



THE WORLDWIDE  
BUSINESS FORMULA

# **SQM S.A.**

## **Corporate Presentation**

August 2009

[www.sqm.com](http://www.sqm.com)





## 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.





# World Leader in Specialty Businesses

		<u>1H09</u>	<u>1H08</u>	<u>2008</u>
• Revenues	US\$ M	666	787	1,774
• Operating Income	US\$ M	232	242	632
• Net Income	US\$ M	169	191	501

## Specialty Plant Nutrition



47% world market share  
 LTM revenues US\$844 M  
 51% revenues LTM  
 42% of total G.M.\*

## Iodine & Derivatives



33% world market share  
 LTM revenues US\$213 M  
 13% revenues LTM  
 13% of total G.M.

## Lithium & Derivatives



30% world market share  
 LTM revenues US\$137 M  
 8% revenues LTM  
 10% of total G.M.

## Potassium Chloride



LTM revenues US\$233 M  
 14% revenues LTM  
 27% of total G.M.

## Industrial Chemicals



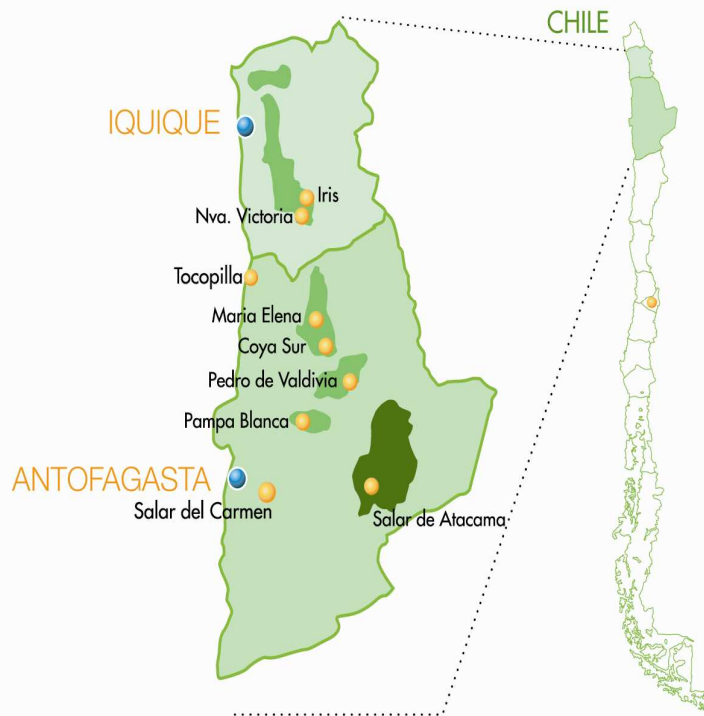
LTM revenues US\$118 M  
 7% revenues LTM  
 8% of total G.M.



# Unique Natural Resources

Foundation of our competitive advantage

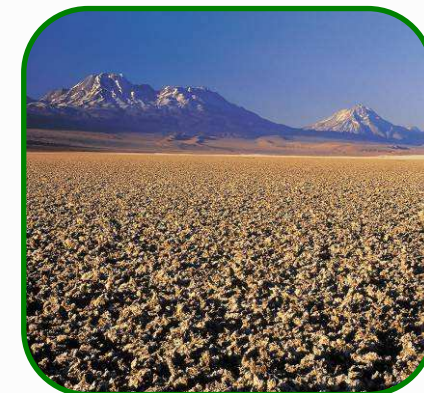
● Caliche Ore    ● Brines    ● Production Facilities



**Caliche Ore**

**Nitrates**

**Iodine**



**Salar Brines**

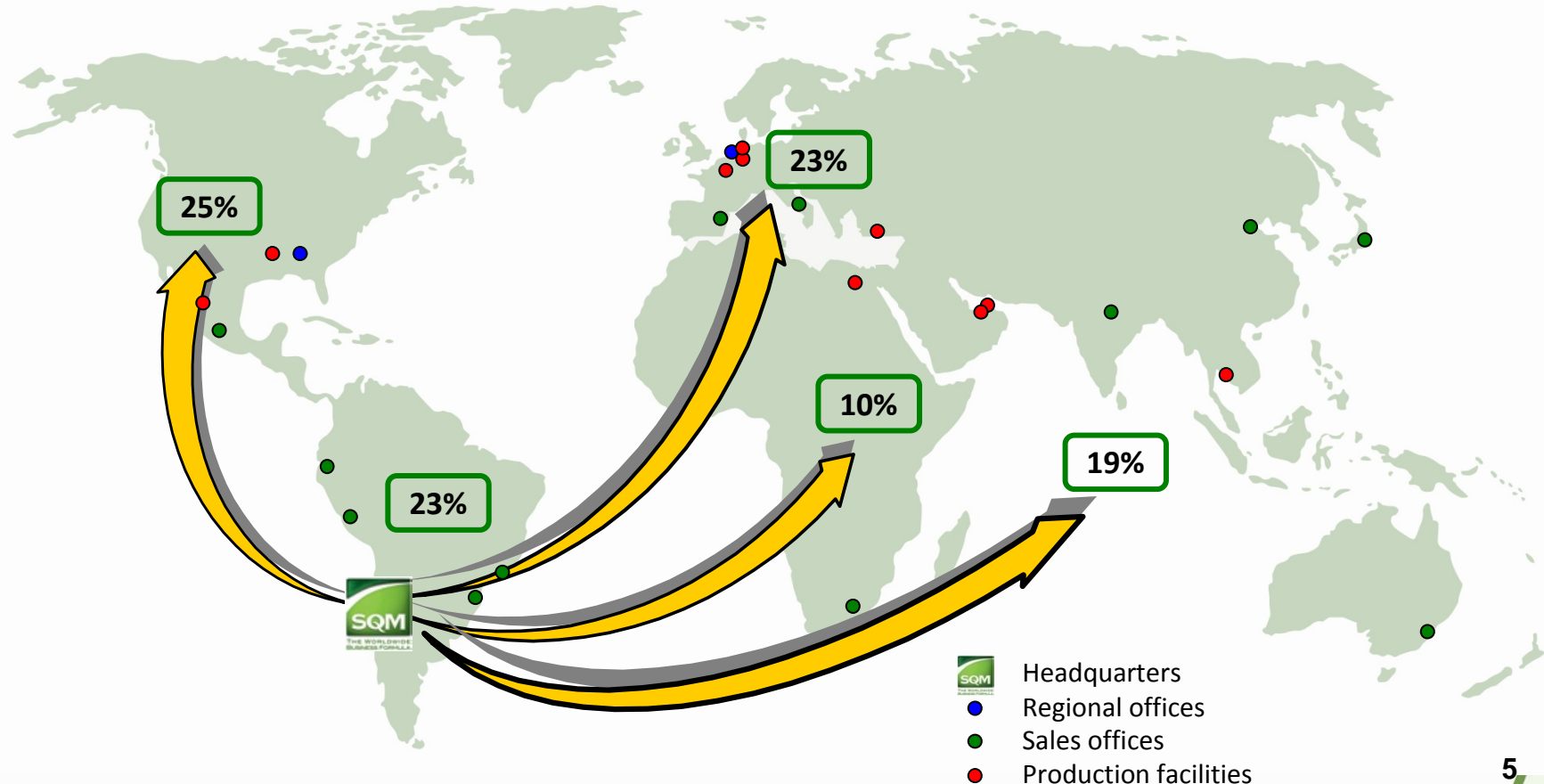
**Potassium**

**Lithium**



# Diversified Cash Flows

Diversification by markets, products and customers

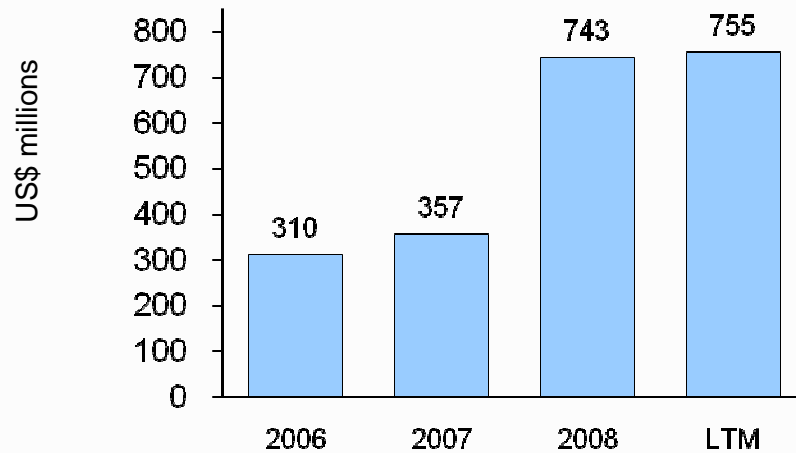


- 79% of sales are exports
- Sales in more than 100 countries – Local presence in 20 countries

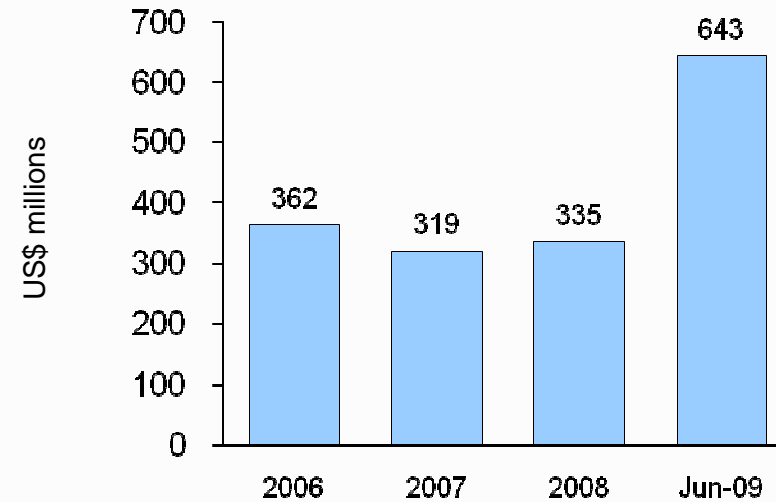
*\*Geographic distribution of exports during the last twelve months*

# Financial Performance

**EBITDA (\*)**



**Net Financial Debt (\*\*)**



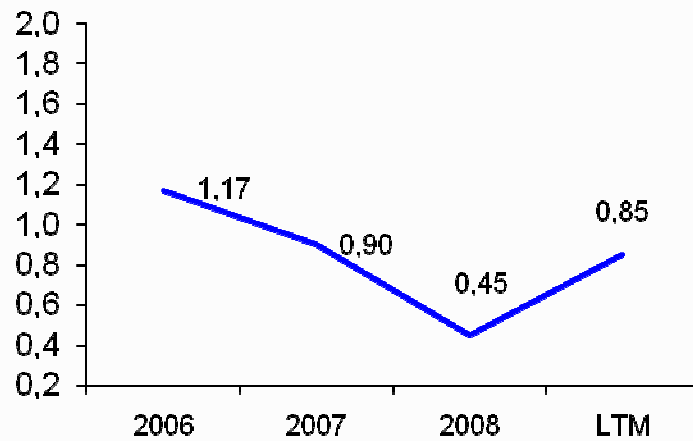
- The Company during 2009 increased its financial debt to finance its capex program and working capital increases.

**\*EBITDA: operating income + depreciation (not including amortization)**

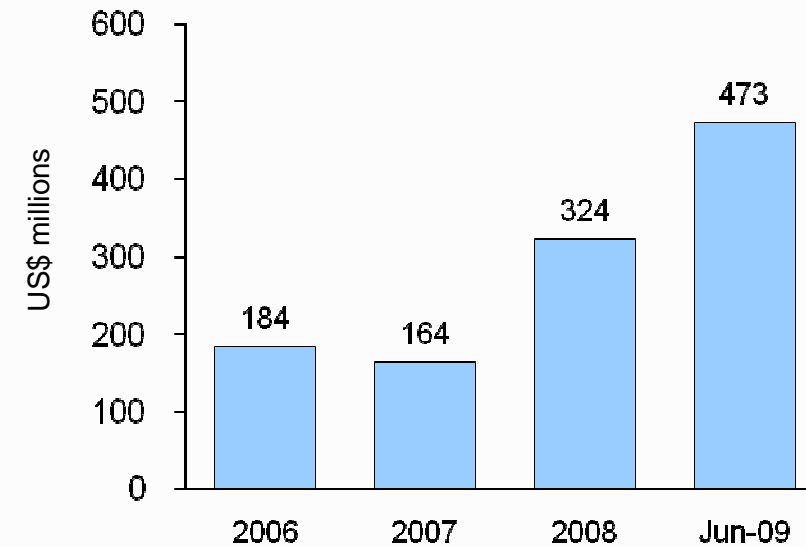
**\*\* N.F.D. : interest bearing debt net of cash and cash equivalents, considering effects of cross currency swap.**

# Financial Performance

**N.F.D. / EBITDA**



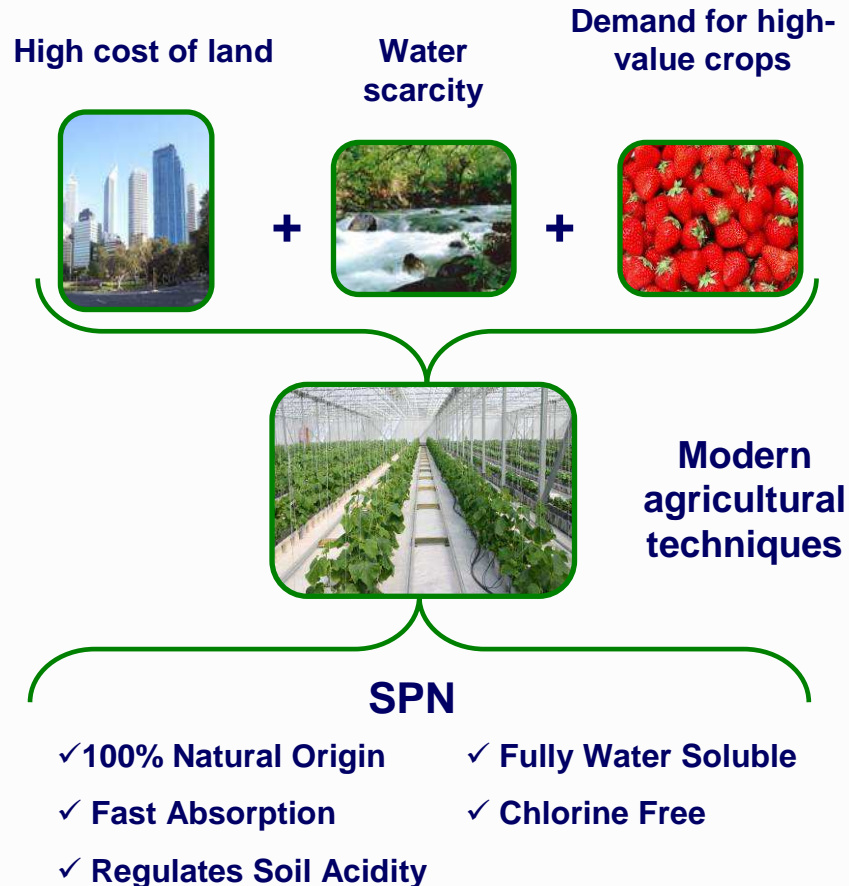
**Cash and Cash Equivalents**



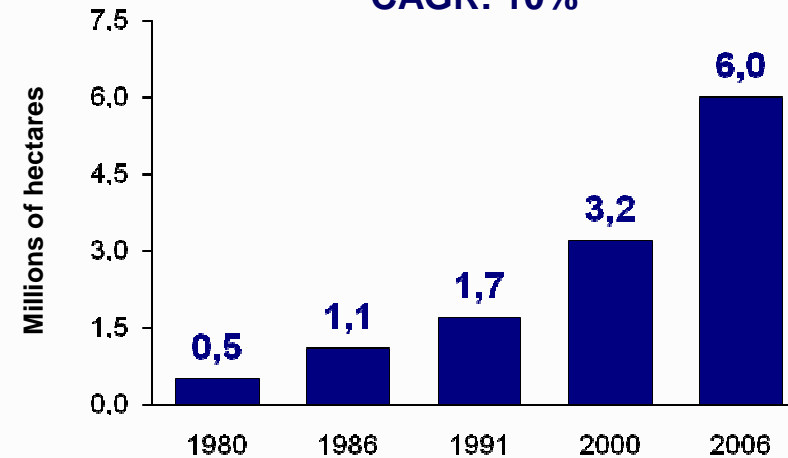
- N.F.D. / EBITDA ratio < 1
- Cash plus committed credit lines add financial flexibility

# Specialty Plant Nutrition

World demand growth has averaged 3% (2000-2008)



**Global Micro-Irrigation Surface Area\***  
CAGR: 10%



Source: ICID

\* Demand for  $KNO_3$  has increased significantly in; China, India, Turkey, Mexico and M. East.

**Limited supply and increasing demand provide strong support for our  $KNO_3$  markets**

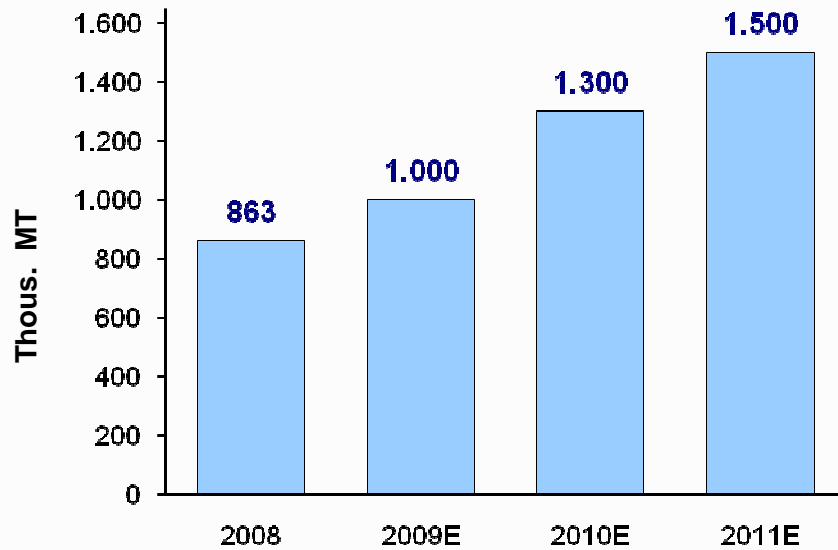
- Potassium nitrate ( $KNO_3$ ) capacity will increase by 300,000 MT in the second half of 2010
- No other relevant potassium nitrate expansion projects have been announced



# Potassium Chloride

SQM can capture growth potential in Potassium market

## SQM Production: KCl + SOP\*\*



Source: SQM Estimates

\*MOP is KCl or potassium chloride, also known as potash.

\*\*SOP is  $K_2SO_4$  or potassium sulfate.

- The increase in sales of potassium-based fertilizers is expected to have a significant effect on SQM's margins.
- Sales of KCl are expected to be between 550,000 MT and 600,000 MT in 2009.

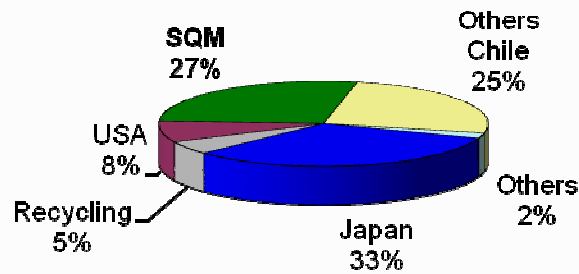


# Iodine

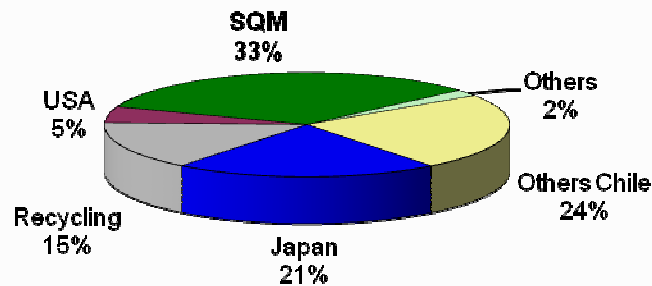
World leader with 33% market share

## Market Evolution\*

2000: 18,300 MT

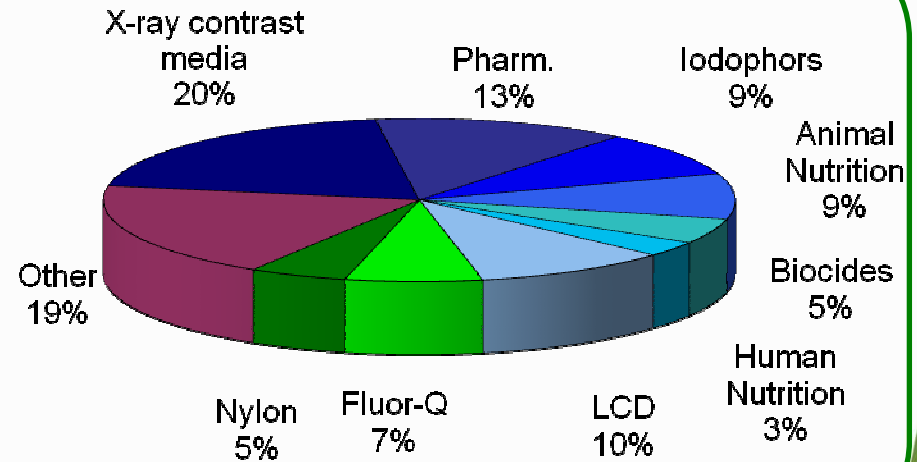


2008: 29,200 MT



✓ World demand CAGR (2000 - 2008): 6%\*

## Main Uses \*



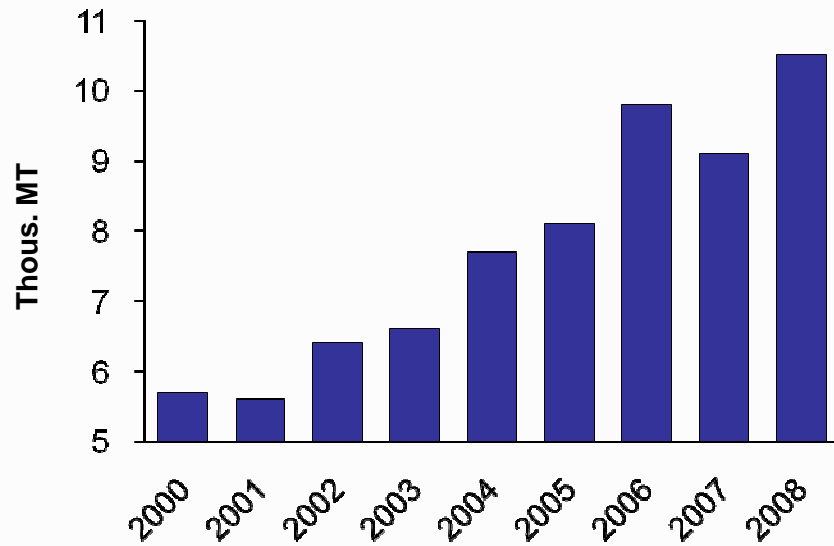
- Key demand drivers:
  - ✓ X-ray contrast media
  - ✓ New agrochemicals application
- Tight supply in medium term
- Price increase reflects market conditions



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# Iodine

### SQM Sales Volumes\*



### Iodine Demand and Prices\*\*



**SQM's capacity expansions will enable the Company to supply the world iodine market**

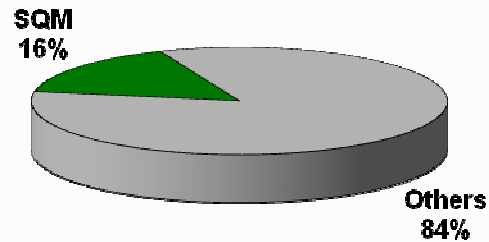


# Lithium

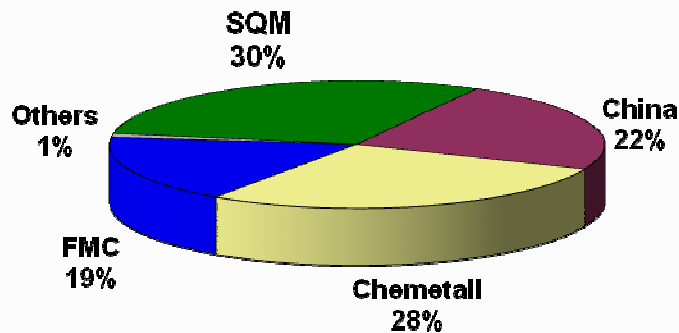
World leader with 30% market share

## Market Evolution\*

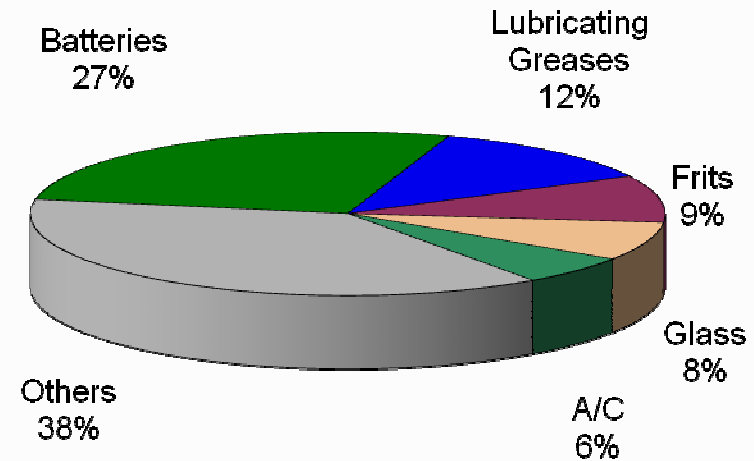
1997: 45,000 MT



2008: 92,000 MT



## Main Uses\*



- World demand CAGR (1997 - 2008): 6.7%
- In 2008, SQM expanded lithium carbonate capacity from 30,000 to 40,000 MT per year
- New batteries technology should drive future growth

# Lithium

## Positive Outlook for Lithium Batteries

- There is a consensus in the industry that lithium batteries are the best option to store energy in electric and hybrid electric vehicles (HEVs).
- In addition to previous announcements from car manufacturers, in 2008:
  - Mitsubishi unveiled the i-Miev, a pure electric vehicle powered by a lithium ion battery
  - Nissan unveiled all EV and HEV prototype vehicles, both powered by Li ion batteries
  - Toyota has announced plans to introduce a Prius using lithium battery technology
  - GM will also introduce its fully electric model, the Volt, that will be powered by a lithium battery
- Current estimates suggest that between 2009-2012 approximately 10 car manufacturers will introduce HEV/EV using lithium batteries

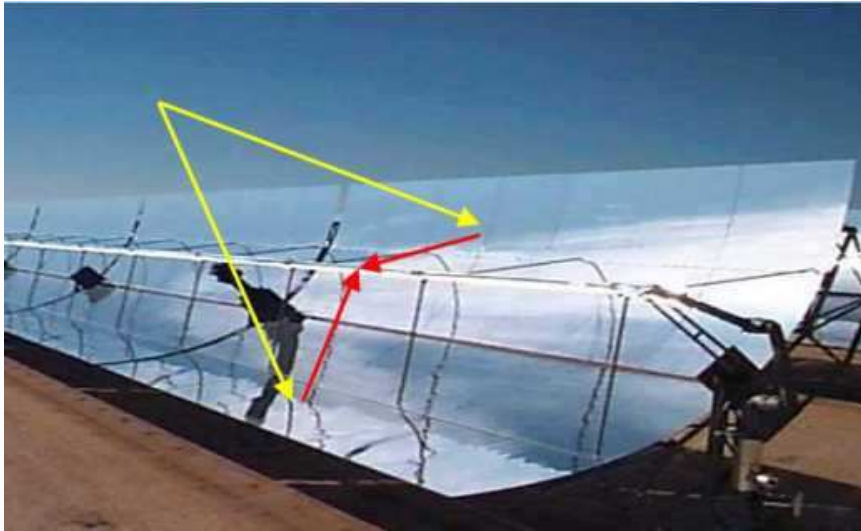




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# Industrial Nitrates

Future demand: Solar Salts

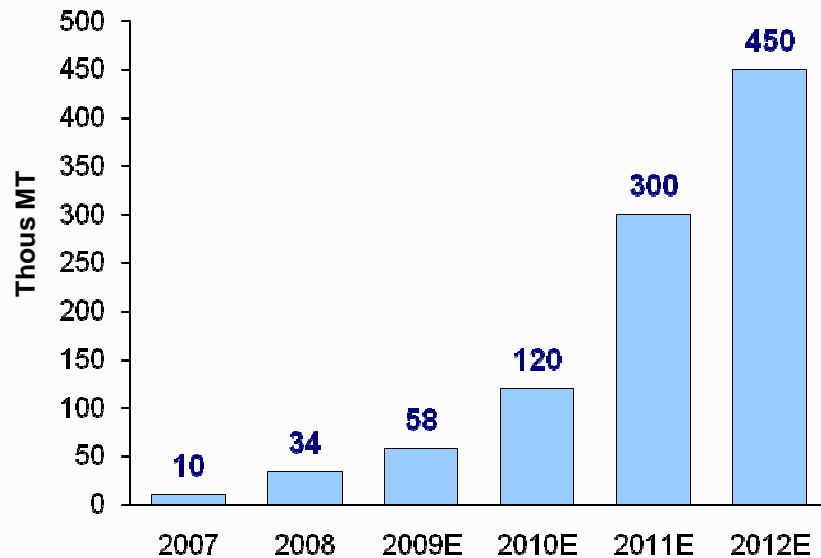


## Main Projects

- ACS Cobra-Sener, Man Solar Millenium, Abengoa, Acciona, SAMCA, Endesa España, Ibereolica

# Industrial Nitrates

## Projected Demand for Solar Salts\*



- New demand for industrial nitrates for thermal energy storage in solar energy plants will significantly increase nitrates consumption
  - ✓ Mixture of sodium nitrate and potassium nitrate
  - ✓ Approximately 50 projects are expected to be developed in the next 5 years
- To date four contracts to supply new plants have been settled for the 2007-2009 period.

- **Sales in the solar salts segment could consume 100% of the increase in nitrates production projected by SQM for the coming years**

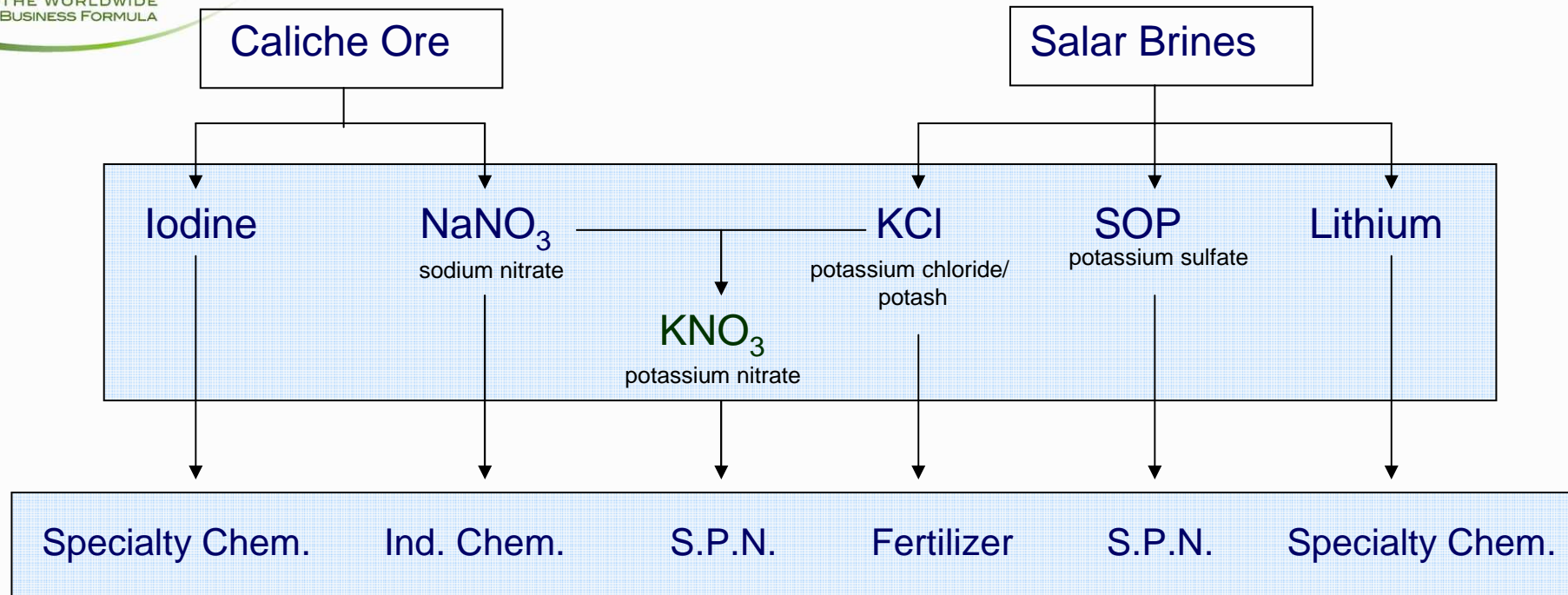
# Capital Expenditure Plan

Focus on our main businesses

- **Capacity expansion for potassium nitrate in 300,000 MT per year**
- **Capacity expansion for potassium-based products in the Salar de Atacama close to 600,000 MT per year**
- **Other projects aimed at improving yields and reducing costs**
- **Capex 2008 US\$ 287 mm**
- **Capex 2009 estimated US\$ 340 mm**



# Business Flexibility



- World leader in iodine and lithium businesses → market growth and low cost
- World leader in potassium nitrate → market growth, lowest cost producer, value added potash fertilizer
- Potash → growth opportunities and low cost producer
- Sodium nitrate → number one, lowest cost producer and solar energy growth potential
- Potassium sulfate → specialty plant nutrient complementary with potassium nitrate
- Business flexibility → sodium nitrate, potash and potassium nitrate flexibility according market conditions



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## EBITDA Reconciliation

<i>Millions of US\$</i>	June 2009 LTM	2008
<b>EBITDA</b>	<b>755.4</b>	<b>742.7</b>
Depreciation (less)	(133.4)	(110.6)
<b>Operating Income</b>	<b>621.7</b>	<b>632.1</b>
Non-operating Loss (less)	(39.6)	(19.3)
Income Taxes (less)	(107.3)	(107.9)
Other Items (less)	5.5	(3.5)
<b>Net Income</b>	<b>480.3</b>	<b>501.4</b>