

Santiago, 17 de octubre de 2013

Señor
Fernando Coloma Correa
Superintendente de Valores y Seguros
Av. Libertador Bernardo O'Higgins Nº 1.449
PRESENTE

Ref.: Hecho Esencial
Sociedad de Inversiones Pampa Calichera S.A.
Inscripción Registro de Valores Nº 0303

De nuestra consideración:

De conformidad a lo dispuesto por los artículos 9 y 10 de la Ley 18.045 de Mercado de Valores y en la Norma de Carácter General Nº 30 de la Superintendencia de Valores y Seguros, y encontrándome debidamente facultado, comunico en carácter de hecho esencial que con fecha 16 de octubre de 2013, la agencia clasificadora de riesgo Standard & Poor's Rating Services rebajó la clasificación de riesgo de Sociedad de Inversiones Pampa Calichera S.A. de BB- a B+.

Adjunto a la presente una copia del respectivo comunicado de Standard & Poor's Rating Services.

Sin otro particular, le saluda atentamente a usted,



Aldo Motta Camp
Gerente General
Sociedad de Inversiones Pampa Calichera S.A.

C.C.:
Bolsa de Comercio de Santiago, Bolsa de Valores
Bolsa Electrónica de Chile, Bolsa de Valores
Bolsa de Corredores, Bolsa de Valores

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Research Update:

Sociedad de Inversiones Pampa Calichera Downgraded To 'B+' From 'BB-' On Weaker Financial Performance; Outlook Stable

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Overview

- Chile-based holding company Sociedad de Inversiones Pampa Calichera's financial performance has weakened as a result of higher debt and expected lower dividends from its subsidiary, SQM.
- We have revised the company's management & governance (M&G) score to "weak" from "fair."
- We are lowering our rating on the company to 'B+' from 'BB-'.
- The stable outlook primarily reflects the group's manageable debt maturity profile.

Rating Action

On Oct. 16, 2013, Standard & Poor's Ratings Services lowered its ratings on Sociedad de Inversiones Pampa Calichera S.A. (Pampa) to 'B+' from 'BB-'. The outlook remains stable.

Rationale

The downgrade follows a deterioration in Pampa's current and expected financial performance, based on our expectations of lower dividends from its subsidiary, Sociedad Quimica y Minera de Chile S.A. (SQM; BBB/Stable/--), coupled with a higher debt burden. Following the recent sharp decline in SQM share prices, Pampa has less room under some of its financial covenants. As a result, we now assess the company's liquidity as "less than adequate".

In addition, we are revising our M&G assessment on Pampa to "weak" from "fair." The revision reflects a lack of clarity in the company's strategy including target leverage and debt allocation in each of its subsidiaries, although we view the recently approved \$120 million capitalization at Sociedad de Inversiones Oro Blanco S.A. (Oro Blanco; not rated) as positive. To a lesser extent, recent investigations by the Chilean securities commission of several of the company executives may pose additional uncertainties to our analysis.

In our analysis of Pampa, we now follow a consolidated approach, given that dividends that it receives are the main recurrent source of payment for the group's debt. In addition, cross-default clauses exist among the companies in the group. In this sense, we incorporate the debt allocated at Pampa and at

its controlling companies, Oro Blanco and Inversiones Norte Grande S.A (Norte Grande, not rated) as well as at its sister company, Potasios de Chile S.A. (Potasios, not rated). At the same time, we have considered dividends that both Pampa and Potasios receive from SQM. As of June 30, 2013, total aggregated debt for all of these companies was about \$1.1 billion.

Due to SQM's expected lower net income amid falling potash prices and with its current dividend payout ratio at 50%, we believe the group will receive annual dividends in a range of \$60 million to \$70 million, down from \$106 million in 2012. Under that scenario, we expect tighter coverage metrics, as seen in a consolidated total cover ratio (dividends received/operating and tax charges plus interest expenses and dividends paid) near 0.8x in the next 18 months, compared with 1.1x in 2012. However, we expect the company to cover its cash shortfalls with existing cash balances and continue to benefit from manageable principal debt maturities.

The rating on Pampa continues to reflect our assessment of its business risk profile as "weak" and financial risk profile as "aggressive." Pampa's business risk profile mainly reflects the lack of diversification of its investment portfolio, which consists of its equity stake in SQM, the source of dividends. Also, despite Pampa's active trading of SQM's shares, we consider its investment portfolio as less liquid than those of higher rated companies. This is mainly because we believe that its reluctance to lose control of SQM limits Pampa's willingness to divest it, if necessary. Also, because SQM's business is in commodities, its net income is inherently volatile, and so are its dividend payments, given that net income is the basis for calculating dividends. Partly offsetting these factors is SQM's relatively good credit quality. Pampa's "aggressive" financial risk profile reflects its volatile cash flows, high leverage, and less-than-adequate liquidity.

As of the date of this report, Pampa has a direct 23.1% stake in SQM, Potasios 6.97%, and Potash Corp. of Saskatchewan Inc., the world's largest potash producer, has a non-controlling stake of 32%.

Liquidity

We now assess Pampa's liquidity as "less than adequate," as a result of a perceived deterioration in the group's financial flexibility and access to refinancing markets, as well as narrower headroom under the covenants. This is despite our expectations that the projected cash sources over uses would exceed 1.5x in the next 12-18 months.

Under our revised projections, we believe that annual dividends from SQM would not be sufficient to pay annual interests of \$50 million, operating expenses of \$15 million, and dividends to the ultimate parent (at 30% of the group's net income). Nevertheless, the group has a comfortable cash balance of \$126 million as of June 30, 2013, that it might use to finance any potential deficit in the next two-three years.

In addition, the group benefits from a favorable maturity profile. After canceling the \$100 million debt with the proceeds from the recent capital

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increase, the group would not face principal debt maturities until 2016, when debt for \$160 million comes due.

Pampa and Potasios have covenants on their debt under which they have to maintain a minimum investment on SQM. Although Pampa has sufficient headroom under the covenants, given its large participation in SQM, Potasios is in a much tighter situation. Incorporating the number of shares held by the companies as of the end of August 2013, we believe SQM's stock price should fall around 15% from current levels to imply a potential breach of covenants to Potasios, which will ultimately affect Pampa, given the cross-default clauses existing between the companies. We see the comfortable cash balances held at Pampa as a mitigating factor, as they might also be used as collateral for the debt, if required.

Outlook

The stable outlook incorporates the group's manageable debt maturity profile. The ratings may come under pressure if Pampa's financial risk profile deteriorates due to increasing debt, for example reaching a loan-to-value ratio of more than 40% (based on the combined net debt of all the companies in the group) or if coverage ratios weaken further (for instance, as a result of lower dividends received from SQM) or if liquidity becomes weak (which could result, for example, due to imminent risk of breach of covenants). An upgrade is unlikely at this point because it would depend on a substantially lower debt, which will offset some of the inherent volatility of Pampa group's cash flows and its portfolio concentration.

Related Criteria And Research

- Sociedad Quimica y Minera de Chile 'BBB' Ratings Affirmed Despite Recent Potash Industry Developments, Outlook Stable, Aug. 16, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, Sept. 18, 2012
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- 2008 Corporate Ratings Criteria, April 15, 2008
- Rating Methodology for Investment Holding and Operating Holding Companies, Feb. 5, 2003

Ratings List

Downgraded

To

From

Sociedad de Inversiones Pampa Calichera S.A.

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Corporate Credit Rating	B+/Stable/--	BB-/Stable/--
Senior Secured	B+	BB-

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