

**Elements of Economic Analysis of the Agreement between**  
**Sociedad Química y Minera de Chile S.A.**

**Y**

**Chilean National Copper Corporation**  
**(the "Agreement")**

**Structure**

In order to evaluate the economic impact of the Agreement and the Partnership between Sociedad Química y Minera de Chile S.A. ("SQM") and Corporación Nacional del Cobre de Chile ("Codelco") (the "Partnership"), it is important to analyze, individually, seven relevant elements, which structure this document (each element is analyzed in a separate chapter), preceded by an introduction:

- 1) Initial considerations;
- 2) Synergies of the Agreement;
- 3) Benefits and costs in the period 2025 to 2030;
- 4) Value of fixed assets contributed by SQM to the Partnership;
- 5) Cash flows during the period 2031 to 2060;
- 6) Shareholder agreements; and
- 7) Risks associated with the Partnership's business.

A final chapter contains a summary of the economic impact of the Agreement, based on the analysis of each of these elements.

**Introduction**

This document has been prepared by SQM's management team, research department and advisors and will be used as the basis for the presentation to be made to SQM's board of directors regarding the benefits and risks associated with the Agreement once SQM and Codelco have reached a final understanding on the terms and conditions of the Agreement. The analysis contained in this document consists of a conceptual understanding of the costs, benefits and risks arising from the Agreement (as it has been negotiated to date and subject to changes that this type of transaction may have prior to the signing of the final documents), and its counterfactual comparison to the termination of SQM's operations at the end of the contracts that SQM has with Corporación de Fomento de la Producción ("Corfo"), to occur on December 31, 2030.

In order to have a complete view of the information, it is essential to read and analyze the document in its entirety and in combination with the Memorandum of Understanding dated December 27, 2023, which is available on SQM's website ([https://s25.q4cdn.com/757756353/files/doc\\_news/2023/12/Codelco MOU 27Dec2023\\_eng.pdf](https://s25.q4cdn.com/757756353/files/doc_news/2023/12/Codelco_MOU_27Dec2023_eng.pdf)) and which was modified on March 20, 2024 (the "Memorandum"). Notwithstanding the above, it is important to emphasize chapter 7 on risks associated with the Partnership's business and their evaluation; although it is critical to mention that all indications regarding the future that are incorporated in the analysis

are subject to risks and uncertainties, whether these are explicitly included in chapter 7 or not.

This analysis was prepared by SQM and its advisors based on the current status of negotiations between the parties, and between the parties and third parties (including Corfo). The description of the facts, the economic analysis of the Agreement, and the calculations and conclusions associated with it are the product of the work performed exclusively by SQM and its advisors.

## 1) Initial considerations

Under the current contracts between SQM and Corfo, SQM has the right to mine the mining properties called OMA until December 31, 2030 and to commercialize up to a projected total of approximately 1,350 thousand tons (such measure, "k MT"<sup>1</sup>) between January 1, 2025 and such date, which results in an average of 225k MT per year for six years<sup>2</sup>.

According to the currently effective contracts, as of the termination date of those contracts, SQM will not have the right to exploit resources from the Salar de Atacama. Regarding those assets located in the Salar de Atacama that belong to SQM (see section 4.1), Corfo has the option to acquire them at their replacement value considering their economic depreciation. On the other hand, the production complex Planta Química Litio el Carmen (the "Carmen Plant") located on the outskirts of Antofagasta, which refines lithium-concentrated brines into lithium carbonate and lithium hydroxide, as well as some other assets (see section 4.2), are not part of the assets subject to Corfo's purchase option.

Furthermore, Corfo will grant Codelco the lease of the Salar de Atacama properties for the period from January 1, 2031 to December 31, 2060. Codelco, fulfilling its duty to obtain the best result for the Chilean State (the "State"), faced the decision of embarking on the project (i) alone or with another company other than SQM, which implies increasing investments, risks, and facing a natural lower production at the beginning of its operation, or (ii) seeking an agreement with SQM to the extent that it would generate more value for the State.

Considering the above, SQM and Codelco sought to reach an agreement that would allow (i) Codelco to obtain a greater value than it would obtain by exploiting the Salar de Atacama alone or with another third party and (ii) SQM to obtain a greater value than it would obtain by ceasing to operate in the Salar de Atacama in 2030. The Agreement also results in significant benefits for the Antofagasta Region (the "Region") and the communities near the Salar de Atacama (the "Communities").

It is important to note that, during the life of the Partnership, the State captures approximately 60% to 70% of the margin of the business<sup>3</sup> through payments subject to contracts with Corfo and taxes (this range will be used considering the same note throughout the document), and the remaining percentage is obtained by the shareholders (Codelco being one of them), who are the ones who carry the investments and assume the risks. Therefore, any agreement that avoids (i) an interruption or drastic decline of the operation during the period between 2031 and 2033 (the "Transition Period") and (ii)

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<sup>1</sup>k MT will be thousands of metric tons of lithium carbonate equivalent unless the product is specified.

<sup>2</sup> This value is approximate, since the actual value will depend on actual production and sales in 2024.

<sup>3</sup> This range is considered more than once in the document, and is based on an average of different scenarios over the life of the project, where (all other things being equal) the percentage to the State increases over time according to the Corfo lease fee table, which is fixed in nominal terms (see section 5.2) and considers scenarios with and without the application of the specific mining tax (although SQM maintains that this should not be applied, as stated in the essential fact published on April 7, 2024).

maximizes the total production expected for the period 2025-2060, would in turn maximize the value captured by the State.

## 2) Synergies of the Agreement

The main factor that allows obtaining greater value for both parties, and a significant increase in the value obtained by the State, are the significant synergies of the Agreement between Codelco and SQM:

- i) A Codelco project without SQM starting in 2031 in the Salar de Atacama means that lithium production in such *salar* will practically stop until the new production process associated with the Salar Futuro project starts progressively. In our estimation, such stoppage and subsequent progressive increase would mean a significant decrease in production of at least 3 years. The Agreement, therefore, allows maintaining production levels during the period between 2031 and 2033 with the consequent positive economic effects for all parties, especially for the State, the Region and the Communities. SQM's original production planning considered prioritizing lithium production in the coming years and then shifting the focus to potassium chloride production in order to optimize obtaining the lithium volume of its authorized quota and the higher potassium volume. The above meant that by the end of 2030, the production system together with the ponds and wells would not be suitable for lithium production. In this scenario, starting in 2031, Codelco would have to resume production and adjust the production process to face its new challenges, which would be combined with the development of investments in the Salar Futuro project, a project that would not be operational in 2034, if carried out without SQM. On the contrary, in the alternative scenario of a SQM - Codelco agreement, the production process would face relevant changes starting in 2025 with the objective of increasing lithium production, sacrificing potassium chloride production and facing the challenge of sustaining lithium production in the Transition Period prior to the full operation of the Salar Futuro project.
- ii) The significant decrease in production during the Transition Period has the additional negative impact of (i) affecting the market share and presence of lithium from the Salar de Atacama and (ii) affecting employment in the areas where SQM currently operates. As indicated, this significant decrease in production would be avoided with the Agreement.
- iii) Additionally, SQM has implemented improvements in its processes and performance in recent years, which could potentially allow it to increase production over the next few years above the Corfo authorizations currently in force and thus generate significant additional resources for the State, for Codelco, for SQM, for the Region and for the Communities. In addition to the above, there is a possibility of making investments prior to 2030 to use new technologies and processes to recover lithium from tailings and rises at the Carmen Plant, as well as the production of lithium hydroxide in China from lithium sulfate salts produced in the Salar de Atacama. These potential production increases prior to 2031 are possible to execute without altering SQM's voluntary commitments to reduce pumping from the Salar de Atacama, which SQM confirms and will redouble its efforts to achieve.
- iv) SQM has built and currently operates the Carmen Plant (near Antofagasta), which has an effective capacity to produce 200k MT of lithium carbonate per year from

concentrated lithium brine, plus 40k MT of lithium hydroxide from lithium carbonate. This makes it by far the largest lithium product production facility in the world (this is more than 3 times larger than the next largest plant in nameplate capacity and 5 times in achieved capacity). There is no other operation of this magnitude in the world, without considering additionally the specialization of this plant to process the brine coming from the Salar de Atacama. Building and starting up an operation of these characteristics is a risk that could mean a significant loss of production at the national level, in addition to involving substantial investments. Finally, in China, SQM has a plant with the capacity to produce 20k MT of lithium hydroxide per year from lithium sulfate from the Salar de Atacama.

- v) SQM has almost 30 years of experience producing lithium in the Salar de Atacama and has compiled an amount of information from the core of the salar that no other player in the world has at this productive scale. In recent years, SQM has studied and defined the technical aspects of the Salar Futuro project (referred to below as a new way of operating in the Salar de Atacama expected from 2034, with gradual implementation). This would allow the submission of an Environmental Impact Study for the project during 2025 or 2026, which would provide scope for reducing risks in the process design, technological design and execution of the Salar Futuro project. Without the Agreement, the Salar Futuro project is meaningless for SQM, as SQM would have to abandon the project before its implementation.
- vi) An essential aspect in the lithium market is customer confidence in the quality of the product and the security of a continuous supply. The Agreement allows maintaining (i) the marketing and (ii) distribution network with which SQM currently exports and sells lithium in the world, together with (iii) the most important sustainability certifications (including IRMA) that SQM has, which are fundamental for the development of the business. A scenario with an Agreement would allow (i) using this distribution network to market lithium worldwide and (ii) maintaining the certifications that are increasingly demanded by customers and that allow access to better commercial conditions. This could not be achieved with an operator other than SQM, which would take years to obtain the same certifications and to develop the logistics and distribution chain that allows supplying customers' requirements in a continuous and safe manner.
- vii) The joint work of SQM and Codelco professionals, cooperating from 2025 onwards as partners and operators, allows the optimization of productive aspects with a long-term view, eliminating certain quota restrictions that can potentially destroy value for the operators and, especially, for the State.
- viii) Finally, under the Agreement, Codelco can use SQM's knowledge and experience in its own processes, technologies and projects (e.g. the Salar de Maricunga project). This allows Codelco to generate additional value compared to a scenario without the Agreement.

These "synergies" are what make it possible to achieve an Agreement that increases the value for SQM compared to its current scenario, and at the same time, increases the value for Codelco and the State compared to exploiting the Salar de Atacama

independently or with another third party. The following chapters provide more detail on the merits of the Agreement.

### **3) Benefits and costs in the period 2025 to 2030**

#### **3.1) Benefit for Codelco**

The Agreement, under the terms currently being negotiated, considers that Codelco is entitled to receive during the period 2025 to 2030, the profit obtained from the production of 33.5k MT of lithium carbonate equivalent per year.

As can be seen from the Memorandum and publicly available information, the Agreement requires Codelco to obtain the necessary authorizations for the quota authorized for the years 2025 to 2030, under the current contracts with Corfo, to be increased by 300k MT in total in the period 2025 to 2030 (i.e., by 50k MT on average per year). As already noted in the "Initial considerations", the estimate of the remaining quota currently authorized for the period 2025 to 2030 is approximately 1,350k MT, which is equivalent to an average of 225k MT per year. If the authorized quota increase is included, it could increase to 275k MT per year on average.

Of the additional 300k MT, if fully or partially produced, the profit corresponding to the first 165k MT of such increase will be received by SQM either fully or partially depending on the actual production that can be achieved and would partially offset the tonnage committed to Codelco. By virtue of the above, the annual quota of 225k MT per year on average that SQM would be entitled to receive annually without the Agreement (as indicated in the preceding paragraph) would decrease by the 33.5k MT per year to which Codelco would be entitled to and, eventually, would increase by 27.5k MT per year on average when considering the additional 165k MT.

On the other hand, in the event that all of the 165k MT referred to in the previous paragraph are produced and sold, another 135k MT (22.5k MT per year on average) would remain to reach the 300k MT by which the authorized quota would be increased. The profit of these remaining 135k MT, in the event that they are produced and sold in whole or in part, will be divided 50% for SQM and 50% for Codelco.

This means that Codelco receives (i) 33.5k MT per year on a preferential basis, plus (ii) 50% of the 135k MT if these are produced and sold in whole or in part in the period 2025 to 2030.

#### **3.2) Cost to SQM**

The cost to SQM for the 33.5k MT per year that would be delivered to Codelco will depend on how much production and sales can be effectively increased during the period 2025 to 2030, so that SQM can use all or part of the additional quota referred to in the Agreement, as indicated in section 3.1 above.

It is important to point out that the production goal of approximately 225k MT per year on average (which, as mentioned above, is the current authorized quota) is, in itself, a relevant technical challenge for SQM, especially if we consider that SQM has a commitment to progressively reduce its extraction of solutions from the Salar de Atacama until 2028. Nevertheless, production improvements and projects aimed at significantly increasing yields allow us to reasonably estimate that it is possible to reach an average of 225k MT per year, although this is an ambitious and difficult goal to achieve.



In view of these difficulties, the volume implications for SQM are very difficult to estimate. As a basis, there are no scenarios that can be projected with certainty and only assumptions of reasonably probable alternatives can be made. Based on preliminary simulations of probable production scenarios and only as a first element of analysis and as an example, three potential production and sales scenarios are defined for the period 2025 to 2030:

- i) Failure to increase the average of 225k MT per year: the cost for SQM would be the loss of the margin of 33.5k MT sold annually;
- ii) That the annual average is increased by 25k MT per year to 250k MT per year: SQM's cost would be the loss of the margin of 8.5k MT sold annually (resulting from subtracting 25k MT from 33.5k MT); and
- iii) To increase the annual average by 40k MT per year to 265k MT per year:
  - a) Codelco would be entitled to the equivalent margin of 39.75k MT per year (the 33.5k MT it is entitled to in any event, plus 50% of the kMT produced in excess of 165k MT).
  - b) SQM would be in practically the same situation as in the situation without the Agreement, since it would be entitled to the equivalent margin of 225.25 kMT per year.

It is important to note that, although we are previously talking about average annual volume, not all volumes are uniform between years (i.e., SQM delivers 33.5k MT to Codelco each year, but, if SQM recovers all or part of that volume, it would do so during the last years of the 2025-2030 period). In such a case, although the total volumes may be similar, the distribution of these volumes over time may have a relevant impact on the present value of the flows generated.

Additionally, SQM would maintain its lithium production focus to try to produce as much as possible of the 300k MT of additional quota to the current contract with Corfo and prepare for production after 2030. This production focus would be at the expense of increased potassium production before 2030 in the scenario without the Agreement.

### **3.3) Benefits for the State, the Region and the Communities**

As noted above, most of the margin generated for each additional tons produced and sold remains for the State in the form of payments under the Corfo contracts and taxes.

Avoiding a productive valley in lithium production also benefits the Region and the Communities, which would continue to receive the corresponding contributions under the contracts with Corfo.

#### **4) Value of fixed assets contributed by SQM to the Partnership**

Regarding the fixed assets that SQM must contribute to the Partnership under the Agreement, it should be noted that most of them are, as of this date, owned by SQM Salar S.A., a subsidiary of SQM, a situation that will continue throughout the entire life of the Partnership. The economic value of this contribution will depend on the benefit that SQM could obtain from its disposal or possibility of use at the end of the contracts with Corfo in a scenario without the Agreement.

In this regard, a distinction must be made between two groups of assets:

##### **4.1) Assets for which Corfo has an option to purchase**

The first group is formed by those assets for which, under the current contract with Corfo, Corfo has an option to purchase them at the end of the contract, i.e. December 31, 2030, at replacement value considering their economic depreciation. This group includes the assets located in the Salar de Atacama, which include, among others:

- Solar evaporation ponds.
- Pumping wells.
- Industrial water pumping wells.
- Piping network connecting the entire operation.
- Potassium chloride and potassium sulfate crystallization and compaction plants.
- Offices, camp, pilot plants and quality control laboratories.
- Roads, infrastructure and connection to the electrical system.

##### **4.2) Assets for which Corfo does not have an option to purchase**

The second group of assets are those for which Corfo does not have a purchase option. Among them is the Carmen Plant, located near Antofagasta, which is the largest lithium carbonate chemical production center in the world. The Carmen Plant includes, among others:

- Plants for the treatment of lithium chloride solutions from the Salar de Atacama and its conversion to lithium carbonate for a capacity of approximately 200k MT of lithium carbonate per year.
- Lithium carbonate to lithium hydroxide conversion plant with a capacity of approximately 40k MT of lithium hydroxide per year.
- Plants to produce the different physical qualities required by the global lithium market (micronized, ultrafine product, etc.).
- Warehouses and bagging systems for logistical handling of final products and production inputs.
- Offices, pilot plants and quality control laboratories.
- Roads, infrastructure, connection to industrial water and connection to the electrical system.
- Industrial and intellectual property.

## **5) Cash flows during the period 2031 to 2060**

Regarding the benefits that the Agreement would bring to SQM, these would be mainly due to the cash flows that SQM would obtain from January 1, 2031 until December 31, 2060, to which it would not have access in a scenario without the Agreement.

These flows for the period 2031 to 2060 can be divided into two:

- Transition Period flows, as referred to in section 5.1; and
- The Salar Futuro project and its associated flows (years 2034-2060), which are discussed in section 5.2.

### **5.1) Transition Period flows (2031 - 2033)**

During the Transition Period, it is expected to be in the development and construction stage of the Salar Futuro project (described in section 5.2 below).

During this Transition Period, lithium production will be maintained through the current process, with an average annual production target of 250k MT. This is an objective, since reaching this goal requires a detailed planning from the beginning of the Agreement in 2025, which allows maintaining high productions during the Transition Period, using the different production options.

Maintaining high production levels in the Transition Period is a relevant challenge and is part of the planning and development objectives to be faced in the coming years.

It should be remembered that (i) the expected sales volumes during these years are only possible because of the Agreement, and (ii) of the margin generated by the sale of such volumes, SQM receives an estimated 15% to 20% (depending on assumptions, see chapter 1), since the rest benefits the State through (x) the payments to be made under the contracts with Corfo, (y) applicable taxes and (z) 50% of the flows to the shareholders corresponding to Codelco under the Partnership.

### **5.2) Salar Futuro Project**

The Salar Futuro project considers the use of new technologies in the mining of the Salar de Atacama, which include, among other aspects:

- i) Mechanical evaporation of solutions, with water capture: through the use of electrical energy in successive evaporation towers, water is evaporated and captured, solutions are concentrated and different salts are crystallized depending on the progress of the process. These processes have been successfully tested and used at the Carmen Plant.
- ii) Filtration processes are added to separate solutions into flows with higher and lower concentrations of certain elements. This has been successfully tested in SQM pilot plants.
- iii) The water captured allows the operation of direct lithium extraction plants that are applied to part of the solutions from the filtration process. These plants use different processes and technologies depending on the characteristics of the solutions, for

which SQM has been experimenting for several years in pilot processes with the solutions extracted from the Salar de Atacama.

All of the above will make it possible to minimize, and possibly eliminate, the consumption of water from wells for industrial use in the basin and reinject a large part of the solutions extracted into the Salar de Atacama, thus significantly reducing the net extraction of solutions from the Salar de Atacama in order to tend to the water balance in the basin. The Salar Futuro project would allow production of approximately 250k MT of lithium carbonate per year from the implementation of its first stage (with the possibility of increasing production in the future up to a production of 300k MT from its full start-up estimated for 2038) with a pumping of 822 l/s (which is SQM's pumping goal for 2028, which is a reduction by half of the original authorization), and where a significant part of the solutions would be reinjected to the Salar de Atacama.

Finally, the highly concentrated lithium chloride solutions are processed at the Carmen Plant where they are transformed into lithium carbonate, and then a portion of the lithium carbonate is transformed into lithium hydroxide.

The project considers submitting the Environmental Impact Study ("EIA" for its acronym in Spanish) during the year 2025 or 2026, as SQM estimates that it will require a long environmental approval process considering its complexity. In principle, it is reasonable to expect final environmental approval during the year 2030, with construction starting early the following year. Under this assumption, start-up should take place at the end of 2033, with the first stage beginning in 2034.

It is important to remember the scale and complexity of the Salar Futuro project. An integrated lithium carbonate production of approximately 250k MT to 300k MT per year implies an operation that is more than 4 times higher than the next plant in the world in nominal capacity and 6 times in achieved capacity. Given this, an investment cost of between US\$3,000 and US\$3,500 million is estimated (although it could undergo significant changes) and the production costs of the Salar Futuro project are estimated to be around 20% higher per ton produced than those associated with the technology currently in use. This increase in costs will come mainly from the intensive use of electrical energy that will replace solar evaporation and the high maintenance costs over time of the new equipment. However, these new technologies to be applied in the Salar Futuro project will increase yields and reduce the net pumping of solutions from the Salar de Atacama.

It is important to mention that the lease rent paid to Corfo is calculated by applying a progressive rate based on increasing lithium prices, and not on an operating margin. In other words, if the price rises, the lease rent rises in a proportion greater than the increase in the operating margin. On the other hand, the lithium prices of the algorithm used to calculate the lease rent until 2044 are expressed in nominal dollars. Only in 2044 is it contemplated to begin an inflation adjustment for the last 12 months. Between 2025 and 2044 the risk of inflation and its future impact is assumed by the shareholders to the benefit of the State.

That said, those who carry the investment risk and most of the operational and cost increase risk (both real cost increases and those derived from inflation) are SQM and Codelco.

In relation to the above mentioned Salar Futuro project, it is noted that:

- The environmental and productivity goals of the Salar Futuro project require significant investments in new technologies, which SQM has been working on and piloting for several years.
- Without the fixed assets and know-how that SQM brings to the Partnership, both the amount of investment and the risk would be much higher.
- Between 80% and 85% of the margin (see chapter 1) remains for the State through payments to be made for contracts with Corfo, taxes and 50% of the flows to shareholders corresponding to Codelco.

## 6) Agreements between Shareholders

The final contracts between SQM and Codelco are still under negotiation and many aspects are still pending agreement between the parties. However, we include some of the relevant points that we believe should be incorporated in the final documents of the Agreement, as protection mechanisms for each of the parties:

- a) The merged company resulting from the Agreement (the "Joint Venture") will have a specific line of business consisting of operating the properties leased from Corfo in the Salar de Atacama, to produce and sell lithium carbonate and lithium hydroxide produced from the lithium extracted from such properties, as well as intermediate products and other products currently being produced. Any new business to be developed must be approved by all shareholders.
- b) SQM transfers to Codelco its properties in the Salar de Maricunga. Codelco has a special authorization to extract lithium in the areas incorporated in SQM's properties in the Salar Maricunga. SQM's properties do not grant the right to extract lithium.
- c) The Agreement contemplates the execution of a shareholders' agreement, which will include, among others, the following aspects:
  - During the period between 2025 and 2030, the creation of series of shares and corporate governance rules (such as composition and election of board members and quorums for decision-making at board and shareholders' meetings) that allow SQM to consolidate the financial statements of the Joint Venture during the first period (2025-2030) (for the period 2031-2060, preferences are eliminated, so that Codelco will consolidate the financial statements of the Joint Venture).
  - Notwithstanding the foregoing, during the entire term of the Partnership (that is, regardless of whether it is the first or second term), the affirmative vote of the non-controlling shareholder is required for the approval of certain matters both at the Board of Directors and shareholders' meetings, such as:
    - Incorporation and dissolution of subsidiaries and disposal of shares in subsidiaries
    - Partnerships with third parties
    - New business
    - Granting of guaranties to guarantee obligations of the Joint Venture, its subsidiaries and third parties
    - Execution of acts free of charge
    - Acquisition and disposal of fixed assets in excess of annual amount to be determined
    - Execution, modification, or early termination of contracts (including with governmental authorities or state-controlled enterprises) that involve obligations in excess of an annual threshold to be determined, or for terms in excess of a duration to be determined, and that cannot be terminated early without penalty upon not more than three months' notice
    - Liquidation or reorganization of the Joint Venture or its subsidiaries
    - Issuance of shares and approval of minimum placement values, both with respect to the Joint Venture and its subsidiaries.

- Filing of lawsuits or acceptance of lawsuits filed against the Joint Venture for an undetermined amount or for an amount to be determined
- Technical definitions regarding the Salar Futuro project, including the construction start date, estimated start date of operations and the Environmental Impact Study.
- Approval of customary policy for transactions with related parties or other exceptions that, according to the law, allow exempting such transactions from the approval required by law.
- Modification or cancellation of contracts with Corfo, as well as the renunciation of any right or the exercise of any option contemplated therein.
- Modification of bylaws
- Issuance of shares and securities convertible into shares
- Approval of contributions not consisting of cash and payment of dividends or distributions in assets other than cash
- Acquisition of own shares
- Matters listed in Article 67 of Law No. 18,046 and others which, according to the law, require for their approval at least 2/3 of the voting shares
- Regulation of share transfers, which include a period during which the shares cannot be sold and then a right of first offer (ROFO) in favor of the other shareholder and a right to join the sale of shares by the other shareholder in case of non-exercise of the right of first offer.
- SQM, as a shareholder in compliance with the agreement, may sell its shares to Codelco at a premium over market value if Codelco fails to comply with the terms of the agreement, and Codelco, as a shareholder in compliance with the agreement, may purchase its shares from SQM at a discount over market value if SQM fails to comply with the terms of the agreement.
- Debt, financial and dividend policies. The final documents will seek to maximize the payment of dividends to shareholders subject to certain limits defined in the debt and financial policies, which may only be modified with the agreement of both shareholders.

## **7) Risks associated with the Partnership's business**

The Partnership's business will be subject to a number of risks, many of which are inherent to all of SQM's current businesses and are described in Appendix 1 of SQM's 2023 Annual Report at

[https://s25.g4cdn.com/757756353/files/doc\\_financials/2023/ar/memoria-sgm-2023\\_esp\\_vf.pdf](https://s25.g4cdn.com/757756353/files/doc_financials/2023/ar/memoria-sgm-2023_esp_vf.pdf).

### **IT IS VERY IMPORTANT TO REVIEW AND ANALYZE THESE RISKS.**

In addition, the Company's Financial Statements, including the notes thereto, should be analyzed in order to have a complete view of the publicly available information. The Financial Statements are available on the CMF website.

Without limiting the generality of this review and analysis, in view of what has been exposed in this document, it is crucial to especially consider that:

- a) The Partnership's ability to produce lithium as of 2031 depends on obtaining in time the permits (including environmental permits) necessary to do so.
- b) The materialization of the Joint Venture will be subject to the fulfillment of conditions precedent, which include, among others and in addition to reaching an agreement satisfactory to both parties in the definitive documents, (i) the conclusion of the indigenous consultation process; (ii) conformity with the technical and legal review process of SQM Salar S.A. and Minera Tarar SpA (the vehicle to be used by Codelco in the Joint Venture); (iii) the contribution to the Joint Venture of all assets and contracts to be included in the Partnership; (iv) obtaining the authorizations from the Chilean Nuclear Energy Commission and the necessary changes to the current contracts with Corfo and entering into the new contracts until 2060; and (v) notification and approval by antitrust authorities in certain countries.
- c) The development, construction, investment and operation of the Salar Futuro project involves significant risks given its size, complexity and the innovative technologies it intends to use.
- d) Long-term prices of lithium products depend on supply and demand at each point in time. There is a high uncertainty of the effective demand in the long term, which depends to a large extent on the penetration of electric cars based on lithium batteries and products that may compete with lithium batteries. On the supply side, a significant number of new projects and expansions aimed at producing lithium carbonate and lithium hydroxide have been announced and it is highly likely that new projects not currently considered will be announced in the medium term. Long-term prices will be variable and will depend to a large extent on the costs of the higher cost producers.
- e) SQM's risk of not being able to increase production in the 2025-2030 period and therefore partially mitigate the delivery of tons to Codelco.
- f) The risk of handing over the management of the Joint Venture to a new controller as of 2031, without prejudice to the protection rights defined in the shareholders' agreement.



- g) The qualities of lithium required by customers have changed and are more demanding today than they were a few years ago. Producing the potential grades that may be required in the future is a challenge and may have a negative impact on costs and expected production yields.
- h) SQM has made significant investments that allow it to have extensive hydrogeological and chemical information on the Salar de Atacama; however, projecting the quality of the solutions and their lithium concentrations over very long time periods is an estimation exercise and, as such, is subject to variations.
- i) The environmental permits that must be obtained for the Salar Futuro project could be associated with different restrictions and the eventual application of mitigation programs in the future could significantly affect production levels.
- j) The Salar Futuro project will require significant electricity consumption. In order to have the energy required, it must be available within the project's deadlines.
- k) Increases in the level of costs of raw materials, inputs, lower yields, among others, could increase the cost of products and affect the results of the Joint Venture. Particularly, the table with progressive steps of payment to Corfo based on the lease rent considers price ranges that will not be updated for inflation until 2044 (see section 5.2), so if it is assumed that the price of lithium products is maintained in real terms until 2044, during that period inflation will cause higher payments to Corfo per ton to the detriment of the results of the Joint Venture. The higher the inflation the greater the impact.

## 8) Summary of the Economic Impact of the Agreement<sup>4</sup>

This document presents the existence of synergies that create significant value with respect to an alternative without an Agreement. This chapter details a series of components to be added and subtracted for each party that determine how the value generated is shared between the State, Codelco and SQM. The value of each component depends on the assumptions made regarding, among others, volume projections, lithium prices, production costs, cost of investments (especially those contemplated in the Salar Futuro project), taxes, inflation, discount rate, and a series of risks (including those mentioned in chapter 7), among others.

Considering the nature of the synergies of the Partnership, which mainly refer to the effective possibility of increasing global production and sales levels in the periods 2025 - 2030 and 2031 - 2033, increases that can only be achieved if the Agreement is reached, the economic impact for the parties to the Agreement must be measured in contrast to what would occur in a scenario without the Agreement (and therefore, without an increase in production and with a termination date of 2030). In this understanding, and according to the assumptions of parameters and risks that each one considers, the economic impact of the Agreement for SQM, Codelco and the State will come from the following calculations considering for each item its present value generated:

### 8.1) SQM

In a scenario without an Agreement, SQM would be entitled to 100% of the shareholder cash flow (i.e., after payments under the contracts with Corfo and applicable taxes) for its current lithium volume quota and potassium production and sales until the end of 2030. In addition, it would be entitled to receive the price that Corfo pays for the assets for which it exercises a purchase option (if it does so), and the value it obtains from the use or sale of the remaining assets.

In an Agreement scenario, the benefit to SQM is determined by taking the amount determined in accordance with the preceding paragraph and **(i)** subtracting the benefit of the volumes associated with the 33.5k MT annual commitment to Codelco **(ii)** subtracting the benefit of the potential additional volume of potassium that could have been produced and sold by the end of the 2025-2030 period without the 300k MT quota increase that focuses on lithium production. This potassium volume would depend on how quickly SQM manages to produce the current Corfo quota, **(iii)** by adding the benefit that corresponds to the potential increase in production and sales as a consequence of the quota increase from the period 2025 to 2030, **(iv)** subtracting the value that it could obtain from its assets at the end of the current contract with Corfo, **(v)** adding SQM's participation in approximately 50% of the flows to the shareholder during the period 2031-2060 (including the subtraction of the significant investments to be made and the sum of the eventual terminal value of fixed assets in 2060).

Additionally, in the case with an agreement SQM contributes the working capital at the beginning of the agreement and in exchange a debt is generated in favor of SQM, while

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<sup>4</sup> For the purposes of this analysis the additional positive economic effects generated by the agreement for the Region and the Communities are incorporated in the value for Codelco / State in section 8.2.

in the scenario without an agreement SQM releases the working capital it has at the end of the contract currently in force with Corfo.

## 8.2) Codelco / State

In the scenario without an Agreement, the State would be entitled to the sum of the payments to Corfo and the corresponding taxes until 2030 for the current quota volume delivered to SQM (without additional quota). After 2030, it would face lower production, significant investment needs and higher risks, with a direct impact on revenues.

In the scenario with Agreement, the additional benefits for the State (including Codelco) are determined by (i) adding the margin to the shareholder of 33.5k MT per year between 2025 and 2030, (ii) adding the margin to the shareholder of 50% of the volume that can be produced over 165k MT up to the 300k MT of additional quota for the period 2025-2030, (iii) adding the State's revenue (Corfo and taxes) for the volume that can be produced over the 300k MT of additional quota for the period 2025-2030, (iv) adding the value of fixed assets and distribution network and commercial offices outside Chile contributed by SQM, (v) adding 50% of the flows to the shareholder and 100% of the flows to the State (Corfo and taxes) of the additional volume achieved during the Transition Period and (vi) subtracting 50% of the flows to the shareholder of the Salar Futuro project that are transferred to SQM (including the terminal value of the fixed assets, if any).

## 8.3) Illustrative example

In order to provide an example of the potential margins associated with the lithium business, the following table is added to support the analysis.

### Assumptions:

- a) This analysis only considers the case of lithium carbonate for 1 kg of product. It is reasonable to expect that a significant portion of sales will be lithium hydroxide, and it is likely (although not certain) that the final margins for both products will be similar.
- b) A lithium carbonate price of US\$18 per kg in 2025 is considered **only as a calculation example and not as a projection**. It should be emphasized that prices are essentially variable and there are several projections from different analysts from different institutions that publish their expectations and price ranges. Some projections may be much higher or much lower than the US\$18 per kg considered in this example. **IT IS ESSENTIAL THAT EVERYONE MAKES THEIR OWN PROJECTIONS AND/OR CONSULTS PROJECTIONS FROM INDUSTRY EXPERTS, PERFORMING VARIOUS SENSITIVITY ANALYSES FOR DIFFERENT PRICES OVER THE LONG TERM.** The example of using a price of US\$18 per kg is **NOT** an official SQM short or long-term projection.
- c) An initial cost of lithium carbonate production including logistics costs to the final customer of US\$5.0 per kg in 2025 is considered. This cost is an approximation that considers the costs observed in recent months and is subject to numerous uncertainties in the future. This cost, among other elements, considers: labor costs, maintenance costs, input costs, asset replacement, maintenance

- investments, yields of the production process, energy costs, etc. As in the case of prices, it is essential to sensitize this value to different scenarios that may occur.
- d) A selling, general and administrative expenses (SG&A) of 5% of revenues is assumed. This number is an initial and preliminary expectation of, among others, the company's administrative, commercial, marketing, research and development costs.
  - e) Regarding the costs of the Salar Futuro project (in 2025 dollars), in principle and as an initial expectation, it is expected to be around 20% above current costs (US\$1.0 per kg in today's dollars in this example).
  - f) The exercise assumes that the SII (tax authority of Chile) will charge a specific tax on mining activity (IEAM, for its acronym in Spanish) for lithium, although SQM maintains its position regarding the erroneous application of the specific tax on mining activity in the exploitation of lithium, a non-concessionable mineral, which is a matter under discussion in the courts.
  - g) The lease payment to Corfo considers the current algorithm, including the contribution to municipalities and regional governments. The contribution to human development for the communities that is in the process of dialogue is not considered.
  - h) In order to estimate cash flows in the long term, assumptions of inflation in dollars per year and its potential effect on prices and costs must be considered. Inflation has a relevant impact in the long term with respect to actual payments to Corfo.

	US\$/kg	2025	2031
A	Price	18,0	20,9
B	Cost	-5,0	-5,8
C	SG&A		-1,0
D=A+B+C	Margin		14,0
E	IEAM		-1,1
F	Corfo		-6,1
G	Tax		-1,8
H=D+E+F+G	Shareholders		5,0
H*%SQM	<b>SQM</b>		<b>2,5</b> <b>18%</b>
H*%Codelco	<b>Codelco</b>		<b>2,5</b> <b>18%</b>
I=E+F+G	<b>State</b>		<b>9,0</b> <b>64%</b>

\*\* The table shows the 2025 price and cost assumptions indicated in section 8.3 from which a 2.5% annual inflation assumption in dollars is applied to arrive at 2031 values.

\*\* The amount of the specific tax on mining activity is a function of the margin obtained before payment to Corfo (although SQM maintains that this does not apply, see letter f) above). This is a percentage of the margin obtained that depends on how high the percentage margin is for the period (the higher the percentage margin for the period, the higher the percentage of the margin obtained that is charged as a specific tax on mining activity).

\*\* An income tax rate of 27% is considered.

\*\* In the flow estimates for the Salar Futuro project, the tax effects of the investment in the project must be considered.