

**SQM's strategy 2019-2025.**

Ricardo Ramos, CEO

4.

**Financial position.**

Gerardo Illanes, CFO

5.

**Q&A**

# Cautionary Note

## Regarding Forward-looking Statements

SQM (NYSE: SQM, Santiago Stock Exchange: SQM-A, SQM-B) is a global company engaged in strategic industries for human development, such as health, food, clean energy and the technology that moves the world.

This presentation includes statements concerning SQM's business outlook and future economic performance, including its anticipated profitability, revenues, cash flow generation, capital expenses, performance forecast to 2025 and underlying assumptions, other financial forecasts, anticipated capacity expansions and cost synergies, product or service line growth, and estimates on the evolution and growth of certain markets and industries relevant to its business, together with other statements that are not based on historical facts, which are "forward-looking statements" as that term is defined under the U.S. Private Securities Litigation Reform Act of 1995.

These forward-looking statements reflect the intent, belief and current expectations of SQM and its management, based on currently available information, and are subject to a number of risks, uncertainties and other factors that are outside SQM's control. Risks, uncertainties, and factors that could cause actual results to differ materially from those projected in such forward-looking statements include those identified in SQM's public filing made with the U.S. Securities and Exchange Commission, specifically SQM's most recent annual report on Form 20-F. All forward-looking statements are based on information available to SQM on the date hereof and SQM assumes no obligation to update such statements whether as a result of new information, future developments or otherwise, except as required by law.

This presentation makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as additional information to complement IFRS measures by providing further understanding of SQM's results of operations from a management perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of SQM's financial information reported under IFRS. A reconciliation of non-IFRS measures used in this presentation to the most comparable IFRS metric is included in the Appendix to this presentation.

This presentation makes reference to market size, market growth rate and market share estimates. SQM is not aware of any independent, authoritative source of information regarding sizes, growth rates or market shares for most of its markets. Accordingly, the market size, market growth rate and market share estimates contained herein have been developed by SQM using internal and external sources and reflect its best current estimates. These estimates have not been confirmed by independent sources.

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# PABLO ALTIMIRAS

VP Lithium and Iodine Business

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# Future vision for lithium market

2019 - 2025



**Demand opportunities**



**Supply and price dynamics**



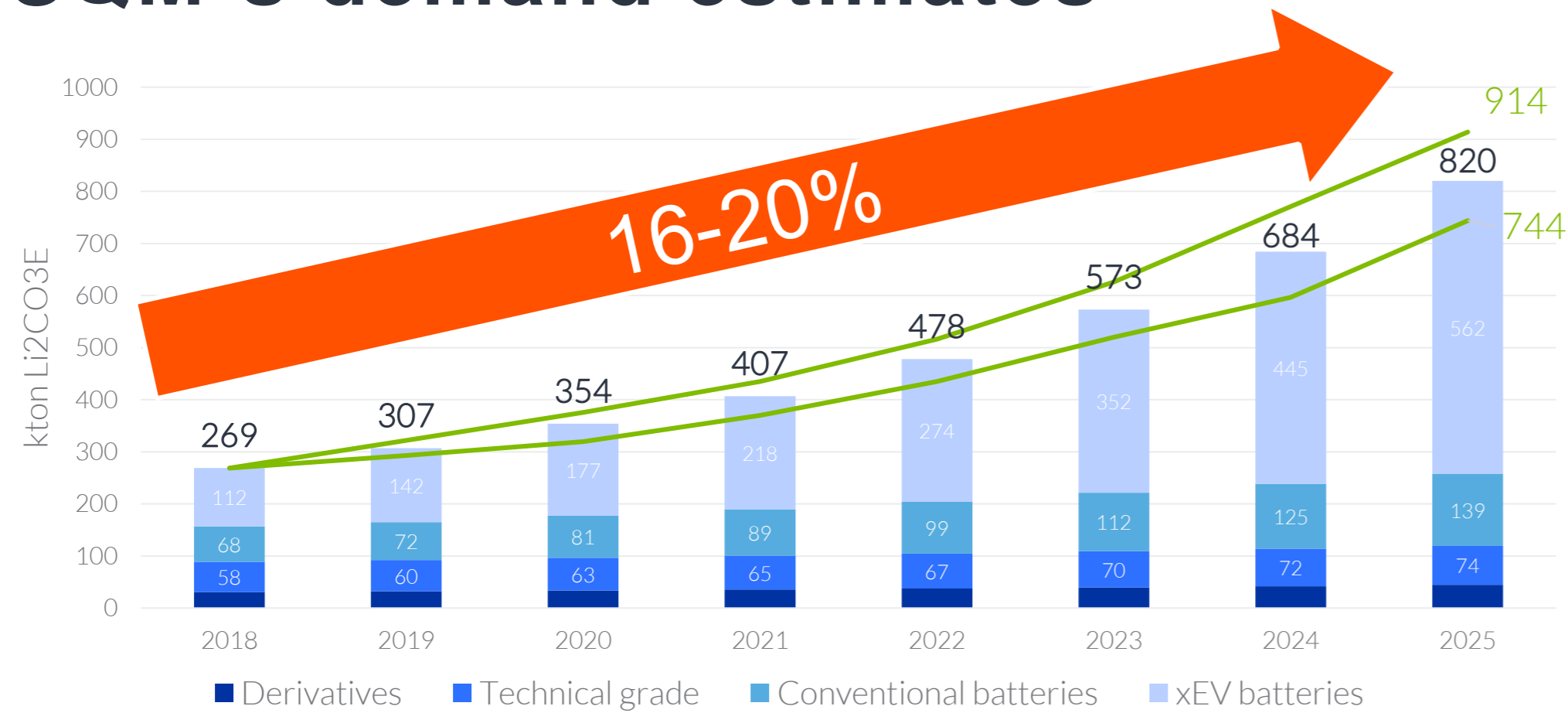
**Sustainable operations**



# End customer view presents more opportunities for lithium demand



## SQM's demand estimates<sup>1</sup>



	Uses	CAGR
xEV batteries	BEV, PHEV, HEV	~25%
Conventional batteries	Portables devices, ESS, E-bikes	~10%
Technical grade	Glasses, Frits, Greases, etc	~4%
Derivatives	Li CL, Metal Li, Bu Li, others	~5%

Source: SQM estimates

		2019	2022	2025	CAGR 19'-25'
Global Sales Vehicles	MM Units	84.6	87.7	89.9	1.0%
China Sales Vehicles	MM Units	22.3	22.8	23.0	0.5%
Global Sales xEV	MM Units	2.7	5.1	10.5	25.5%
China Sales xEV	MM Units	1.5	2.7	5.2	22.5%
Global Sales Commercial xEV	MM Units	0.28	0.43	0.88	21.0%

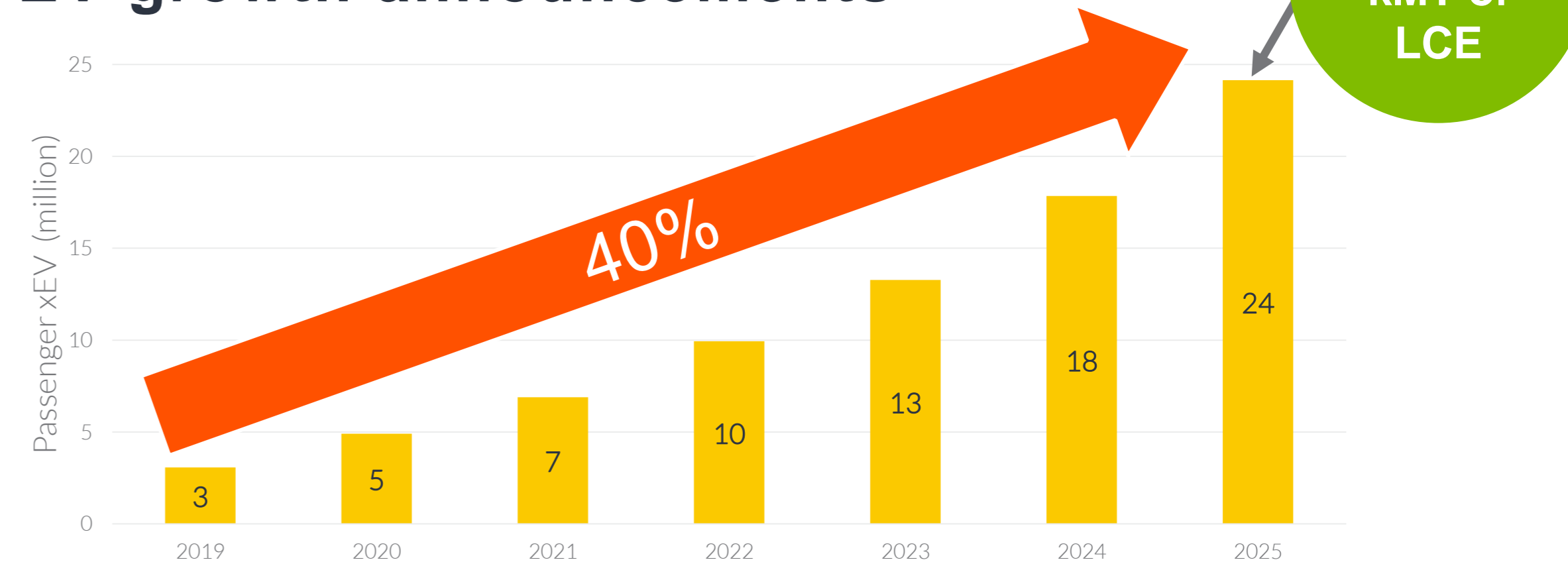
Global EV penetration	%	3.2%	5.9%	11.6%	
China EV penetration	%	6.9%	11.8%	22.6%	

Global Battery size (BEV)	kWh/unit	48	52	56	2.5%
Global Battery size (PHEV)	kWh/unit	13	13	13	0.6%

Lithium content	kg LCE/kWh	0.80	0.78	0.76	-0.9%
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Source: SQM estimates

## Demand estimates based on OEMs' EV growth announcements<sup>2</sup>

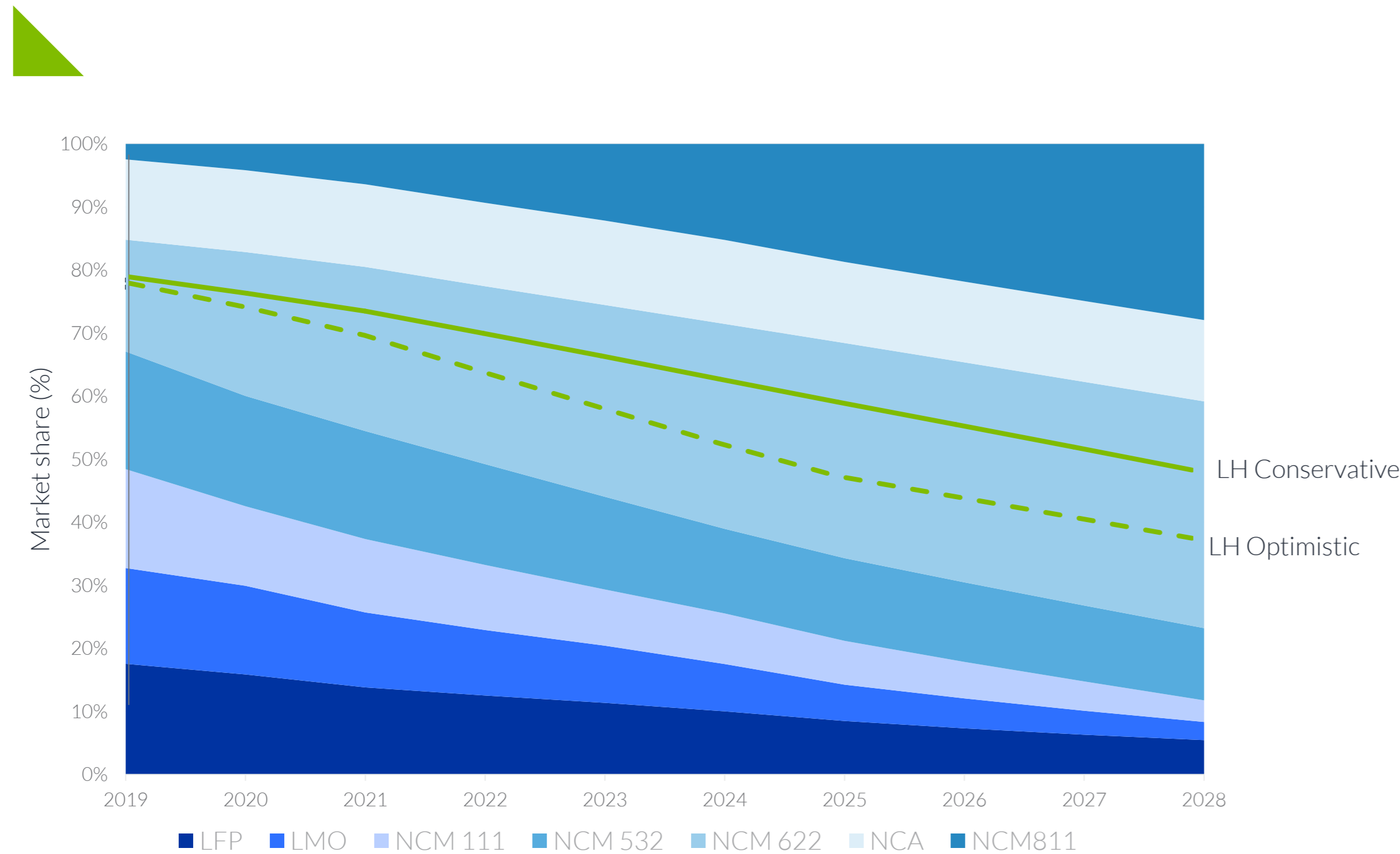


<sup>1</sup> Source: SQM estimates

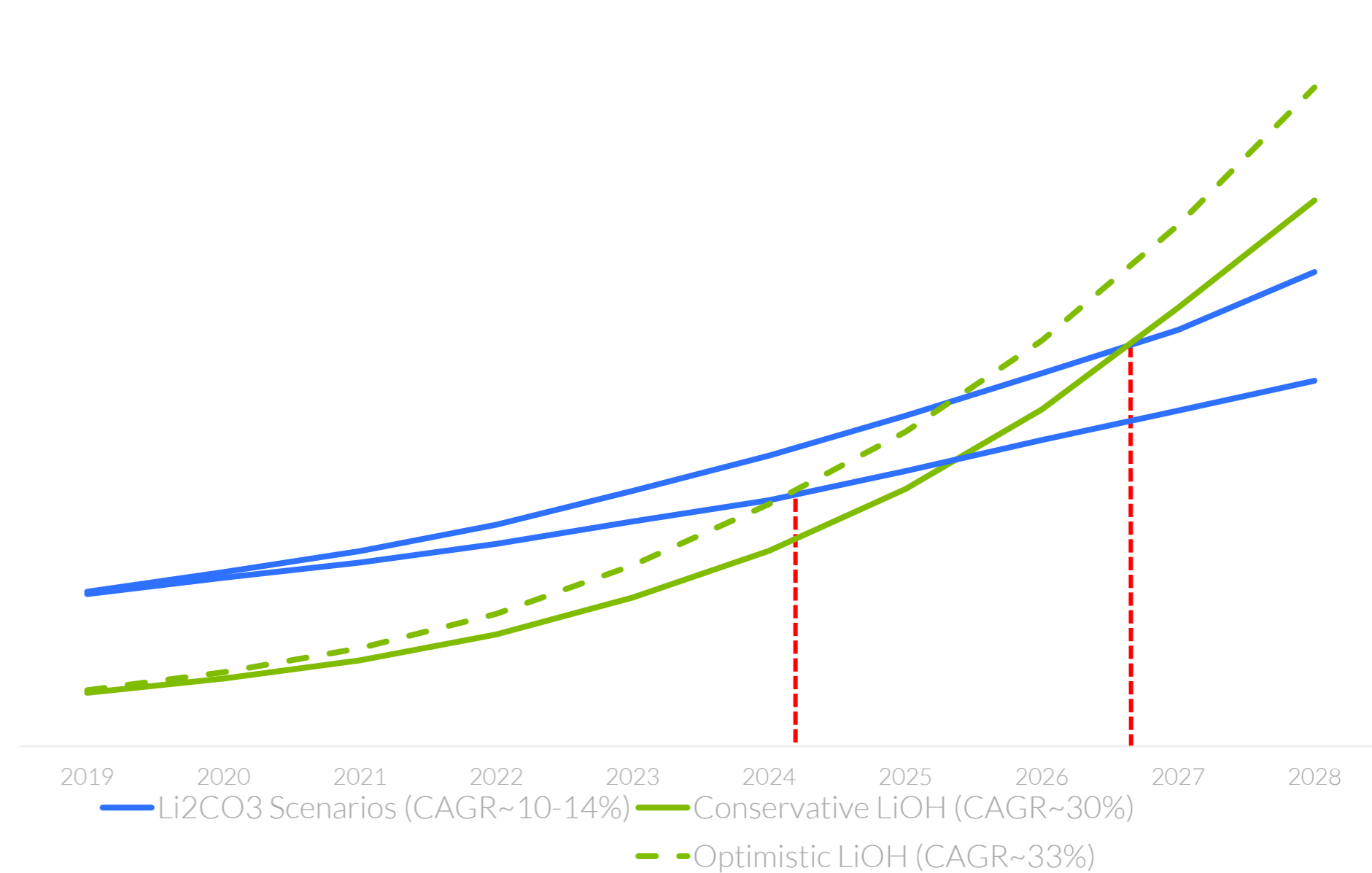
<sup>2</sup> Source: various OEM's public announcements

# Demand product mix

LiOH could surpass  $\text{Li}_2\text{CO}_3$  market share in 2024-2027



Lithium demand growth, MT



Source: SQM

## Market share Cathodes / Batteries and $\text{Li}_2\text{CO}_3/\text{LiOH}$ demand

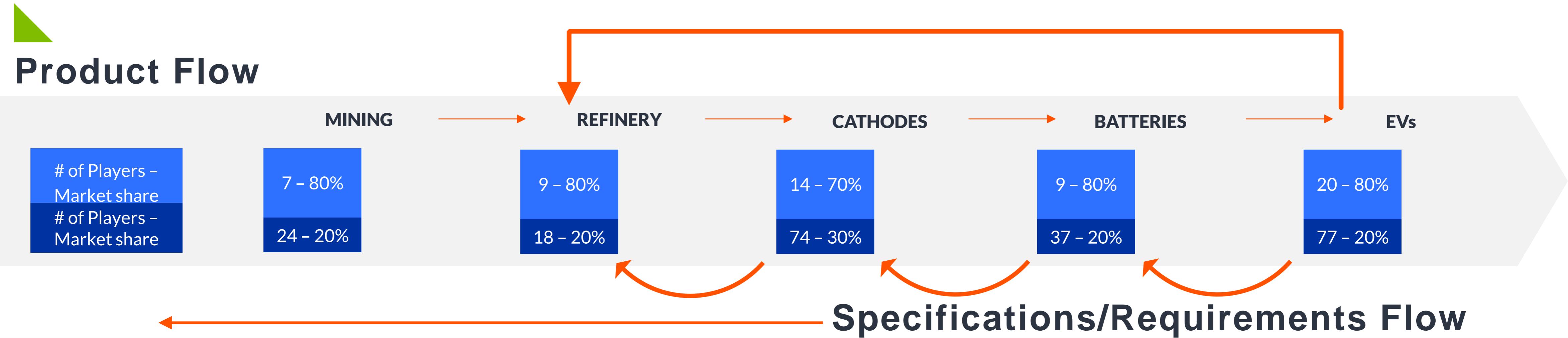
✓ In 2019, 70% of  $\text{Li}_2\text{CO}_3$  market share is represented by LFP, LMO, NCM 111 and NCM 532 batteries which use lithium carbonate only, with the exception of LFP.

✓ In 2028, those cathodes could represent ~30% of market share and NCM 811, NCM 622, NCA batteries will dominate the market.

✓ Depending on the assumptions for the NCA and NCM 811 penetration rates (~32%-38%) and LiOH use in NCM 622 (~15%-30%), the LiOH demand could outpace  $\text{Li}_2\text{CO}_3$  demand in 2024-2027.

# New challenge for lithium producers

The interconnected value chain means more complexity for lithium producers



**BUSINESS DYNAMICS**

- Interconnected value chain
- Technical relationship with a next step along the value chain
- Commercial relationship with the last step along the value chain

**QUALITY**

- Increase in energy density
- Decrease in technical failures
- Sustainability – green footprint

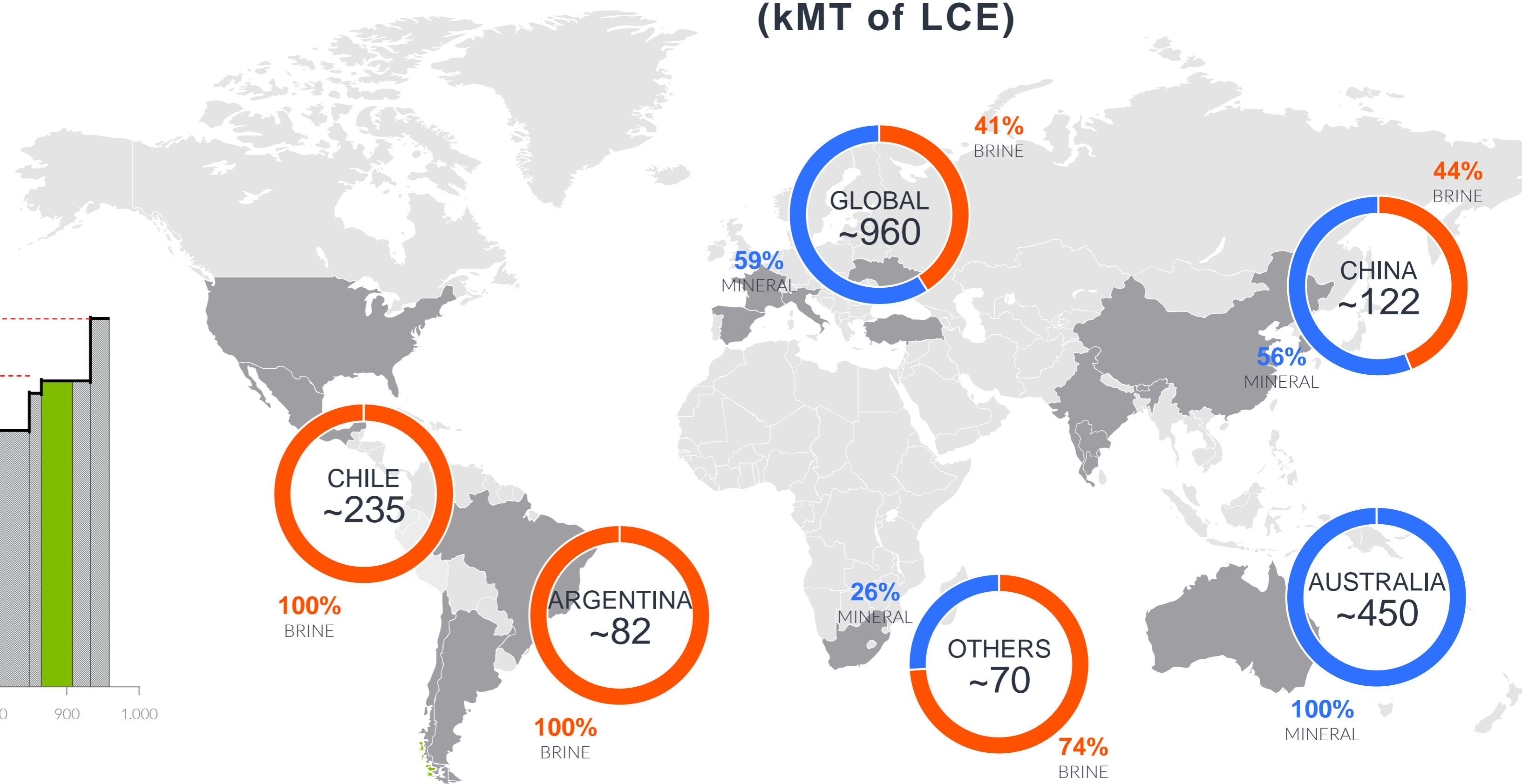
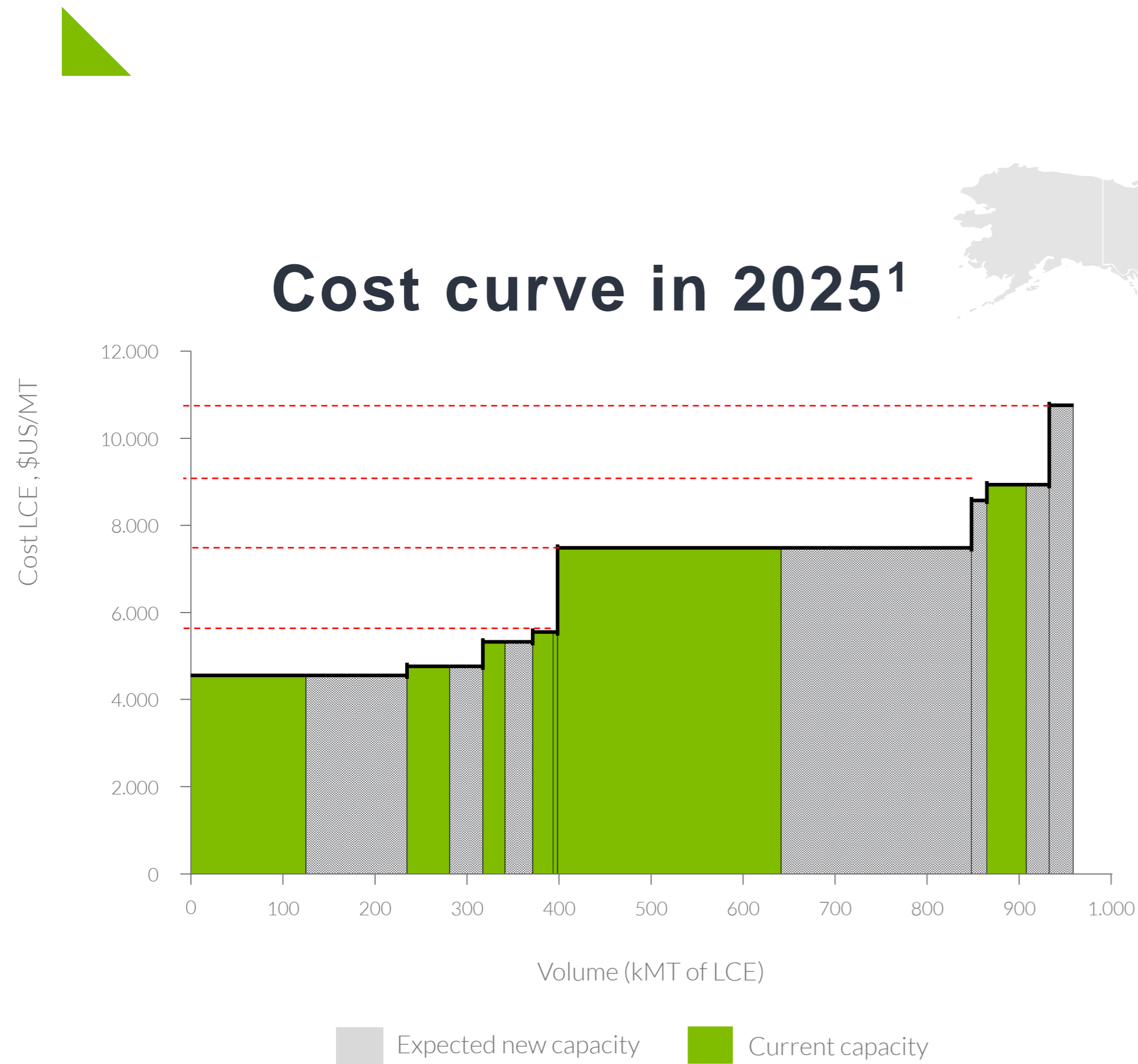
**SUPPLY**

- Long-term supply needs
- Flexibility

# The majority of new supply in 2025 will be from mineral sources

## Estimated global lithium capacity in 2025<sup>2</sup>

(kMT of LCE)



<sup>1</sup> Source. SQM estimates. Total cost includes cash cost + royalty + Capex (incl. D&A expenses in 20-year DCF)

<sup>2</sup> Source. SQM estimates

# Incentive price could reflect better future price range than the cost curve



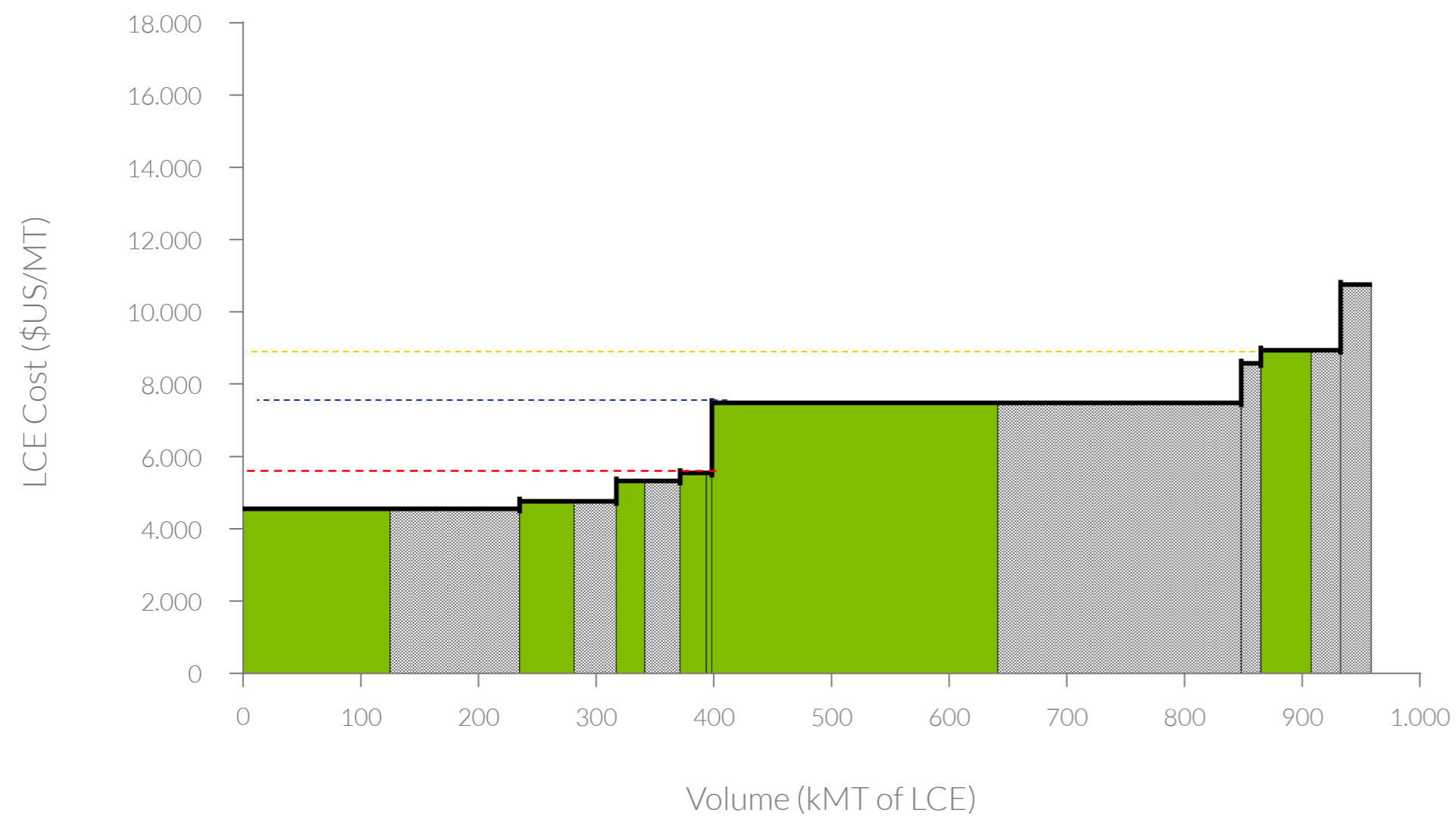
THE INCENTIVE PRICE EXERCISE ASSUMES NPV=0 FOR EACH PROJECT.



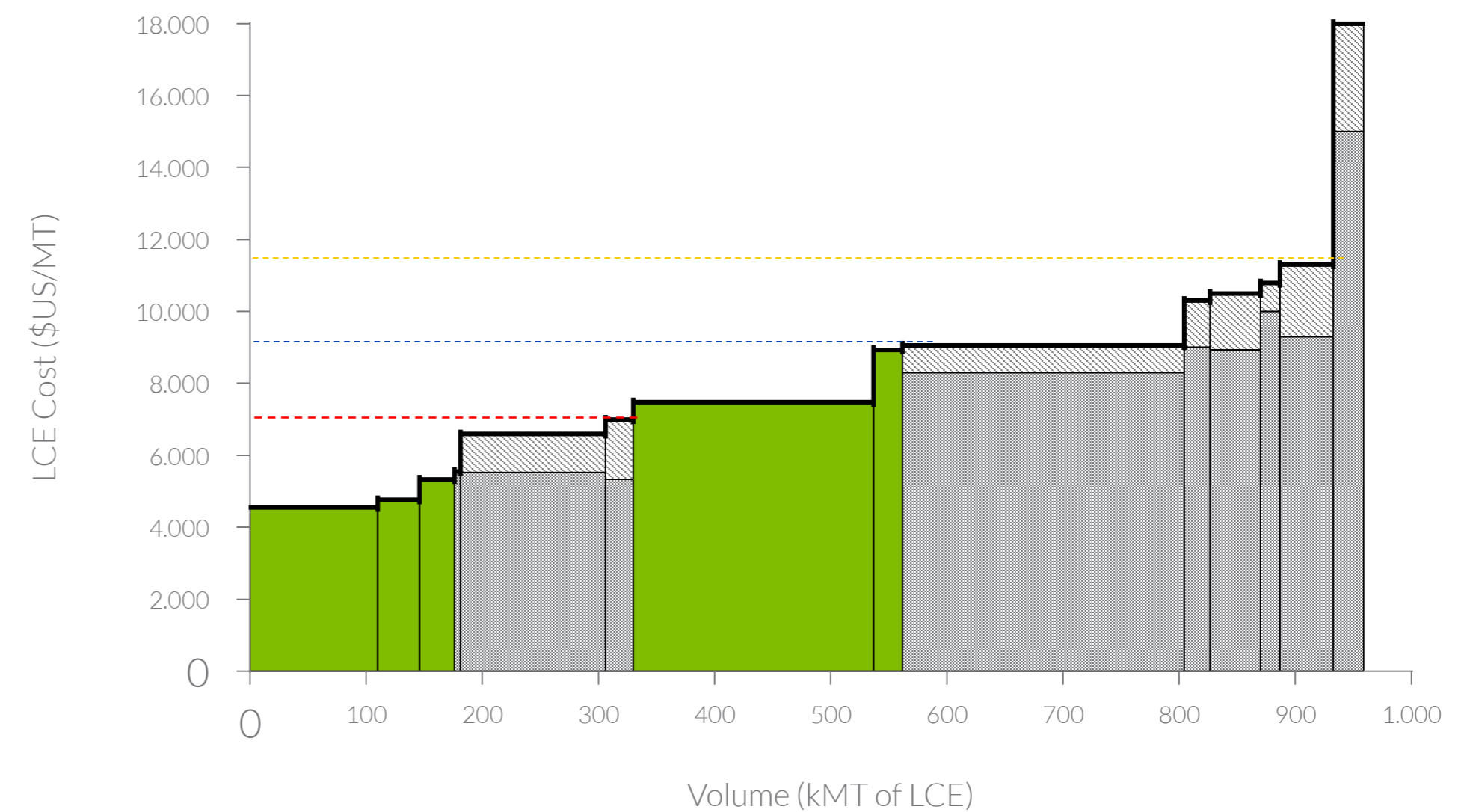
THE MAIN ASSUMPTIONS FOR VALUATION ARE: WACC OF 8%, NPV PERIOD TERM 10-20 YEARS, ANNOUNCED CAPEX, TAXES AND WORKING CAPITAL.



## Cost curve 2025<sup>1</sup>



## Incentive price 2025<sup>2</sup>



- NPV 10 years
- NPV 20 years
- Current capacity

<sup>1</sup> Source: SQM estimates. Total cost includes cash cost + royalty + Capex (incl. D&A expenses in 20-year DCF)

<sup>2</sup> Source: SQM estimates.

# SQM's lithium production is sustainable

## Small Carbon Footprint is the main objective



### CARBON FOOTPRINT

- SQM lithium carbonate's carbon footprint is 1.5 kg CO<sub>2</sub>-eq/kg<sup>1</sup>. In comparison, copper's is ~3x<sup>2</sup> and cobalt's is ~8x<sup>3</sup> times more.
- SQM's carbon footprint is very small because of the use of solar energy in lithium brine concentration.



### ENERGY FOOTPRINT

- SQM's lithium carbonate production requires ~0.27 kWh/kg<sup>1</sup> of energy. In comparison, cobalt and copper productions require ~46x<sup>2</sup> and 48x<sup>3</sup> times more energy respectively.
- Unlike typical mining processes that rely on heavy energy consumption for blasting, grinding and extraction, SQM uses solar radiation with a longer processing time generating a lower energy footprint.



### WATER FOOTPRINT

- SQM's lithium hydroxide production consumes 27 l/kg of water.
- SQM's water footprint is very small because the process is based on solar concentration of brines, therefore there is little direct usage of freshwater.

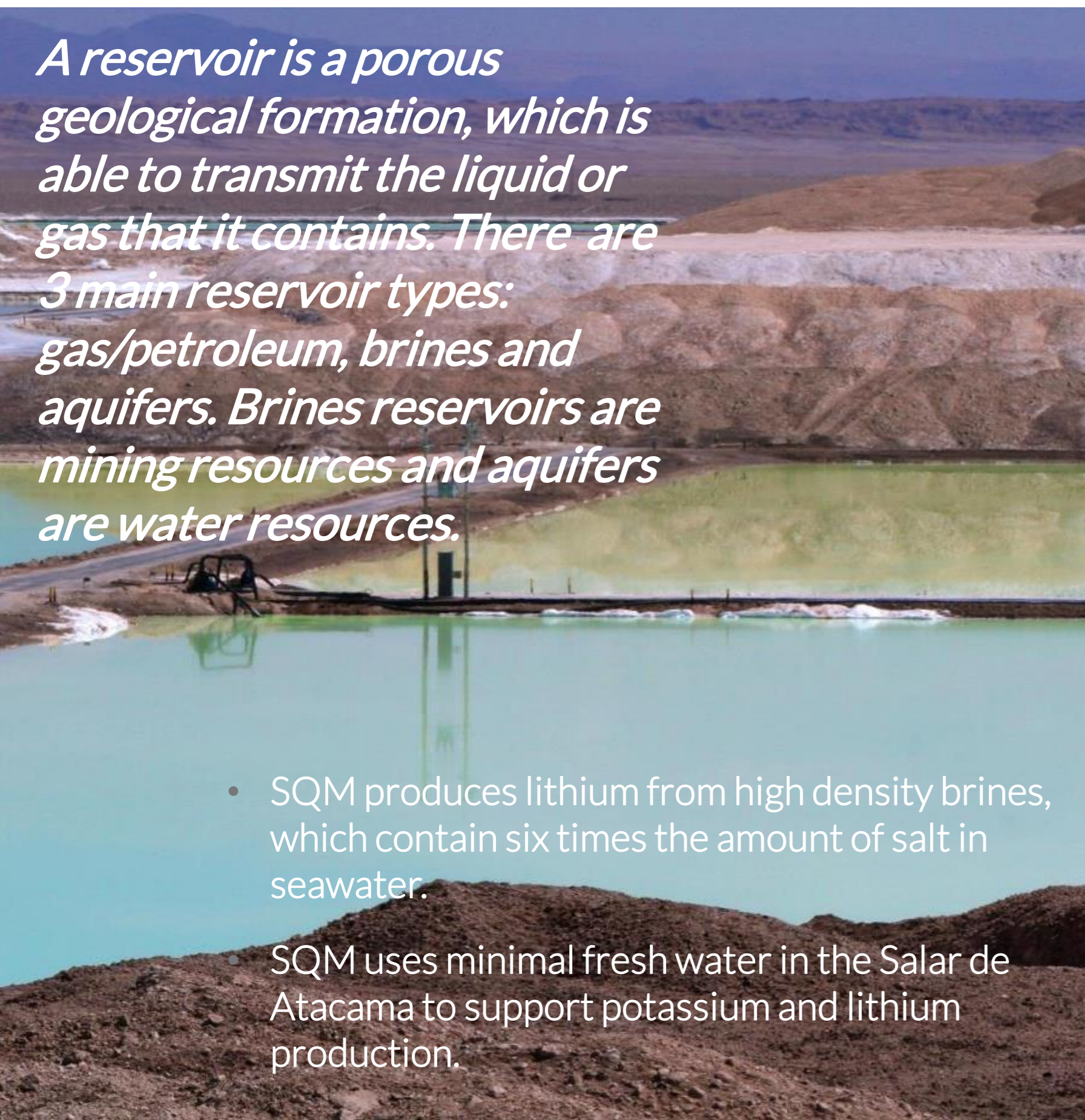


### LABOR CONDITIONS & COMMUNITIES

- SQM scored a 0.49 Frequency Index (Security Index) in 2018 representing 1/3 of the Chilean mining average of 1.65 (the lower the score, the better)
- SQM is engaged in different programs to foster the social and economic welfare of neighboring communities.
- SQM internal practices and regulations adhere to the principles contained in the Universal Declaration of Human Rights.

# SQM's water footprint is low

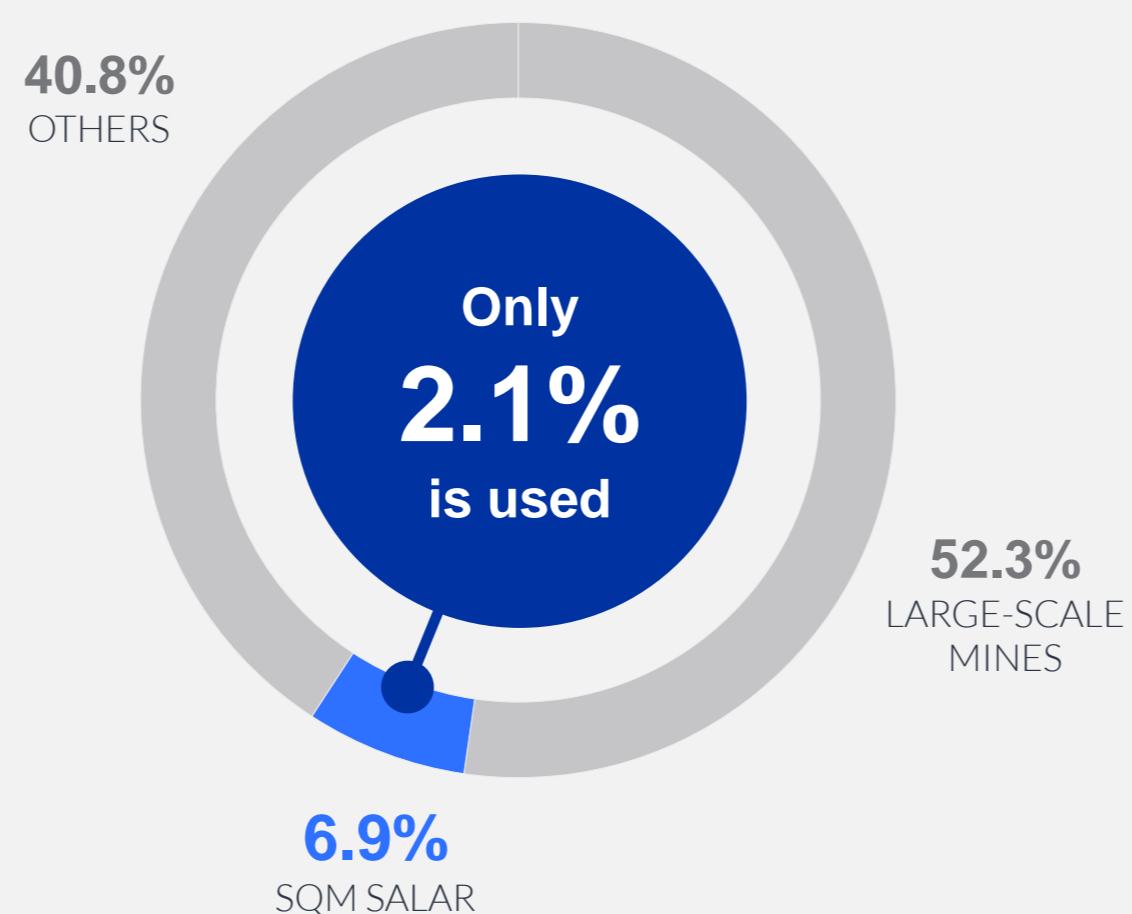
Brine reservoir must not be confused with water aquifer



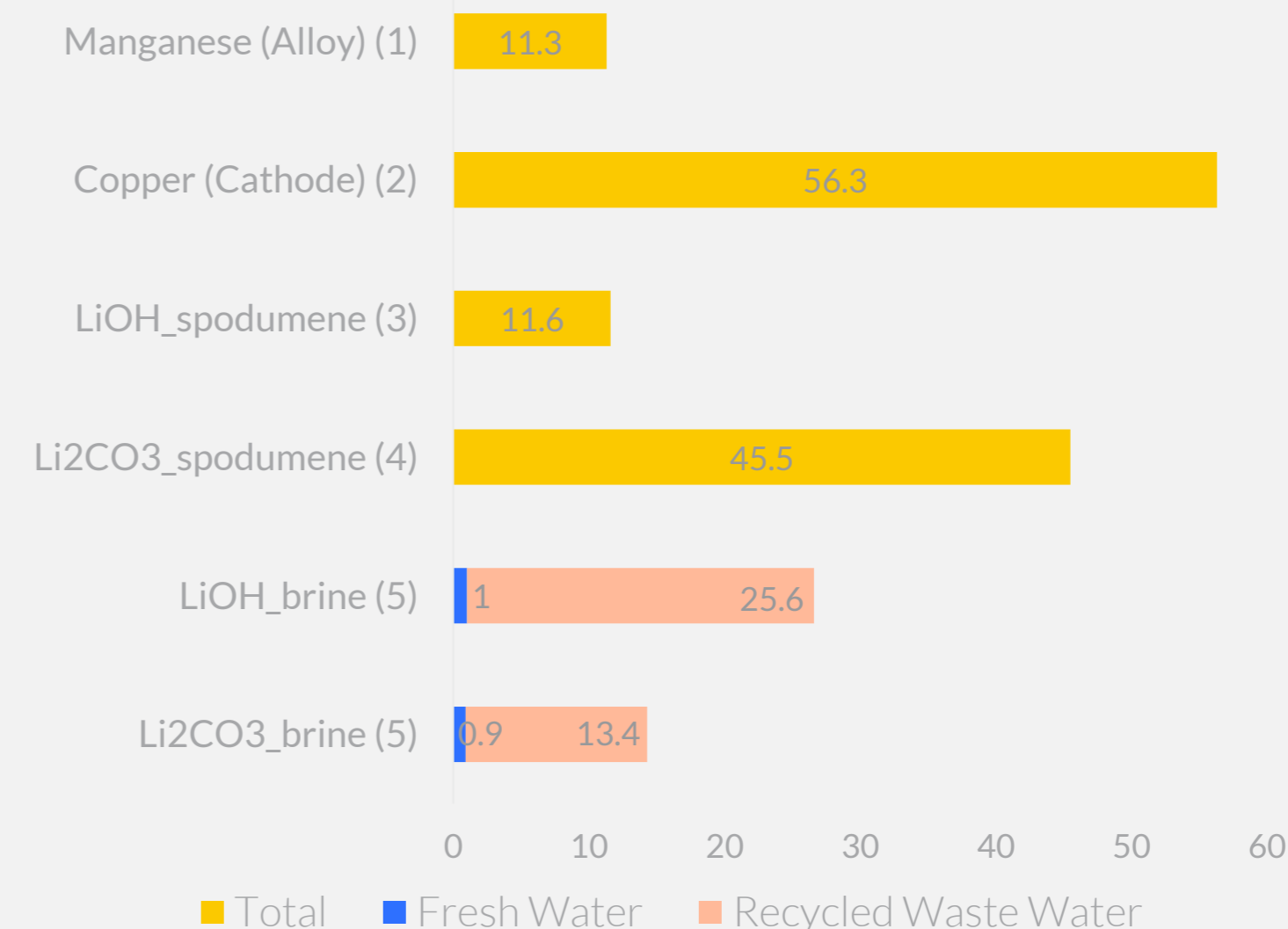
*A reservoir is a porous geological formation, which is able to transmit the liquid or gas that it contains. There are 3 main reservoir types: gas/petroleum, brines and aquifers. Brines reservoirs are mining resources and aquifers are water resources.*

- SQM produces lithium from high density brines, which contain six times the amount of salt in seawater.
- SQM uses minimal fresh water in the Salar de Atacama to support potassium and lithium production.

## Salar de Atacama Water Rights



## Water Consumption, l/kg



(1) Cradle-to-gate life cycle assessment of global manganese alloy production, International Manganese Institute, 2016. (2) Concentrator. Cochilco Report, 2017. (3) Covalent Lithium Earl Grey, EPA, Jan. 2019. (4) Covalent Lithium Earl Grey, EPA, Jan. 2019 & Tianqi report 2017: Hongtianqi Lithium Industry Co., Ltd. (5) SQM Estimates.  
The LiOH water footprint calculation includes the entire production process from the raw material extraction through final packaging in the plant. Calculations made for lithium are preliminary and are subject to change depending on the methodology.

# Positive outlook on lithium market

there will be enough demand to ensure our growth



## Demand

Solid demand fundamentals support the vision of an important growth in the next several years.

Lithium remains the only mineral for which demand grows at a double digit rate.

## Supply

Significant increase in near-term capacity is positive for the industry's long-term growth.

Considering both demand fundamentals and supply cost structure, equilibrium price could be higher than historic average, even in double digits.

## Sustainability

The true driver behind EV revolution is CO<sub>2</sub> reduction, a commitment which requires sustainable EV value chain.

With low carbon footprint for lithium, SQM contributes to the environmentally sustainable development of the industry.





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# RICARDO RAMOS

CEO of SQM

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# Reliable Operations in Chile and abroad

are our competitive advantage



ACCESS TO UNIQUE  
NATURAL RESOURCES



LOW-COST OPERATIONS



DIVERSIFIED GLOBAL  
NETWORK








IN-HOUSE DEVELOPED  
KNOW-HOW

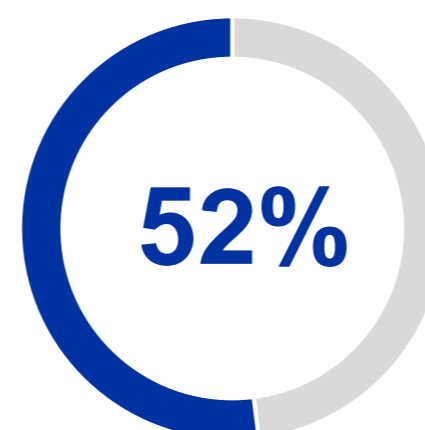
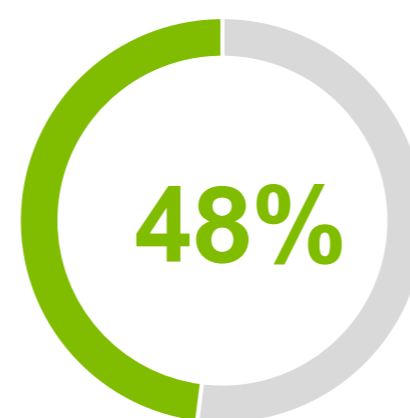


MARKET LEADER  
POSITION IN MOST OF  
OUR BUSINESSES

# Long Term Strategy 2019 → 2025



<b>Gross Profit LTM (*)</b>	US\$ m	<b>653</b>
Specialty Plants Nutrition		159
Industrial Chemicals / Solar Salts		23
Iodine and derivatives		125
Lithium and derivatives		302
MOP / SOP		43
Others		2



## Strategy with numbers

- We set clear targets for 2025
- Targets are specific objectives that allow us to focus, prioritize and allocate resources

## Why 2025 ?

- Our businesses are capital intensive
- Mining projects require long development periods
- Long-term business strategies are required
- Consistency between our CAPEX and our long-term goals is fundamental

... Quarterly performance is essential to meet our long-term goals...

• Twelve months ended June 30, 2019. Gross Profit includes depreciation & amortization expenses

# Long Term Strategy 2019 → 2025

## Specialty Plant Nutrition



**LTM**

**Target 25**

Diff

Sales Volume (1)

ThTons

1,062

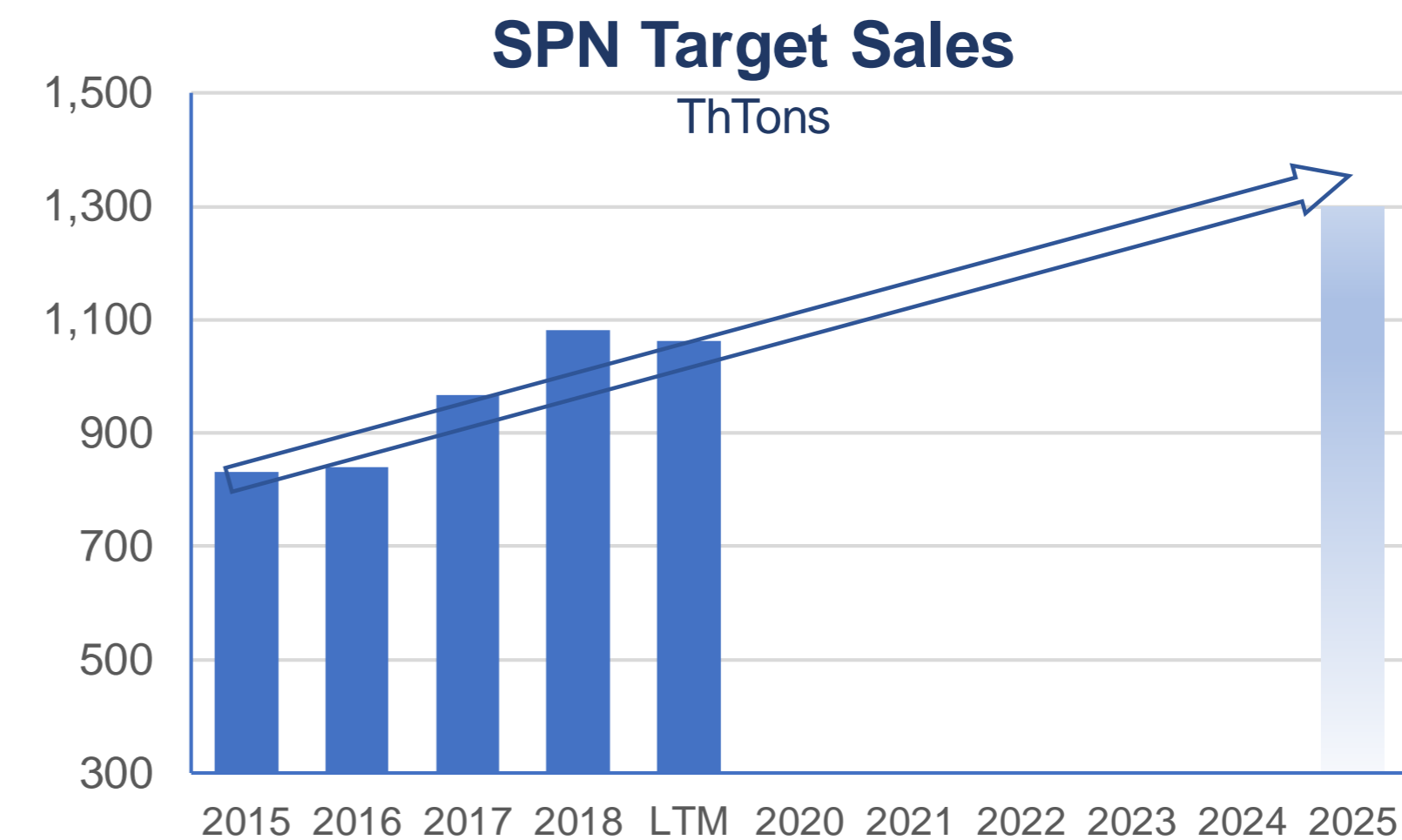
>

**1,300**

238

3.5% gpy (238 ~ eq 170 SQM Pot Nitr)


- To continue our sales efforts in more than 100 countries, growing along with the new agricultural techniques:
  - Fertirrigation, Hydroponics and Greenhouse
- New applications development
- Potassium Nitrate can be considered the best specialty plant nutrient:
  - Potash and nitrate nitrogen source, chlorine free and fully water soluble



(1) approximately 70% corresponds to SQM nitrates

# Long Term Strategy 2019 → 2025



Specialty Plant Nutrition		<u>LTM</u>		<u>Target 25</u>	<u>Diff</u>	
Sales Volume (1)	ThTons	1,062	>	<b>1,300</b>	238	3.5% gpy (238 ~ eq 170 SQM Pot Nitr)


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# Long Term Strategy 2019 → 2025



Specialty Plant Nutrition		<u>LTM</u>		<u>Target 25</u>	<u>Diff</u>	
Sales Volume (1)	ThTons	1,062	>	<b>1,300</b>	238	3.5% gpy (238 ~ eq 170 SQM Pot Nitr)
Margin per Ton	\$/Ton	149	>	<b>220</b>	70	Price: 2% gpy / Cost: 1.5% gpy - 35 \$/t

- Cost Reduction Initiatives
- Productivity increase
- Production capacity expansion
- Reduction of potassium chloride costs
- Increased sales of soluble potassium nitrate




(1) approximately 70% corresponds to SQM nitrates

- Margin per Ton includes depreciation & amortization expenses

# Long Term Strategy 2019 → 2025



Specialty Plant Nutrition		<u>LTM</u>		<u>Target 25</u>	<u>Diff</u>	
Sales Volume (1)	ThTons	1,062	>	<b>1,300</b>	238	3.5% gpy (238 ~ eq 170 SQM Pot Nitr)
Margin per Ton	\$/Ton	149	>	<b>220</b>	70	Price: 2% gpy / Cost: 1.5% gpy - 35 \$/t
<b>SPN Gross Profit</b>	US\$ m.	<u><b>159</b></u>	>	<u><b>286</b></u>	<u>127</u>	

Growth opportunities in SPN business could result in more than US\$127 million of gross profit contribution by 2025

(1) approximately 70% corresponds to SQM nitrates

- Gross Profit and Margin per Ton include depreciation & amortization expenses

# Long Term Strategy 2019 → 2025



## Industrial Chem. / Solar Salts



		<u>LTM</u>		<u>Target 25</u>	<u>Diff</u>	
Sales Volume Industrial Nitr.	ThTons	82	>	<b>120</b>	37	2% gpy. + 25 tht.
Sales Volume Solar Salts	ThTons	-	>	<b>200</b>	200	
<b>Total</b>	ThTons	<b>82</b>	<b>&gt;</b>	<b>320</b>	<b>237</b>	

- Industrial Nitrates business growth assumes at least 2% annual growth and an additional demand of 25k MT for a new application
- 2018 solar salts sales volumes registered in the 1H of 2018 and 2019 sales volumes are projected for the 2H of the year
- Solar salts sales volumes contracted for the CSP project in the Middle East (700 MW of 5,000 MW) are expected to be approximately 154k MT in 2020, 224k MT in 2021 and 85k MT in 2022
- By 2025, the solar salts demand for CSP around the world could surpass 1 million MT per year (Spain, Saudi Arabia, South Africa, Australia, USA, Morocco, UAE, Oman, etc.)





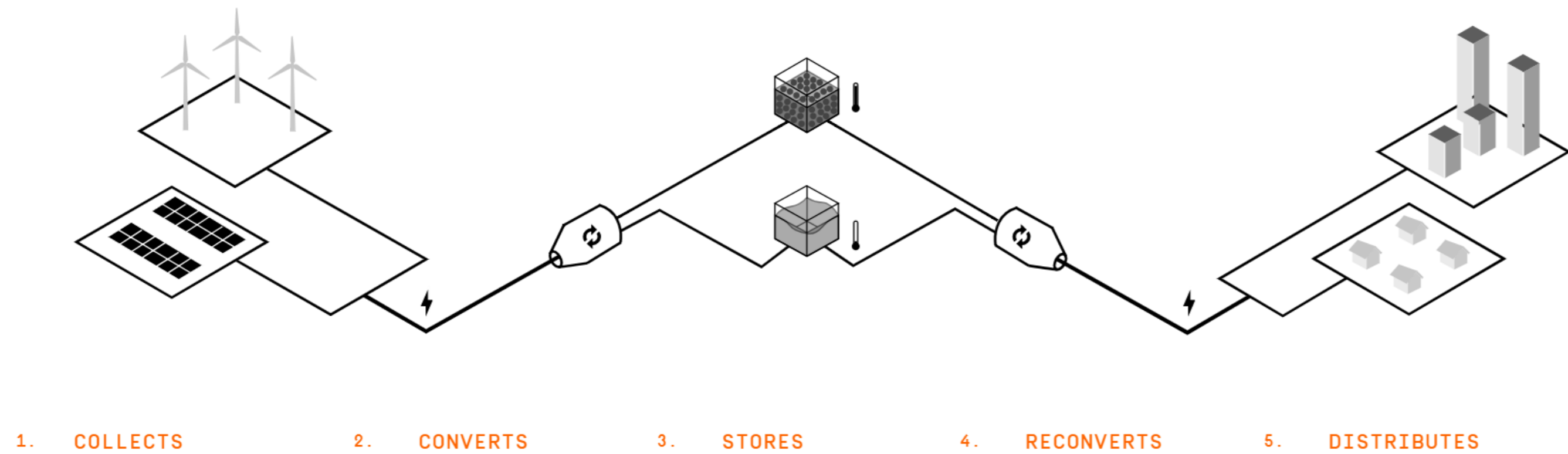
# Long Term Strategy 2019 → 2025

## Industrial Chem. / Solar Salts



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Sales Volume Industrial Nitr.	ThTons	82	>	<b>120</b>	37	2% gpy. + 25 tht.
Sales Volume Solar Salts	ThTons	-	>	<b>200</b>	200	
<b>Total</b>	ThTons	<b>82</b>	>	<b>320</b>	<b>237</b>	

Thermal Storage Process (Solar Salts)



# Long Term Strategy 2019 → 2025




Industrial Chem. / Solar Salts 		LTM		Target 25	Diff	
Sales Volume Industrial Nitr.	ThTons	82	>	<b>120</b>	37	2% gpy. + 25 tht.
Sales Volume Solar Salts	ThTons	-	>	<b>200</b>	200	
<b>Total</b>	ThTons	<b>82</b>	<b>&gt;</b>	<b>320</b>	<b>237</b>	
Margin per Ton Ind. Nitrates	\$/Ton	278	>	<b>325</b>	47	Price: 1.5% gpy / Cost: 1.5% gpy - 20 \$/t
Margin per Ton Solar Salts	\$/Ton	-	>	<b>315</b>		
<b>Industrial Chem. G.P.</b>	US\$ m.	<b>23</b>	<b>&gt;</b>	<b>102</b>	<b>79</b>	

Growth opportunities in Industrial Chemicals / Solar Salts business could result in more than US\$79 million of gross profit contribution by 2025

- Gross Profit and Margin per Ton include depreciation & amortization expenses

# Long Term Strategy 2019 → 2025



Iodine and derivatives			LTM		Target 25	Diff	
Sales Volume	ThTons		13.2	>	16.2	3.0	3.5% growth per year

- Annual demand growth is expected to be approximately 3%
- SQM expects to increase its market share by 1% annually reaching ~37% in the next 6 years
- Main uses:
  - Human consumption
    - X ray contrast media
    - Disinfectants
    - Catalysts
      - Pharmaceuticals, etc.



# Long Term Strategy 2019 → 2025



Iodine and derivatives		LTM		Target 25	Diff	
Sales Volume	ThTons	13.2	>	<b>16.2</b>	3.0	3.5% growth per year
Margin per Kg	\$/Kg	9.5	>	<b>17.2</b>	8	Price IVQ19 + 1.5% gpy / Cost: 1.5% gpy - 2 US\$/kg


Margin improvements assume:

- The expected price of the 4Q2019 adjusted for inflation
- Cost reduction Initiatives
- Productivity increase
- Production capacity expansion
- Heap leaching process improvements

• Gross Profit and Margin per kg include depreciation & amortization expenses

# Long Term Strategy 2019 → 2025



Iodine and derivatives			<u>LTM</u>		<u>Target 25</u>	<u>Diff</u>	
Sales Volume	ThTons		13.2	>	<b>16.2</b>	3.0	3.5% growth per year
Margin per Kg	\$/Kg		9.5	>	<b>17.2</b>	8	Price IVQ19 + 1.5% gpy / Cost: 1.5% gpy - 2 US\$/kg
<b>Iodine G.P.</b>		US\$ m.	<u><b>125</b></u>	>	<u><b>279</b></u>	<u>154</u>	

Growth opportunities in Iodine business could result in more than US\$154 million of gross profit contribution by 2025

- Gross Profit and Margin per kg include depreciation & amortization expenses

# Long Term Strategy 2019 → 2025

## Nitrates / Iodine CAPEX

		<u>2019 / 2023</u>	<u>Average</u>
<b>CAPEX</b>	<b>US\$ m</b>	<b>792</b>	<b>158</b>
<i>CAPEX Growth</i>		<i>530</i>	<i>106</i>
<i>CAPEX Maintenance</i>		<i>262</i>	<i>52</i>

- Nitrates / Iodine operations Capex includes:
  - Potassium Nitrate facility NPT III capacity increase
  - New Dual Potassium Nitrate / Sodium Nitrate facility: NPT IV
  - New Sodium Nitrate facility: Sur Viejo
  - Sea water pipe line: 900 l/s
  - Iodine plants capacity increase
- Nitrates: projected capacity 2023: 1.4 million MT / projected minimum sales volumes 2025: 1.2 million MT
- Iodine: projected capacity 2023: 18.5k MT / projected minimum sales volumes 2025: 16.2k MT

# Long Term Strategy 2019 → 2025



## Nitrates / Iodine CAPEX

		<u>2019 / 2023</u>	<u>Average</u>
<b>CAPEX</b>	<b>US\$ m</b>	<b>792</b>	<b>158</b>
<i>CAPEX Growth</i>		<i>530</i>	<i>106</i>
<i>CAPEX Maintenance</i>		<i>262</i>	<i>52</i>

- CAPEX Growth: US\$530 million
- Gross Profit increase target (SPN, Industrial Chemicals and Iodine) > US\$360 million by 2025

• Gross Profit includes depreciation & amortization expenses

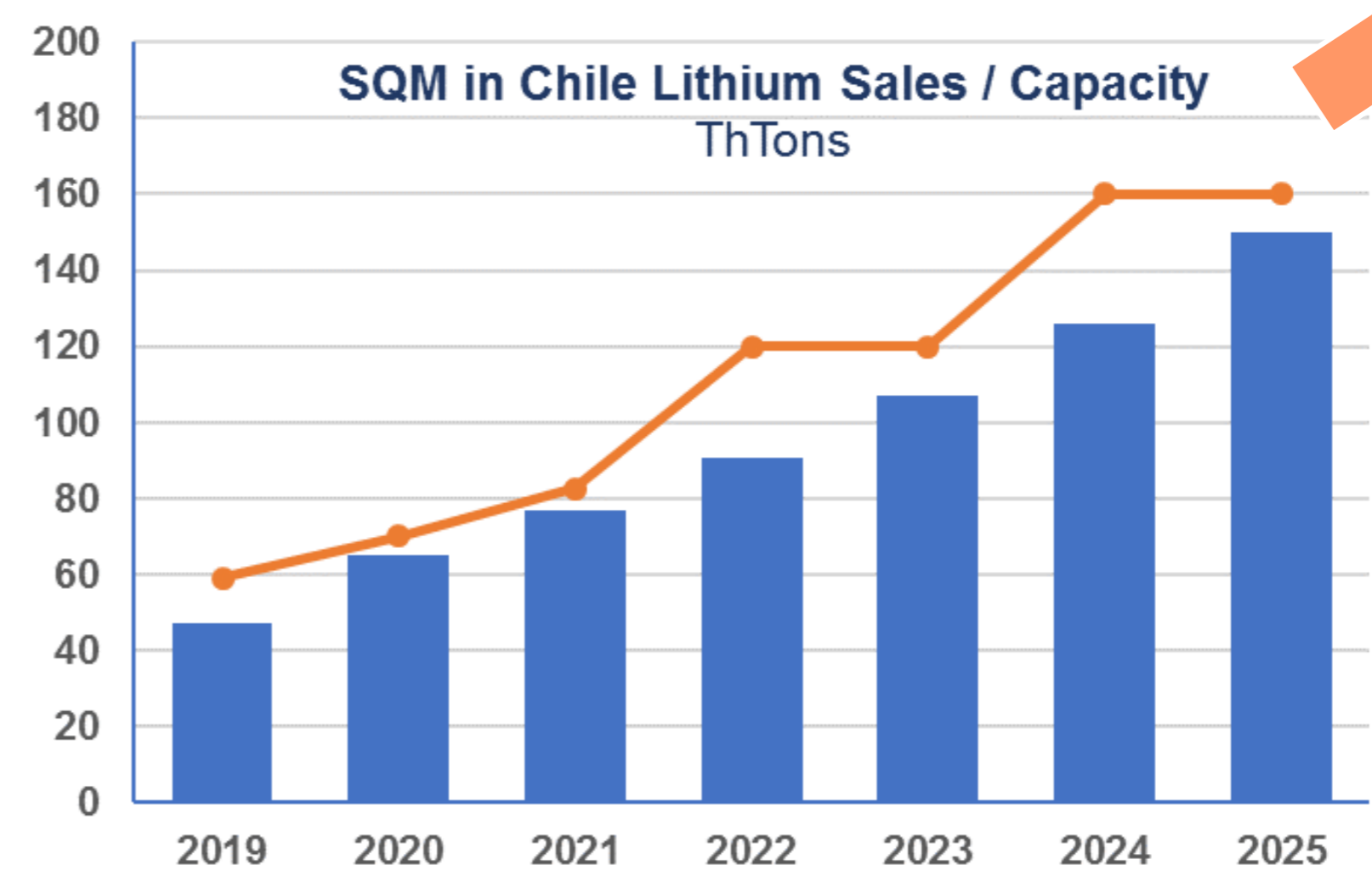
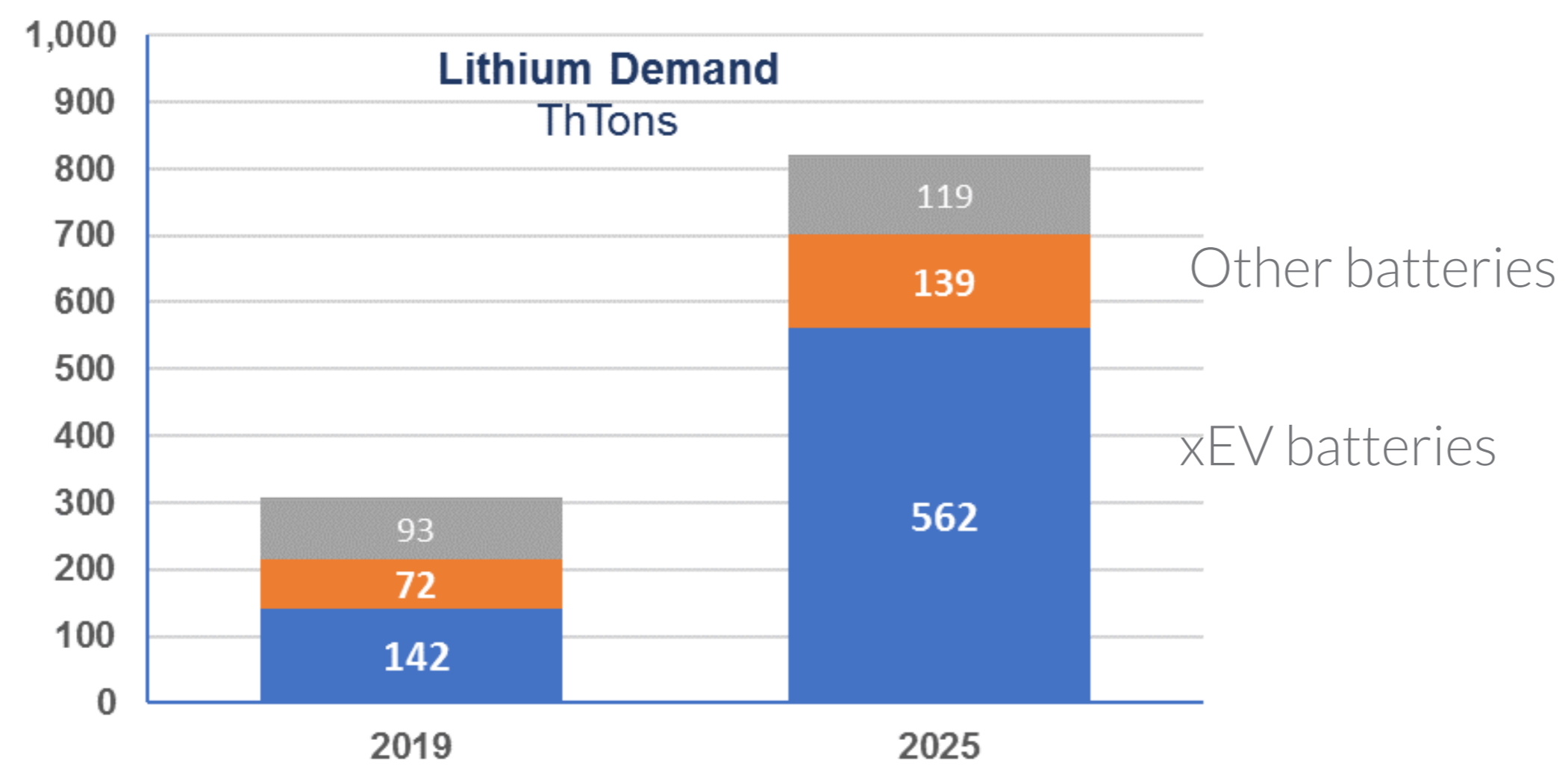
# Long Term Strategy 2019 → 2025

## Lithium and derivatives



	LTM		Target 25	Diff	
Sales Vol Lithium from Chile	46.8	>	150	103	65 tht 2020 / 18% gpy
Sales Vol Lithium from Austr		>	23	23	50% SQM

- 65 k MT of sales volumes in 2020 could help restore SQM’s 2017 market share of 18%
- The average demand growth is assumed to be approximately 18% per year in 2020 – 2025 (16% - 20%)




More details on capacity expansion beyond 160k MT to be announced next year



# Long Term Strategy 2019 → 2025




Lithium and derivatives 		LTM		Target 25	Diff	
Sales Vol Lithium from Chile	ThTons	46.8	>	<b>150</b>	103	65 tht 2020 / 18% gpy
Sales Vol Lithium from Austr	ThTons		>	<b>23</b>	23	50% SQM
<i>Lithium Price Average</i>	<i>\$/kg</i>	14.5	~	<b>[10.0 - 15.0]</b>		
Margin Chile	\$/Kg	6.5	~	<b>[4.3 - 7.3]</b>		10.0 / 15.0 US\$/Kg
Margin Australia	\$/Kg		~	<b>[3.2 - 8.2]</b>		10.0 / 15.0 US\$/Kg

- CORFO payments (SP): [40% price > 10 - 25% price 7/10 - 13.7% at 10] (\*)
- The cost of lithium is expected, in the short term, to be at least US\$0.5 lower than average LTM.
- Although we have a series of cost savings initiatives, in this projection they are not considered.
- Inflation is considered in the cost projection. The projected lithium prices are nominal.

- Gross Profit and Margin per kg include depreciation & amortization expenses

# Long Term Strategy 2019 → 2025




Lithium and derivatives 		LTM		Target 25	Diff	
Sales Vol Lithium from Chile	ThTons	46.8	>	<b>150</b>	103	65 tht 2020 / 18% gpy
Sales Vol Lithium from Austr	ThTons		>	<b>23</b>	23	50% SQM
<i>Lithium Price Average</i>	<i>\$/kg</i>	14.5	~	<i>[10.0 - 15.0]</i>		
Margin Chile	\$/Kg	6.5	~	<b>[4.3 - 7.3]</b>		10.0 / 15.0 US\$/Kg
Margin Australia	\$/Kg		~	<b>[3.2 - 8.2]</b>		10.0 / 15.0 US\$/Kg
<b>Lithium G.P.</b>	US\$ m.	<b>302</b>	~	<b>[720 - 1.280]</b>	<b>[418 - 978]</b>	10.0 / 15.0 US\$/Kg

Growth opportunities in Lithium business could result in close to US\$1 billion of gross profit contribution by 2025

- Gross Profit and Margin per kg include depreciation & amortization expenses

# Long Term Strategy 2019 → 2025



MOP / SOP		LTM		Target 25	Diff	
Sales Volume	ThTons	620	>	<b>782</b>	163	balance with production of potassium nitrate
Margin per Ton	\$/Ton	67	>	<b>100</b>	32	Price: 1.5% gpy / Cost: 1.5% gpy - 25 \$/t
<b>MOP / SOP G.P.</b>	US\$ m.	<b>42</b>	>	<b>78</b>	<b>36</b>	

- Return to the originally approved brine extraction levels in the Salar de Atacama.
- MOP / SOP production level is expected to return to ~1.5 million tons per year.
- A significant portion of the additional production of potassium is used as raw material to increase the potassium nitrate production.
- The cost reduction is explained by higher production levels.

Growth opportunities in MOP/SOP business could result in more than US\$36 million of gross profit contribution by 2025

- Gross Profit and Margin per MT include depreciation & amortization expenses

# Long Term Strategy 2019 → 2025

## Lithium --> Chile and Australia

		<u>2019 / 2023</u>	<u>Average</u>
<b>CAPEX</b>	<b>US\$ m</b>	<b>1,332</b>	<b>266</b>
<i>CAPEX Growth</i>		1,067	213
<i>CAPEX Maintenance</i>		265	53

- Lithium CAPEX includes:
  - Lithium carbonate expansion from 70k MT to 120k MT in 2H2021
  - Lithium hydroxide capacity expansion
  - Lithium carbonate expansion from 120 k MT to 160k MT by end of 2023
  - Australia: 50% of 45k MT per year lithium hydroxide plant
- CAPEX Growth: ~US\$1 billion
- Lithium gross profit target ~ US\$418-978 million per year
- Gross Profit includes depreciation & amortization expenses

# Long Term Strategy 2019 → 2025



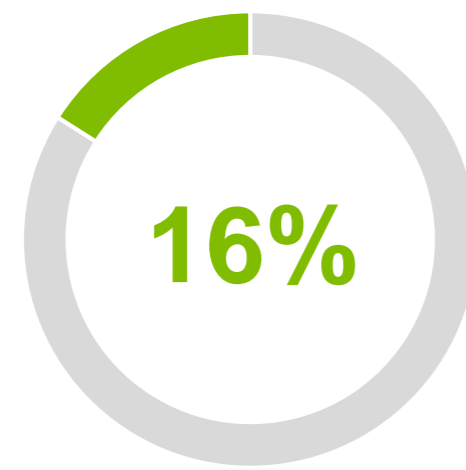
- Other initiatives:
  - M&A opportunities
  - Geological work on SQM natural resources in the search for metallic deposits
- SQM's business strategy is to be a global company, with people committed to excellence, dedicated to the extraction of minerals and selectively integrated in the production and sale of products for the industries essential for human development. Therefore, a potential diversification in a new business must meet the following criteria:
  - The business must be based on sustainable competitive advantages of SQM.
  - There must be reasonable expectations that in the long run the new business may represent at least 10% of SQM's gross profit.

# Summary

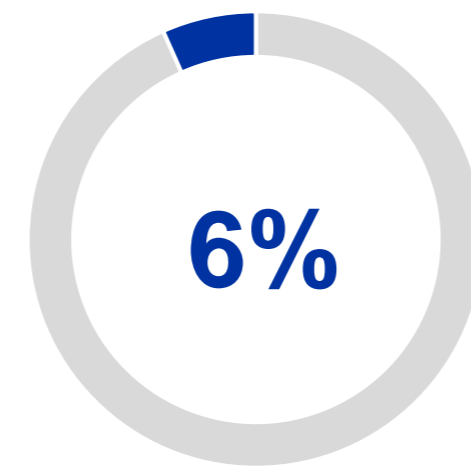


<b>Gross Profit Opportunities</b>	US\$ m	653	→	<b>[1.450 - 2.000]</b>
Revenues	US\$ b	2.1		<b>[3.9 - 4.8]</b>

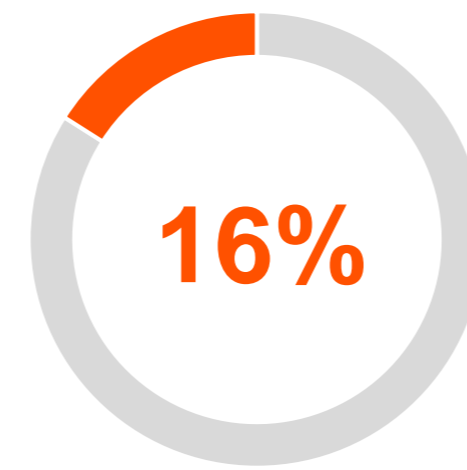
**% GROSS PROFIT**  
2025 average



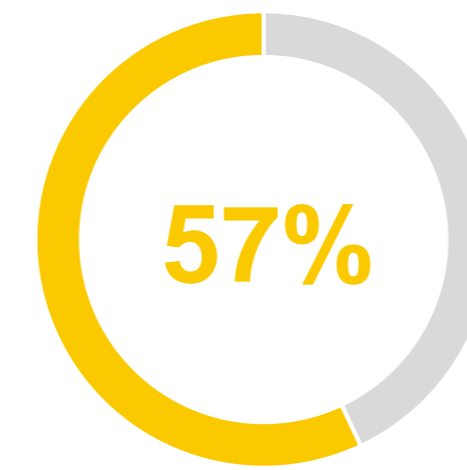
SPECIALTY PLANTS  
NUTRITION



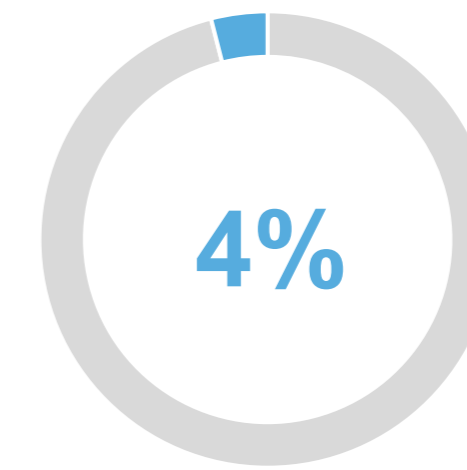
INDUSTRIAL  
CHEMICALS



IODINE AND  
DERIVATIVES



LITHIUM AND  
DERIVATIVES



POTASSIUM

- Significant opportunities to increase operational results
- Growth opportunities in all business lines
- Investment plan consistent with business targets

Although lithium is very important for the future of SQM .... SQM is much more than lithium

• Gross Profit considers depreciation & amortization expenses

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# GERARDO ILLANES

CFO

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# Responsible management of natural resources



**SQM is working on almost quadrupling lithium production without extracting more brine from the Salar de Atacama.**

SQM currently has fresh water rights of ~500 l/sec or 6.9% of total fresh water rights in the basin near the Salar de Atacama; currently using ~ 240 l/sec or 2.1% of total fresh water rights in the basin.



**AT THE SPEED OF THE SUN**

*SQM supports this solar race as a sign of its commitment to the development of renewable energies in Chile and the world through our lithium and solar salt products.*



**Environmental management systems**

AT ALL PRODUCTION SITES



**100%**

OF WATER TREATED IN SQM SEWAGE TREATMENT PLANTS IS REINCORPORATED INTO ITS PRODUCTION PROCESSES



**95.8%**

OF THE ENERGY REQUIRED FOR OUR OPERATIONS IS SOLAR



**58%**

OF THE INDUSTRIAL WASTE GENERATED IS RECYCLED BY THE COMPANY



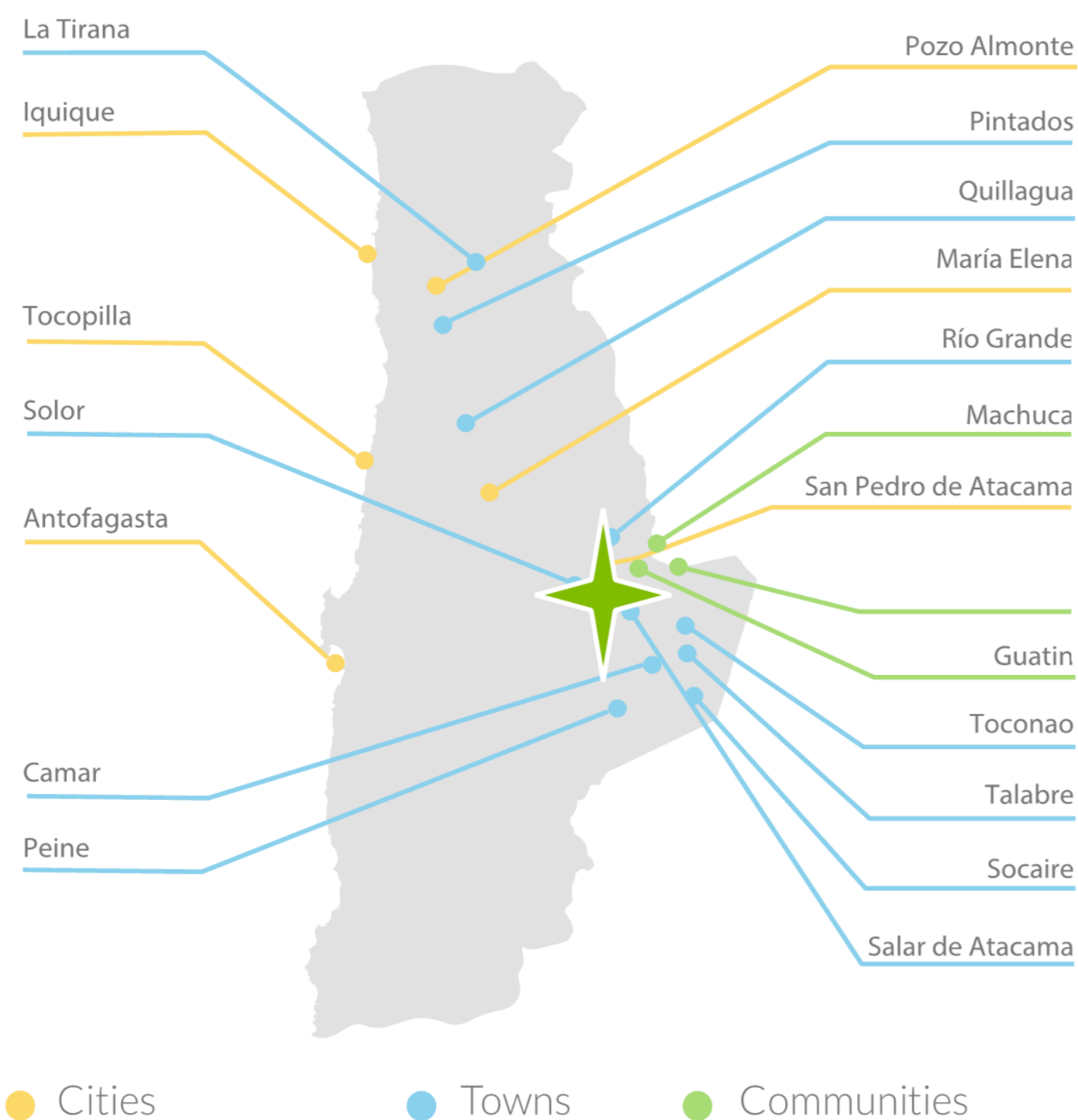
# Continue to uphold commitments to communities



Working with our neighbors to create programs which improve their quality of life and preserve their traditions.

CIUDADES E INSTALACIONES PRODUCTIVAS EN EL MUNDO

Geographic location of cities, towns and indigenous communities near SQM's operations in the Tarapacá and Antofagasta regions.



## HISTORICAL HERITAGE

Music, literature, arts and tourism programs



## EDUCATION AND CULTURE

1,700 students in math assistance program



SUPPORTING OUR NEIGHBORS IN EMERGENCIES



## SOLIDARY WORK

2,000 hours of voluntary work in 2018



## DEVELOPMENT PROGRAMS

Various agricultural programs

+150

## PROGRAMS AND INITIATIVES

# Upcoming Capex

to finance the growth

▲ Total Capex 2019-2023 is expected to be ~US\$2.1 billion

	Lithium Chile		Lithium Australia	Iodine & Nitrates	Maintenance
PROJECT	Lithium Carbonate expansion of 50k MT.	Lithium Hydroxide expansion of 16k MT.	Mt. Holland Lithium Hydroxide integrated project of 45k MT.	Tente en el Aire: <ul style="list-style-type: none"> <li>• increase iodine capacity by ~9k MT</li> <li>• Increase nitrates salts production to up to 6m MT</li> <li>• Sea water pipeline of ~ 900 l/s capacity</li> </ul>	Annual maintenance of existing operational assets
CAPEX	US\$280 million	US\$100 million	Pending Definite Feasibility Study	~US380 million	~US100 million
PERIOD	2019-2021		2019-2021	2020-2021 <sup>1</sup>	per annum

<sup>1</sup> Pending permits

# Low debt profile<sup>1</sup>

access to markets in Chile and abroad



US\$ **509**<sub>m</sub>

**Short-term debt**



US\$ **1,336**<sub>m</sub>

**Long-term debt**



US\$ **605**<sub>m</sub>

**NFD<sup>2</sup>**



**0.82**

**NFD<sup>2</sup>/Adjusted  
EBITDA<sup>3</sup>**

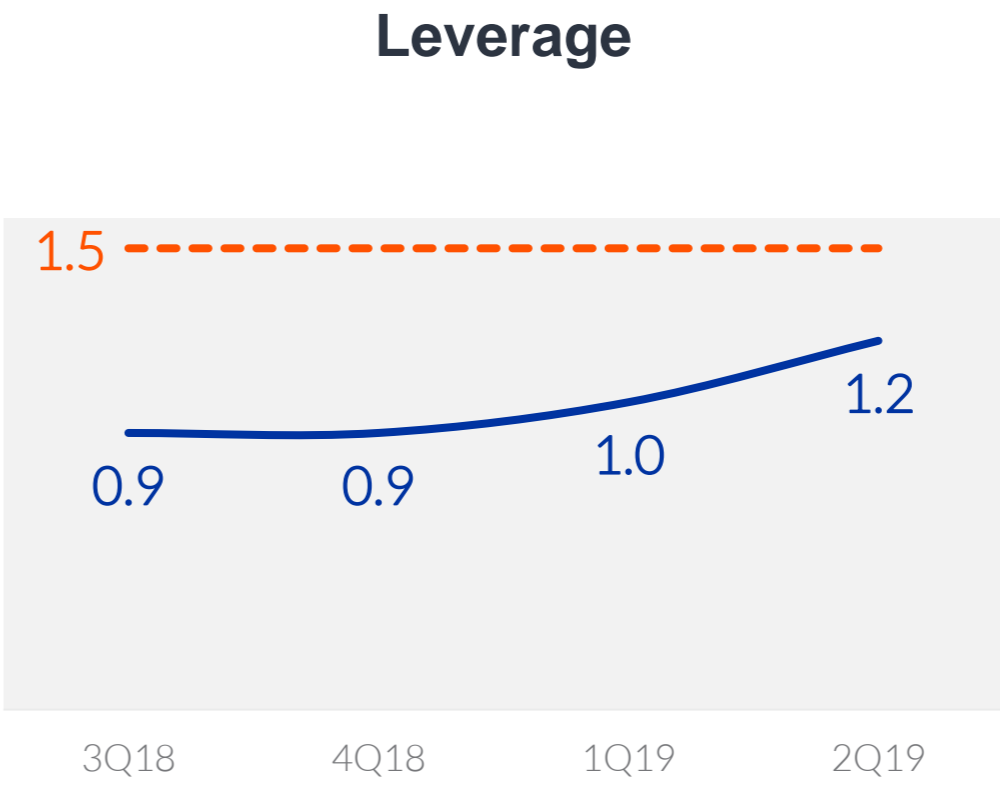
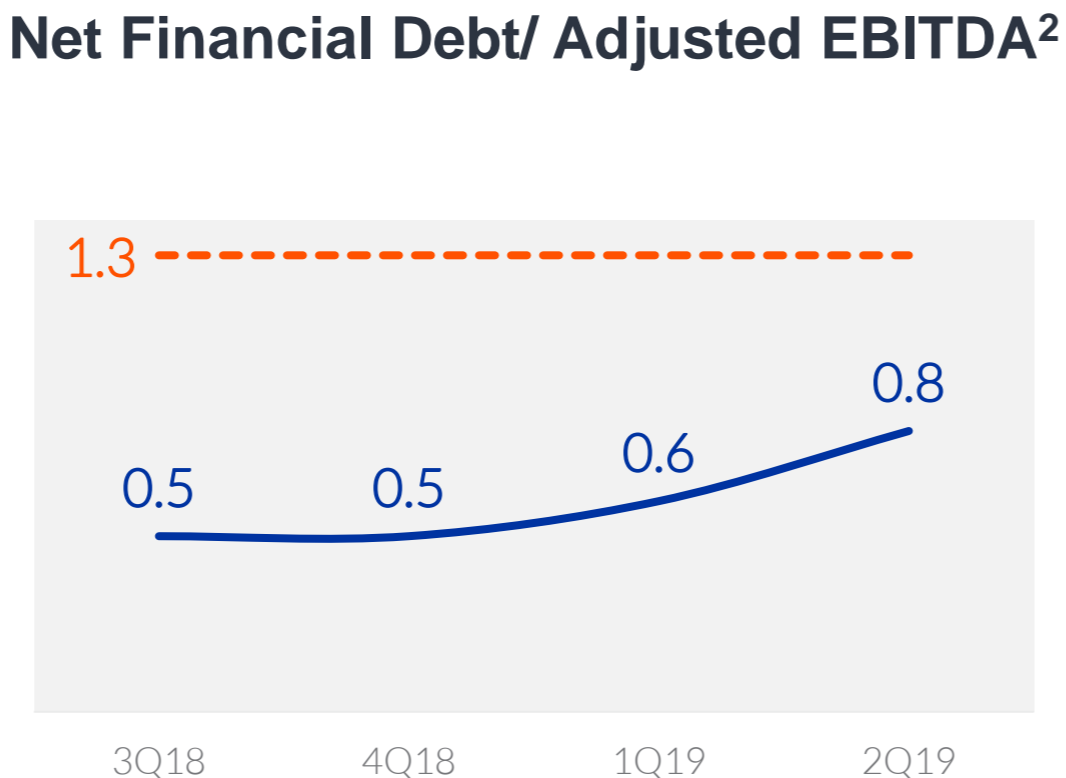
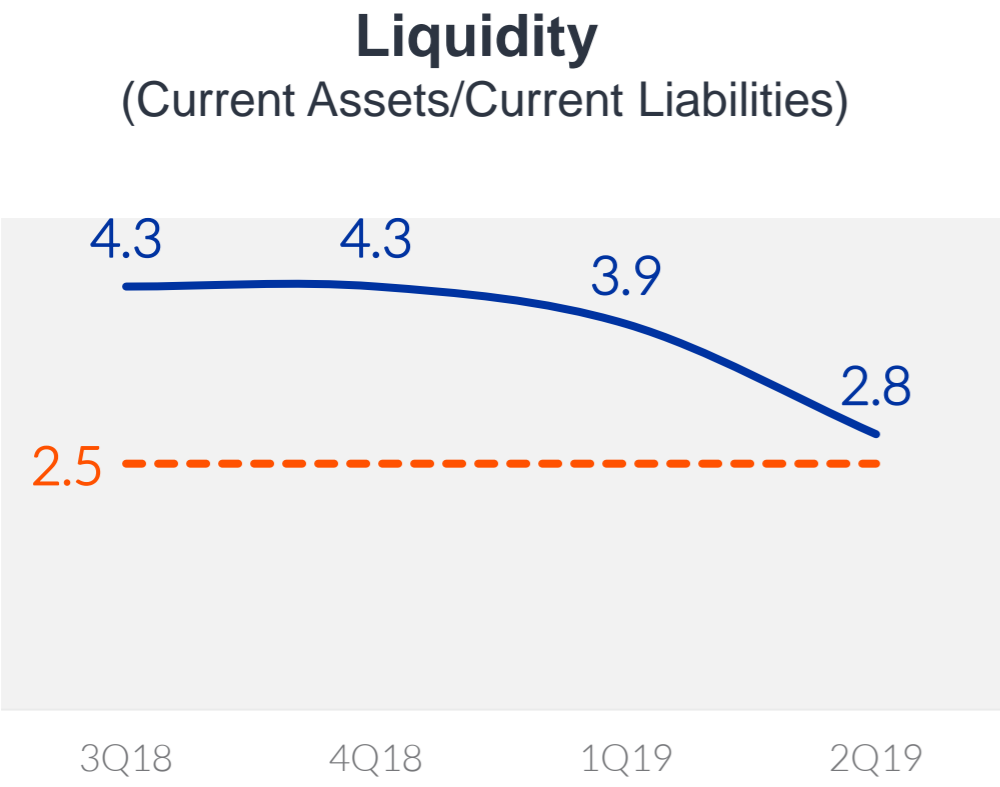
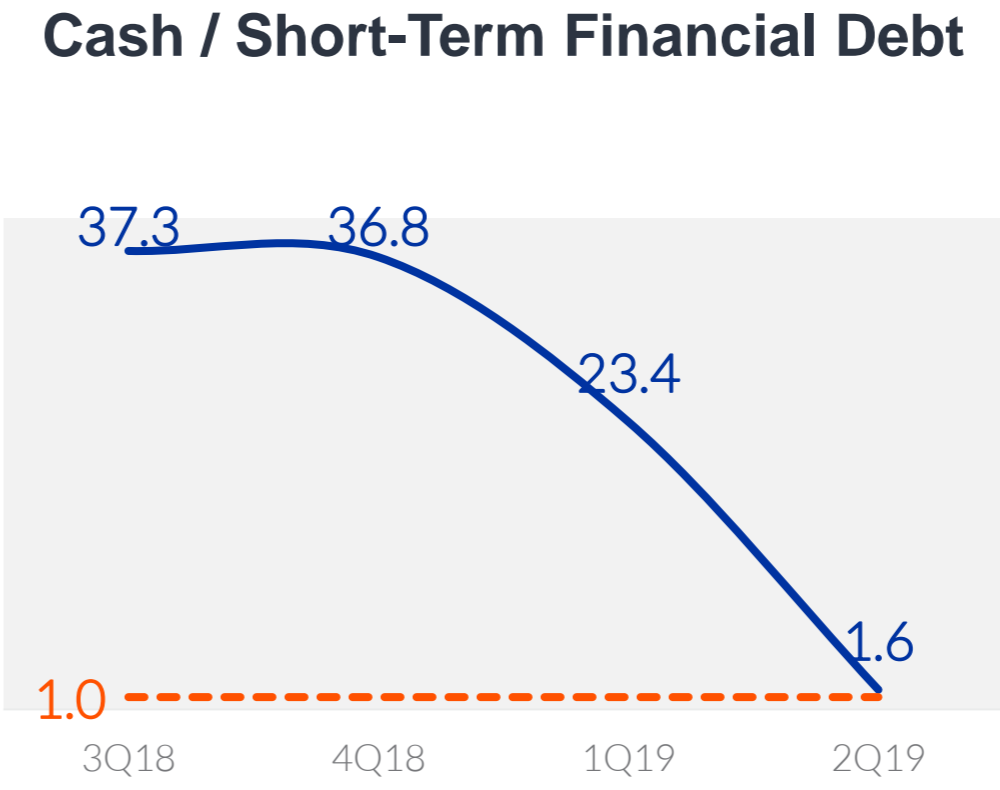
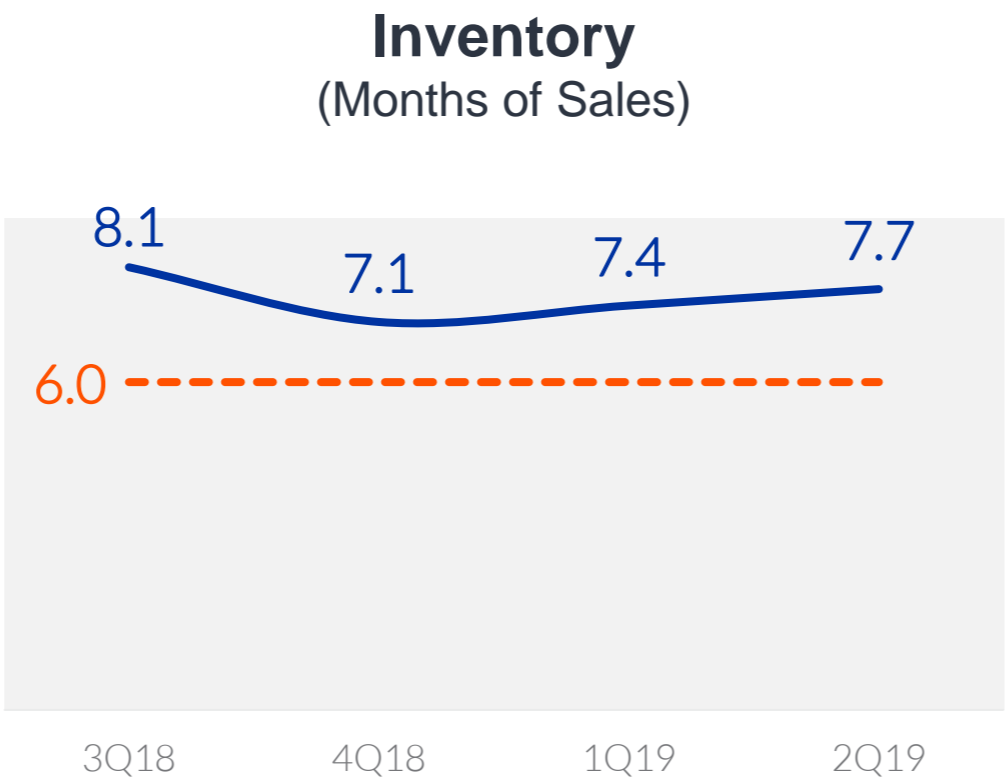
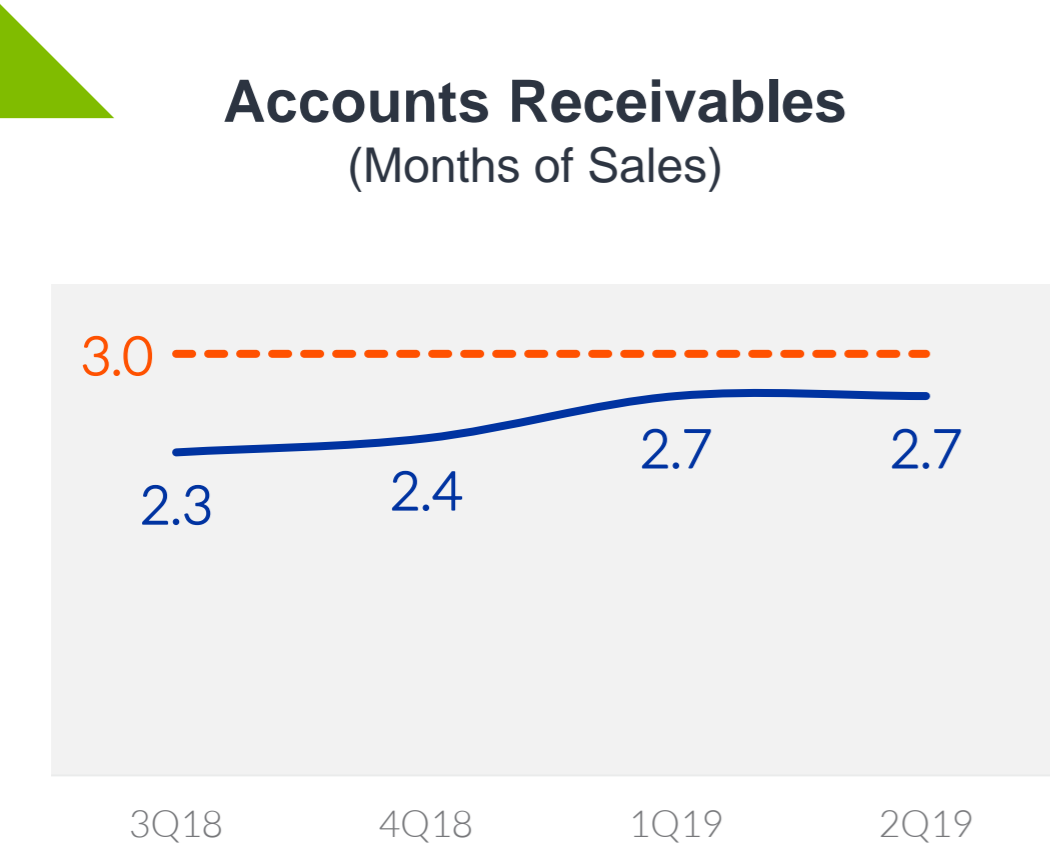
<sup>1</sup> Twelve months ended June 30, 2019

<sup>2</sup> Net Financial Debt (NFD) = Other current financial liabilities + other non-current financial liabilities – cash – other current financial assets – hedging assets, non-current.

<sup>3</sup> Adjusted EBITDA = Profit for the Period + Depreciation and Amortization Expenses + Finance Costs + Income Tax – Other income – Other gains (losses) – Share of Profit of associates and joint ventures accounted for using the equity method + Other expenses by function + Net impairment gains on reversal (losses) of financial assets – Finance income – Currency differences. Further details on non-IFRS metrics can be found in the Appendix.

# Strong financial position

to support current and future growth



**US\$740 million**

LTM<sup>1</sup> 2019 Adjusted EBITDA<sup>2</sup>

**US\$2.1 billion**

2019 LTM<sup>1</sup> Revenues

**35%**

EBITDA Margin<sup>2</sup> LTM<sup>1</sup>

**0.8**

NFD/ LTM<sup>1</sup> 2019 Adjusted EBITDA<sup>2</sup>

**Baa1**

Moody's

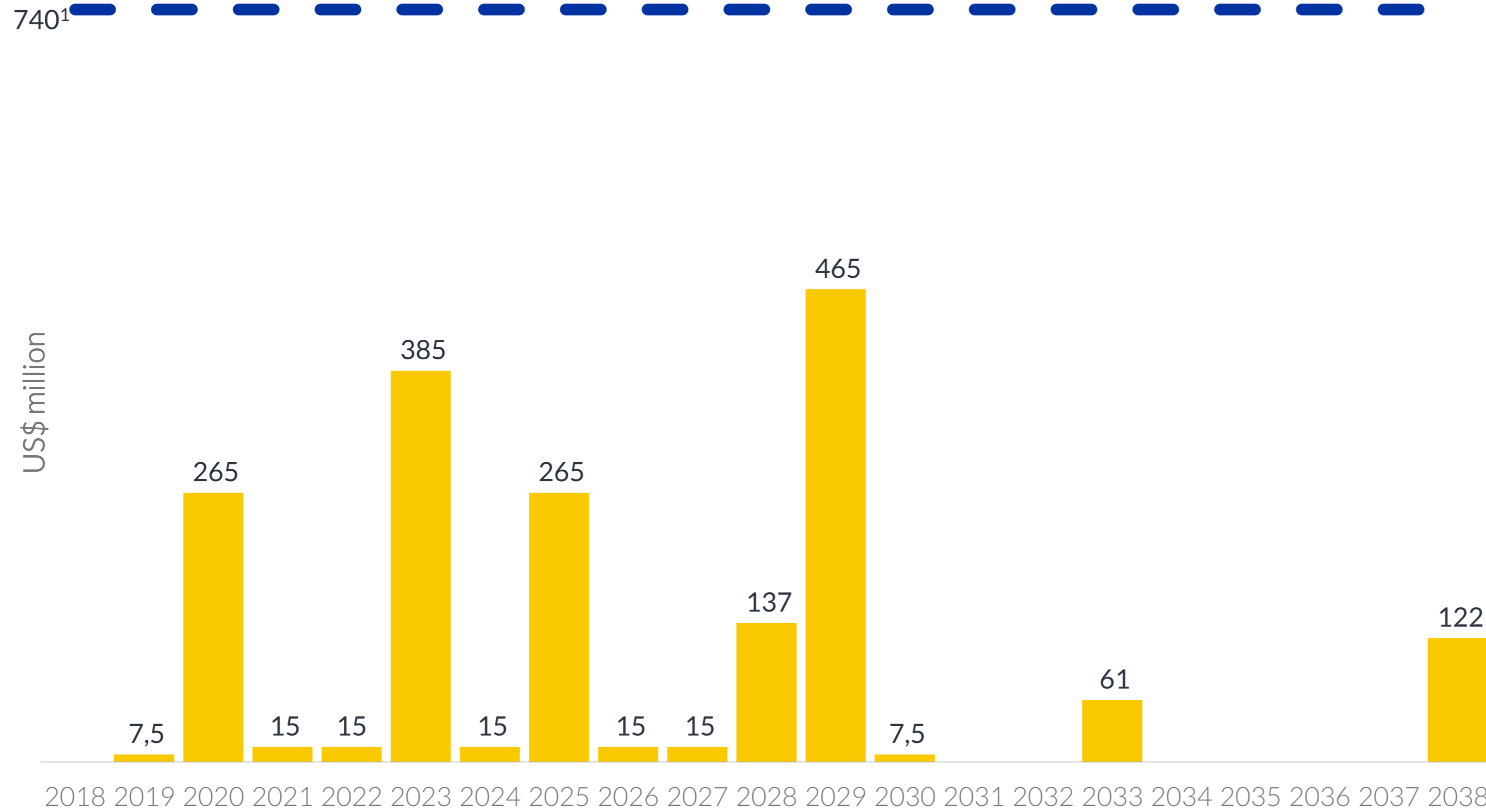
**BBB+**

Standard and Poor's

<sup>1</sup> Twelve months ended June 30, 2019

<sup>2</sup> Adjusted EBITDA = Profit for the Period + Depreciation and Amortization Expenses + Finance Costs + Income Tax - Other income - Other gains (losses) - Share of Profit of associates and joint ventures accounted for using the equity method + Other expenses by function + Net impairment gains on reversal (losses) of financial assets - Finance income - Currency differences. Adjusted EBITDA Margin = Adjusted EBITDA/revenues. Further details on non-IFRS metrics can be found in the Appendix.

# Debt Maturity Profile



<sup>1</sup> Adjusted EBITDA for the twelve months ended June 30, 2019. Adjusted EBITDA = Profit for the Period + Depreciation and Amortization Expenses + Finance Costs + Income Tax - Other income - Other gains (losses) - Share of Profit of associates and joint ventures accounted for using the equity method + Other expenses by function + Net impairment gains on reversal (losses) of financial assets - Finance income - Currency differences. Further details on non-IFRS metrics can be found in the Appendix.

# Dividend payout

## Dividend Policy<sup>1</sup>

		100%	80%	60%
Dividend Payout (% of Net Income)				
Current Assets / Current Financial Liabilities	≥	2.5	2.0	1.5
(Liabilities – Cash – Other Current Fin. Assets)/Equity	≤	0.8	0.9	1.0

If none of the above parameters are met, dividend payout would be 50% of 2019 net income

<sup>1</sup>Please see a complete discussion of our dividend policy on our website at [www.sqm.com](http://www.sqm.com)



## Dividends announced and paid in 2019

MAY 2019

**US\$109 million**

Final dividend 4Q2018

JUNE 2019

**US\$81 million**

Interim dividend 1Q2019

SEPTEMBER 2019

**US\$70 million**

Interim dividend 2Q2019

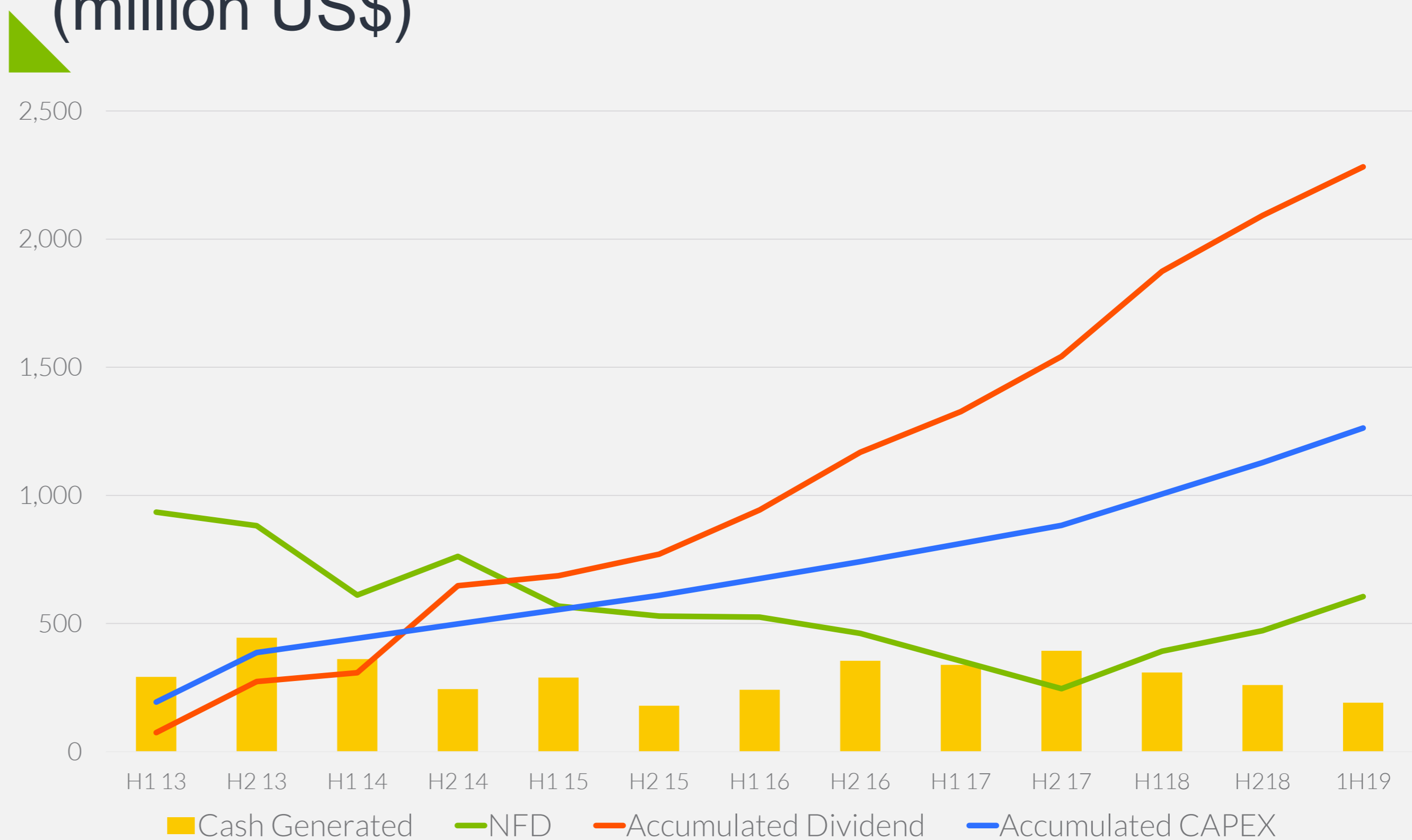
TOTAL

**US\$260 million**



# Proven cash generation capabilities

(million US\$)





# CONTACT

## INFORMATION

**GERARDO ILLANES**  
CFO



[gerardo.illanes@sqm.com](mailto:gerardo.illanes@sqm.com)

**KELLY O'BRIEN**  
HEAD OF INVESTOR RELATIONS



[kelly.obrien@sqm.com](mailto:kelly.obrien@sqm.com)

**IRINA AXENOVA**  
INVESTOR RELATIONS



[irina.axenova@sqm.com](mailto:irina.axenova@sqm.com)



# Appendix

## Non-IFRS Financial Measures Reconciliation

LTM 06-2019

(ThUS\$)

<b>Profit for the Year</b>	<b>345,695</b>
(+) Depreciation and amortization expenses	206,539
(+) Finance costs	70,118
(+) Income tax	141,307
<b>EBITDA</b>	<b>763,659</b>
(-) Other income	31,683
(-) Other gains (losses)	6,143
(-) Share of Profit of associates and joint ventures accounted for using the equity method	3,681
(+) Other Expenses by Function	30,277
(+) Net impairment gains on reversal (losses) of financial assets	2,339
(-) Finance income	24,258
(-) Currency differences	-11,877
<b>Adjusted EBITDA</b>	<b>742,387</b>
Revenues	2,106,753
Adjusted EBITDA Margin	35.24%