

CHEMICAL & MINING CO OF CHILE INC  
Form 20-F  
May 18, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended December 31, 2014**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 23 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 33-65728

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**

(Exact name of registrant as specified in its charter)

**CHEMICAL AND MINING COMPANY OF CHILE INC.**

(Translation of registrant's name into English)

**CHILE**

(Jurisdiction of incorporation or organization)

**El Trovador 4285, 6<sup>th</sup> Floor, Santiago, Chile +56 2 2425-2000**

(Address of principal executive offices)

**Gerardo Illanes +56 2 2425-2485 [gerardo.illanes@sqm.com](mailto:gerardo.illanes@sqm.com) El Trovador 4285, 6<sup>th</sup> Floor, Santiago, Chile**  
(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

**Title of each class**

**Name of each exchange on which registered**

Series B shares, in the form of American Depositary Shares each representing one Series B share

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**NONE**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**NONE**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**Series A shares 142,819,552**

**Series B shares 120,376,972**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act:  
 YES  NO

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange act of 1934:  YES  NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non accelerated filer. See definition of "accelerated filer and large accelerated filer" in rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non- accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):  YES  NO

TABLE OF CONTENTS

	Page
<u>PRESENTATION OF INFORMATION</u>	ii
<u>GLOSSARY</u>	ii
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	v
 <u>PART I</u>	 1
ITEM 1. <u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	1
ITEM 2. <u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	1
ITEM 3. <u>KEY INFORMATION</u>	1
ITEM 4. <u>INFORMATION ON THE COMPANY</u>	24
ITEM 5. <u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	70
ITEM 6. <u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	88
ITEM 7. <u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	102
ITEM 8. <u>FINANCIAL INFORMATION</u>	104
ITEM 9. <u>THE OFFER AND LISTING</u>	110
ITEM 10. <u>ADDITIONAL INFORMATION</u>	112
ITEM 11. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	126
ITEM 12. <u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	127
 <u>PART II</u>	 129
ITEM 13. <u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	129
ITEM 14. <u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	129
ITEM 15. <u>CONTROLS AND PROCEDURES</u>	129
ITEM 16. <u>RESERVED</u>	130
ITEM 16.A <u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	130
ITEM 16.B <u>CODE OF ETHICS</u>	131
ITEM 16.C <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	131
ITEM 16.D <u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	132
ITEM 16.E <u>PURCHASES OF EQUITY SECURITIES BY THE ISSUERS AND AFFILIATED PURCHASERS</u>	132
ITEM 16.F <u>CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT</u>	132
ITEM 16.G <u>CORPORATE GOVERNANCE</u>	132
ITEM 16.H <u>MINE SAFETY AND DISCLOSURE</u>	132
 <u>PART III</u>	 133
ITEM 17. <u>FINANCIAL STATEMENTS</u>	133
ITEM 18. <u>FINANCIAL STATEMENTS</u>	133
ITEM 19. <u>EXHIBITS</u>	133
<u>SIGNATURES</u>	134

CONSOLIDATED FINANCIAL STATEMENTS

F-3

- EXHIBIT 1.1
- EXHIBIT 8.1
- EXHIBIT 12.1
- EXHIBIT 12.2
- EXHIBIT 13.1
- EXHIBIT 13.2
- EXHIBIT 23.1
- EXHIBIT 23.2
- EXHIBIT 23.3
- EXHIBIT 99.1
- EXHIBIT 99.2
- EXHIBIT 99.3

i

PRESENTATION OF INFORMATION

In this Annual Report on Form 20-F, except as otherwise provided or unless the context requires otherwise, all references to “we,” “us,” “Company” or “SQM” are to Sociedad Química y Minera de Chile S.A., an open stock corporation (*sociedad anónima abierta*) organized under the laws of the Republic of Chile, and its consolidated subsidiaries.

All references to “\$,” “US\$,” “U.S. dollars,” “USD” and “dollars” are to United States dollars, references to “pesos,” “CLP” “Ch\$” are to Chilean pesos, references to ThUS\$ are to thousands of United States dollars, references to ThCh\$ are to thousands of Chilean pesos and references to “UF” are to *Unidades de Fomento*. The UF is an inflation-indexed, peso-denominated unit that is linked to, and adjusted daily to reflect changes in, the previous month’s Chilean consumer price index. As of December 31, 2014, UF 1.00 was equivalent to US\$40.59 and Ch\$24,627.10 according to the Chilean Central Bank (*Banco Central de Chile*). As of May 11, 2015, UF 1.00 was equivalent to US\$40.88 and Ch\$24,808.81.

The Republic of Chile is governed by a democratic government, organized in fourteen regions plus the Metropolitan Region (surrounding and including Santiago, the capital of Chile). Our production operations are concentrated in northern Chile, specifically in the Tarapacá Region and in the Antofagasta Region.

Our fiscal year ends on December 31. As December 31 is a public holiday in Chile, certain financial information is reflected as of December 30, 2014.

We use the metric system of weights and measures in calculating our operating and other data. The United States equivalent units of the most common metric units used by us are as shown below:

1 kilometer equals approximately 0.6214 miles

1 meter equals approximately 3.2808 feet

1 centimeter equals approximately 0.3937 inches

1 hectare equals approximately 2.4710 acres

1 metric ton (“MT”) equals 1,000 kilograms or approximately 2,205 pounds.

We are not aware of any independent, authoritative source of information regarding sizes, growth rates or market shares for most of our markets. Accordingly, the market size, market growth rate and market share estimates contained herein have been developed by us using internal and external sources and reflect our best current estimates. These estimates have not been confirmed by independent sources.

Percentages and certain amounts contained herein have been rounded for ease of presentation. Any discrepancies in any figure between totals and the sums of the amounts presented are due to rounding.

## GLOSSARY

“**assay values**” Chemical result or mineral component amount contained by the sample.

“**average global metallurgical recoveries**” Percentage that measures the metallurgical treatment effectiveness based on the quantitative relationship between the initial product contained in the mine-extracted material and the final product produced in the plant.

“**average mining exploitation factor**” Index or ratio that measures the mineral exploitation effectiveness, based on the quantitative relationship between (in-situ mineral minus exploitation losses) / in-situ mineral.

“**CAGR**” Compound annual growth rate, the year over year growth rate of an investment over a specified period of time.

“**cash and cash equivalents**” The International Accounting Standards Board (IASB) defines cash and cash equivalents as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**“Controller Group”**\* A person or company or group of persons or companies that according to Chilean law, have executed a joint performance agreement, that have a direct or indirect share in a company’s ownership and have the power to influence the decisions of the company’s management.

ii



“**Corfo**” Production Development Corporation (*Corporación de Fomento de la Producción*), formed in 1939, a national organization in charge of promoting Chile’s manufacturing productivity and commercial development.

“**cut-off grade**” The minimal assay value or chemical amount of some mineral component above which exploitation is economical.

“**dilution**” Loss of mineral grade because of contamination with barren material (or waste) incorporated in some exploited ore mineral.

“**exploitation losses**” Amounts of ore mineral that have not been extracted in accordance with exploitation designs.

“**fertigation**” The process by which plant nutrients are applied to the ground using an irrigation system.

“**geostatistical analysis**” Statistical tools applied to mining planning, geology and geochemical data that allow estimation of averages, grades and quantities of mineral resources and reserves.

“**heap leaching**” A process whereby minerals are leached from a heap, or pad, of ROM (run of mine) ore by leaching solutions percolating down through the heap and collected from a sloping, impermeable liner below the pad.

“**horizontal layering**” Rock mass (stratiform seam) with generally uniform thickness that conform to the sedimentary fields (mineralized and horizontal rock in these cases).

“**hypothetical resources**” Mineral resources that have limited geochemical reconnaissance, based mainly on geological data and samples assay values spaced between 500–1000 meters.

“**Indicated Mineral Resource**” See “Resources—Indicated Mineral Resource.”

“**Inferred Mineral Resource**” See “Resources—Inferred Mineral Resource.”

**“industrial crops”** Refers to crops that require processing after harvest in order to be ready for consumption or sale. Tobacco, tea and seed crops are examples of industrial crops.

**“Kriging Method”** A technique used to estimate ore reserves, in which the spatial distribution of continuous geophysical variables is estimated using control points where values are known.

**“LIBOR”** London Inter Bank Offered Rate.

**“limited reconnaissance”** Low or limited level of geological knowledge.

**“Measured Mineral Resource”** See “Resources—Measured Mineral Resource.”

**“metallurgical treatment”** A set of chemical and physical processes applied to the caliche ore and to the salar brines to extract their useful minerals (or metals).

**“ore depth”** Depth of the mineral that may be economically exploited.

**“ore type”** Main mineral having economic value contained in the caliche ore (sodium nitrate or iodine).

**“ore”** A mineral or rock from which a substance having economic value may be extracted.

**“Probable Mineral Reserve”** See “Reserves—Probable Mineral Reserve.”

**“Proven Mineral Reserve”** See “Reserves—Proven Mineral Reserve.”

**“Reserves—Probable Mineral Reserve”\*\*\*** The economically mineable part of an Indicated Mineral Resource and, in some circumstances, Measured Mineral Resource. The calculation of the reserves includes diluting of materials and

allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified. A Probable Mineral Reserve has a lower level of confidence than a Proved Mineral Reserve.

**“Reserves—Proven Mineral Reserve”** \*\* The economically mineable part of a Measured Mineral Resource. The calculation of the reserves includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

**“Resources—Indicated Mineral Resource”** \*\* The part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. The calculation is based on detailed exploration, sampling and testing information gathered through appropriate sampling techniques from locations such as outcrops, trenches and exploratory drill holes. The locations are too widely or inappropriately spaced to confirm geological continuity and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource.

A deposit may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are such as to allow the Competent Person, as that term is defined under Chilean Law Number 20,235, determining the Mineral Resource to confidently interpret the geological framework and to assume continuity of mineralization. Confidence in the estimate is sufficient to allow the appropriate application of technical and economic parameters and to enable an evaluation of economic viability.

**“Resources—Inferred Mineral Resource”** \*\* The part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence, by inferring them on the basis of geological evidence and assumed but not verified geological and/or grade continuity. The estimate is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and this information is of limited or uncertain quality and/or reliability. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource.

**“Resources—Measured Mineral Resource”** \*\* The part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. The estimate is based on detailed exploration, sampling and testing information gathered through appropriate sampling techniques from locations such as outcrops, trenches and exploratory drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity.

A deposit may be classified as a Measured Mineral Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt, in the opinion of the Competent Person, as that term is defined under Chilean Law Number 20,235, determining the Mineral Resource, that the tonnage and grade of the deposit can be estimated within close limits and that any variation from the estimate would not significantly affect potential economic viability. This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit. Confidence in the estimate is sufficient to allow the appropriate application of technical and economic parameters and to enable an evaluation of economic viability.

**“Resources—Mineral Resource”** \*\* A concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth’s crust in such form or quantity and of such grade or quality that it has reasonable prospects for economically viable extraction. The location, quantity, grade, geological characteristics and continuity of a mineral

resource are known, estimated or interpreted from specific geological, metallurgical and technological evidence.

“**solar salts**” A mixture of 60% sodium nitrate and 40% potassium nitrate used in the storage of thermo-energy.

“**vat leaching**” A process whereby minerals are extracted from crushed ore by placing the ore in large vats containing leaching solutions.

“**waste**” Rock or mineral which is not economical for metallurgical treatment.

“**Weighted average age**” The sum of the product of the age of each fixed asset at a given facility and its current gross book value as of December 31, 2014 divided by the total gross book value of the Company’s fixed assets at such facility as of December 31, 2014.

\* The definition of a Controller Group that has been provided is the one that applies to the Company. Chilean law provides for a broader definition of a Controller Group.

\*\* The definitions we use for resources and reserves are based on those provided by the “*Instituto de Ingenieros de Minas de Chile*” (Chilean Institute of Mining Engineers).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 20-F contains statements that are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not based on historical facts and reflect our expectations for future events and results. Words such as “believe,” “expect,” “predict,” “anticipate,” “intend,” “estimate,” “should,” “may,” “likely,” “could” or similar expressions may identify forward-looking information. These statements appear throughout this Form 20-F and include statements regarding the intent, belief or current expectations of the Company and its management, including but not limited to any statements concerning:

- trends affecting the prices and volumes of the products we sell;
- level of reserves, quality of the ore and brines, and production levels and yields;
- our capital investment program and development of new products;
- the future impact of competition; and
- regulatory changes.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements included in this Form 20-F, including, without limitation, the information under Item 4. Information on the Company, Item Number 5. Operating and Financial Review and Prospects and Item 11. Quantitative and Qualitative Disclosures About Market Risk. Factors that could cause actual results to differ materially include, but are not limited to:

- volatility of global prices for our products;
- political, economic and demographic developments in certain emerging market countries, where we conduct a large portion of our business;
- changes in production capacities;
- the nature and extent of future competition in our principal markets;
- our ability to implement our capital expenditures program, including our ability to obtain financing when required;
- changes in raw material and energy prices;
- currency and interest rate fluctuations;
- risks relating to the estimation of our reserves;
- changes in quality standards or technology applications;
- adverse legal, regulatory or labor disputes or proceedings;
- changes in governmental regulations; and
- additional factors discussed below under Item 3. Key Information—Risk Factors.

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

**ITEM 3. KEY INFORMATION**

**3.A. Selected Financial Data**

The following table presents selected financial data as of December 31, 2014 and the previous four years. The selected financial data should be read in conjunction with the Consolidated Financial Statements and notes thereto, “Item 5. Operating and Financial Review and Prospects” and other financial information included herein.

Since January 1, 2010, the Company’s Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as published by the International Accounting Standards Board (IASB).

(in millions of U.S. dollars) <sup>(1)</sup>	As of and for the year ended December 31,				
	2014	2013	2012	2011	2010
Statement of income:					
Revenues	2,014.2	2,203.1	2,429.2	2,145.3	1,830.4
Cost of sales	(1,431.2)	(1,481.7)	(1,400.6)	(1,290.5)	(1,204.4)
<b>Gross profit</b>	<b>583.0</b>	<b>721.5</b>	<b>1,028.6</b>	<b>854.8</b>	<b>626.0</b>
Other income	24.1	96.7	12.7	47.7	6.5
Administrative expenses	(96.5 )	(105.2 )	(106.4 )	(91.8 )	(78.8 )
Other expenses <sup>(2)</sup>	(64.3 )	(49.4 )	(34.6 )	(63.0 )	(36.2 )
Other gains (losses)	4.4	(11.4 )	0.7	5.8	(7.0 )
Finance income	16.1	12.7	29.1	23.2	12.9
Finance expenses	(63.4 )	(58.6 )	(54.1 )	(39.3 )	(35.0 )
Equity income of associates and joint ventures accounted for using the equity method	18.1	18.8	24.4	21.8	10.7
Foreign currency exchange differences	(16.5 )	(12.0 )	(26.8 )	(25.3 )	(5.8 )
<b>Income before income tax expense<sup>(2)</sup></b>	<b>405.0</b>	<b>613.1</b>	<b>873.5</b>	<b>733.8</b>	<b>493.3</b>



<b>(in millions of U.S. dollars)</b> <sup>(1)</sup>	As of and for the year ended December 31,				
	2014	2013	2012	2011	2010
Income tax expense <sup>(3)</sup>	(160.7 )	(138.5 )	(216.1 )	(179.7 )	(106.0 )
<b>Profit for the year</b> <sup>(2)(3)</sup>	244.3	474.6	657.4	554.1	387.3
Profit attributable to:					
Controlling interests <sup>(2)(3)</sup>	236.9	467.1	649.2	545.8	382.1
Non-controlling interests	7.4	7.5	8.2	8.4	5.1
Profit for the year <sup>(2)(3)</sup>	244.3	474.6	657.4	554.1	387.3
Basic earnings per share <sup>(4)</sup>	0.90	1.77	2.47	2.07	1.45
Basic earnings per ADS <sup>(5)(6)</sup>	0.90	1.77	2.47	2.07	1.45
Dividends per share <sup>(6)(7)(8)</sup>	1.42	1.04	1.25	1.04	0.66
Dividends per ADS <sup>(7)(8)</sup>	1.42	1.04	1.25	1.04	0.66
Weighted average <sup>(4)(5)</sup> shares outstanding (000s)	263,197	263,197	263,197	263,197	263,197

(1) Except shares outstanding, dividend and net earnings per share and net earnings per ADS.

(2) The 2014 figure includes provisions of approximately US\$7 million corresponding to payments made in 2015 to the Chilean Internal Revenue Service (*Servicio de Impuestos Internos* or “SII”) for expenses that may not have qualified as tax expenses under the Chilean tax code. Such payments were made after March 3, 2015, the date on which the Company filed its statutory consolidated financial statements filed with the Chilean Superintendence of Securities and Insurance (*Superintendencia de Valores y Seguros* or “SVS”). Therefore, this amount was not reflected in these statutory consolidated financial statements. For more information, see “Item 3D. Risk Factors—Risks Relating to our Business—We could be subject to numerous risks as a result of ongoing investigations by the Chilean Internal Revenue Service and the Chilean Public Prosecutor in relation to certain payments of invoices made by SQM between the tax years 2009 and 2014.”

(3) In accordance with IAS 12, the effects generated by the change in the income tax rate approved by Law No. 20.780 on income and deferred taxes have been applied to the income statement. For purposes of the Company’s statutory consolidated financial statements filed with the SVS, in accordance with the instructions issued by the SVS in its circular 856 of October 17, 2014, the effects generated by the change in the income tax rate were accounted for as retained earnings. The amount charged to equity was US\$52.3 million, thereby giving rise to a difference of US\$52.3 million in profit for the year and income tax expense as presented in the Company’s Audited Consolidated Financial Statements and as presented in its statutory consolidated financial statements filed with the SVS. Subsequent amendments will be recognized in profit or loss for the period in the Company’s statutory consolidated financial statements in accordance with IAS 12.

(4) The Company has not conducted any type of transaction that would give rise to a potential dilutive effect on its earnings per share. The total number of outstanding shares as of each period end is the same as the weighted average shares outstanding.

(5) The calculation of earnings per ADSs and dividends per ADS is based on the ratio of 1:1.

(6) Dividends per share are calculated based on 263,196,524 shares for the periods ended December 31, 2014, 2013, 2012, 2011 and 2010.

(7) Dividends are paid from net income as determined in accordance with SVS regulations. See “Item 8.A. Dividend Policy.” For dividends in Ch\$, see “Item 8.A. Dividend Policy—Dividends.”

(8) Dividend amount paid per calendar year to shareholders of the Company. See “Item 8.A. Dividend Policy.”

	As of and for the year ended December 31,				
(in millions of U.S. dollars)	2014	2013	2012	2011	2010
<b>Balance Sheet Data:</b>					
Total assets	4,663.7	4,767.6	4,416.4	3,871.6	3,372.8
Total liabilities	2,371.1	2,335.4	2,229.0	2,007.2	1,702.0

(in millions of U.S. dollars)	As of and for the year ended December 31,				
	2014	2013	2012	2011	2010
Total equity	2,292.5	2,432.2	2,187.4	1,864.4	1,670.8
Equity attributable to controlling interests	2,232.6	2,376.6	2,132.8	1,812.8	1,622.8
Equity attributable to non-controlling interest	59.9	55.6	54.7	51.5	48.0
Capital stock	477.4	477.4	477.4	477.4	477.4

## EXCHANGE RATES

Chile has two currency markets, the Formal Exchange Market (*Mercado Cambiario Formal*) in which we conduct our transactions, and the Informal Exchange Market (*Mercado Cambiario Informal*). The Formal Exchange Market comprises banks and other entities authorized by the Chilean Central Bank. The Informal Exchange Market comprises entities that are not expressly authorized to operate in the Formal Exchange Market, such as certain foreign exchange houses and travel agencies, among others. The Chilean Central Bank is empowered to determine that certain purchases and sales of foreign currencies be carried out on the Formal Exchange Market.

Both the Formal Exchange Market and the Informal Exchange Market are driven by free market forces. Current regulations require that the Chilean Central Bank be informed of certain transactions and that these transactions be effected through the Formal Exchange Market.

The Observed Exchange Rate (*dólar observado*), which is reported by the Chilean Central Bank and published daily in the Chilean newspapers, is computed by taking the weighted average of the previous business day's transactions on the Formal Exchange Market. The Chilean Central Bank has the power to intervene by buying or selling foreign currency on the Formal Exchange Market to attempt to maintain the Observed Exchange Rate within a desired range. During the past few years the Chilean Central Bank has intervened to attempt to maintain the Observed Exchange Rate within a certain range only under special circumstances. Although the Chilean Central Bank is not required to purchase or sell U.S. dollars at any specific exchange rate, it generally uses spot rates for its transactions. Other banks generally carry out authorized transactions at spot rates as well.

The Informal Exchange Market reflects transactions carried out at an informal exchange rate (the "Informal Exchange Rate"). There are no limits imposed on the extent to which the Informal Exchange Rate can fluctuate above or below the Observed Exchange Rate. In recent years, the variations between the Observed Exchange Rate and the Informal Exchange Rate have not been significant.

The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

The U.S. dollar is our functional currency. However, unless otherwise indicated, any amounts translated into U.S. dollars from Chilean pesos were translated using the Observed Exchange Rate for December 31, 2014, which was Ch\$606.75 per US\$1.00. As of May 11, 2015 the Observed Exchange Rate was US\$1.00 per Ch\$606.92.

**Observed Exchange Rate<sup>(1)</sup>**

Ch\$ per US\$				
Year	Low <sup>(1)</sup>	High <sup>(1)</sup>	Average <sup>(1)(2)</sup>	Year/Month End <sup>(3)</sup>
2010	468.01	549.17	510.22	468.01
2011	455.91	533.74	483.57	519.20
2012	469.65	519.69	486.59	479.96
2013	466.50	533.95	495.18	524.61
2014	527.53	621.41	570.34	606.75
Last six months	Low <sup>(1)</sup>	High <sup>(1)</sup>	Average <sup>(1)(2)</sup>	Year/Month End <sup>(3)</sup>
2014				
November	580.62	605.46	593.91	605.46
December	606.75	621.41	612.98	606.75
2015				
January	612.47	632/03	622.11	632.03
February	616.86	632.19	622.95	618.76
March	617.38	642.18	628.86	626.58
April	606.39	621.10	614.00	611.28
May (through May 11, 2015)	605.77	614.48	609.75	606.92

Source: Central Bank of Chile

(1) Reflects high and low rates on a day-to-day basis, for each period reported.

(2) The monthly average rate is calculated on a day-to-day basis for each month reported. The yearly average rate is calculated on a month-to-month basis for each year reported.

(3) Based on transactions observed during the last day of the period.

### 3.B. Capitalization and Indebtedness

Not applicable.

### 3.C. Reasons for the Offer and Use of Proceeds

Not applicable.

### 3.D. Risk Factors

Our operations are subject to certain risk factors that may affect SQM's business, financial condition, cash flows, or results of operations. In addition to other information contained in this Annual Report on Form 20-F, you should carefully consider the risks described below. These risks are not the only ones we face. Additional risks not currently known to us or that are known but we currently believe are not significant may also affect our business operations. Our business, financial condition, cash flows or results of operations could be materially affected by any of these risks.

#### Risks Relating to our Business

***We could be subject to numerous risks as a result of ongoing investigations by the Chilean Internal Revenue Service and the Chilean Public Prosecutor in relation to certain payments made by SQM between the tax years 2009 and 2014***

The SII has been conducting tax investigations related to the payment of invoices by companies, including SQM, for services that may not have been properly supported. The Chilean Public Prosecutor (*Ministerio Público*) has been conducting related inquiries to determine whether such payments may be linked with alleged violations of political contribution laws involving a variety of Chilean companies, including SQM, and government officials.



On February 26, 2015, SQM's Board of Directors resolved to establish an ad-hoc committee of the Board of Directors (the "ad-hoc Committee") authorized to conduct an internal investigation relating to the issues referred to in the above paragraph and to retain such independent external advice as it deemed appropriate. The original members of the ad-hoc Committee were José María Eyzaguirre B., Juan Antonio Guzmán M. and Wolf von Appen B.

The ad-hoc Committee has engaged its own lawyers from Chile and the United States and forensic accountants from the United States to assist as it proceeds with its internal review.

On March 12, 2015, José María Eyzaguirre B. resigned from the ad-hoc Committee and his position was subsequently filled by Hernán Büchi B.

On March 16, 2015, the Board of Directors decided to terminate the employment contract of the Company's former CEO, Patricio Contesse G. This followed his failure to cooperate with the ad-hoc Committee's investigation.

On March 17, 2015, three members of the Board of Directors resigned, all of whom had been nominated by Potash Corp., one of SQM's two principal shareholder groups. Potash Corp. issued a press release stating that the directors resigned because of their concern that they could not ensure that the Company was conducting an appropriate investigation and collaborating effectively with the Public Prosecutor.

On March 20, 2015, the Company identified to the SII approximately US\$11 million in payments of invoices that may not have been properly supported by services rendered and therefore may not qualify as tax expenses under the Chilean tax code. These payments originated from the office of the former CEO during the six-year tax period from 2009 to 2014. The statute of limitations under Chilean law for tax claims is up to six years, during which period the former CEO had an annual discretionary budget covering the Company and its subsidiaries of approximately US\$6 million.

On March 23, 2015, the SII, based on the Income Tax Law (*Ley de Impuesto a La Renta*) filed a criminal claim against the Company's former CEO and current CEO and CFO in their capacities as the Company's tax representatives relating to the US\$11 million in payments referred to above. This and subsequent related claims filed by the SII are subject to review by the Public Prosecutor in order to determine whether to pursue charges against any of the parties in their personal capacities.

On March 30, 2015, the Company submitted amendments to its tax returns for the 2009 to 2014 tax years and has paid taxes and interest relating to such amended returns totaling approximately US\$7 million. The aggregate amount was

approximately evenly distributed over the six-year period, but as the amounts were inconsequential in each individual year, the Company recorded a provision for the aggregate amount in the “other expenses” line-item of the income statement for the year ended December 31, 2014.

On March 31, 2015, the SVS filed an administrative claim against five current or former members of the Board of Directors, alleging that they did not release information in a timely manner relating to the payments that are subject to the tax claim referred to above.

On April 24, 2015, the Company announced that it had identified up to an additional US\$2 million in payments by its subsidiaries during the same six-year tax period that were authorized by the former CEO and that also may have been insufficiently supported. On the same date, new members were elected to the Board of Directors at the Annual General Shareholders’ Meeting, including three new members that were nominated by Potash Corp., and the ad-hoc Committee was subsequently reconstituted by Board of Directors members Robert A. Kirkpatrick, Wolf von Appen B. and Edward J. Waitzer.

On April 30, 2015, the Public Prosecutor, after reviewing the claims filed by the SII, informed the Company’s former CEO that it was formally investigating allegations that he approved the payment of the invoices that were not properly supported by services rendered and in connection therewith made intentionally false or incomplete declarations or used fraudulent procedures designed to conceal or disguise the true amount of transactions or to circumvent taxes. If, as a result of the formal investigation, the former CEO is charged and finally adjudicated responsible, the Company may also be subject to the payment of a fine by the Chilean Criminal Court (*Octavo Tribunal de Juicio Oral en lo Penal de Santiago*) totaling 50% to 300% of the tax paid. The Company estimates that no provision is needed at this stage.

On May 11, 2015, the SII filed an additional criminal claim against the former CEO and the current CEO and CFO in their capacities as the Company's tax representatives alleging violations of the Chilean Inheritance and Donations Law (*Ley sobre Impuesto a Las Herencias, Asignaciones y Donaciones*). The claim states that the Company paid two invoices in 2009 and 2010 totaling approximately US\$175,000 that are alleged to have been improperly supported. The claim states that these payments should have been classified as donations, and appropriate taxes should have been paid. These payments were accounted for in the amended tax returns filed with the SII on March 30, 2015. This claim is subject to review by the Public Prosecutor in order to determine whether to pursue charges against any of the parties in their personal capacities.

Class action complaints have been filed in the United States against the Company, our former CEO and current CEO and CFO, alleging violations of U.S. securities laws based on the failure to timely disclose matters related to the subject matter of the various Chilean investigations.

The investigation and the inquiries by the Chilean regulatory authorities have not been completed. We cannot predict the outcome or the duration of these investigations. We could be subject to civil, criminal or regulatory proceedings in Chile and we could be subject to civil, criminal or regulatory proceedings outside of Chile, including for violation of U.S. securities or anti-corruption laws. We have been in communications with our regulators in Chile and the United States. Responding to our regulator's inquiries and any future civil, criminal or regulatory inquiries or proceedings could divert our management's attention from day-to-day operations. Additionally, expenses that may arise from responding to such inquiries or proceedings, our review of responsive materials, any related litigation or other associated activities may be significant. Current and former employees, officers and directors may seek indemnification, advancement or reimbursement of expenses from us, including attorneys' fees, with respect to the current inquiry or future proceedings related to this matter. We may be required to pay material damages or penalties or have other remedies imposed upon us. If, as a result of further investigations, it is determined that our financial statements were materially incorrect, we could be required to restate financial information for prior reporting periods. The occurrence of any of the foregoing could materially and adversely affect our business, financial condition, cash flows, results of operations and the prices of our securities. However, the Company's management, based on its understanding of the investigation to date, does not believe there will be any additional material impact to the Company's business, financial condition, cash flows or results of operations.

For more information, see "Item 8.A. Legal Proceedings."

***Arbitration proceedings under the Lease Agreement for the Salar de Atacama, if determined adversely to us, would materially adversely affect our business and operations***

Our subsidiary SQM Salar holds exclusive and temporary exploitation rights to mineral resources in 81,920 hectares in the Salar de Atacama pursuant to a 1993 lease agreement between SQM Salar and Corporación de Fomento de la Producción ("Corfo"), a Chilean government entity (the "Lease Agreement"). The mining exploitation concessions related

to such rights are owned by Corfo and leased to SQM Salar in exchange for quarterly lease payments to Corfo based on specified percentages associated to the value of the products resulting from the minerals extracted from such concessions. For the year ended December 31, 2014, revenue related to products originating from the Salar de Atacama represented 39% of our consolidated revenues, which corresponded to revenues from our potassium product line and our lithium and derivatives product line for the period. All of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement.

In May 2014, Corfo initiated an arbitration proceeding against SQM Salar alleging (i) SQM Salar had incorrectly applied the formulas to determine lease payments resulting in an underpayment to Corfo of at least US\$8.9 million for 2009 through 2013 and (ii) SQM Salar had not complied with its obligation to protect the mining rights of Corfo by failing to place markers to delineate property lines. Based on the alleged breaches of the Lease Agreement, Corfo sought (i) at least US\$8.9 million plus any other amount that may be due in respect of periods after 2013, (ii) early termination of the Lease Agreement, (iii) lease payments that would have been paid through 2030 as compensation for the early termination of the Lease Agreement and (iv) punitive damages (*daño moral*) equal to 30% of the contractual damages awarded. SQM Salar contested the claim, asserting that both parties have applied formulas for the calculation and payment of lease payments for more than 20 years without conflict, in accordance with the terms of the Lease Agreement and their mutual understanding of the agreements by the parties during the term of the Lease Agreement. SQM Salar also asserted that the alleged breaches would be technical breaches and that Corfo may terminate the Lease Agreement solely for a material breach. SQM Salar in consultation with external counsel believes that it is likely it will prevail in the arbitration proceeding. However, an adverse ruling awarding damages sought by Corfo or permitting early termination of the Lease Agreement would have a material adverse effect on our business, financial condition, cash flows and results of operations. We cannot assure you that Corfo will not use this arbitration proceeding to seek to renegotiate the terms of the Lease Agreement in a manner that is not favorable to SQM Salar. Although the parties are currently discussing potential resolutions, we cannot assure you such discussions will be successful or that Corfo will not take other actions in the future in relation to the Lease Agreement that are contrary to our interests.

***Our market reputation, commercial dealings or the price of our securities could be adversely affected by the negative outcome of certain proceedings against certain recent members of our Board and certain other named defendants***

On September 10, 2013, the SVS issued a press release disclosing it had instituted certain administrative proceedings (the “Cascading Companies Proceedings”) against (i) Mr. Julio Ponce Lerou (who was the Chairman of the Board and a director of the Company until April 24, 2015), (ii) Mr. Patricio Contesse Fica, who was a director of the Company until April 24, 2015 and is the son of Mr. Patricio Contesse González (who was the Company’s CEO until March 16, 2015), and (iii) other named defendants. The Company has been informed that Mr. Ponce and related persons beneficially owned 29.94% of SQM’s total shares as of December 31, 2014. See “Item 6.E. Share Ownership.” The SVS alleged breaches of Chilean corporate and securities laws in connection with acts performed by entities with direct or indirect share ownership interests in SQM (the “Cascading Companies”). The allegations made in connection with the Cascading Companies Proceedings do not relate to any acts or omissions of the Company or any of its directors, officers or employees in their capacities as such.

In connection with the Cascading Companies Proceedings, the SVS alleged the existence of a scheme involving the named defendants whereby, through a number of transactions occurring between 2009 and 2011, the Cascading Companies allegedly sold securities of various companies, including securities of SQM, at below-market prices to companies related to Mr. Ponce and other named defendants. These companies allegedly subsequently sold such securities after a lapse of time, in most cases back to the Cascading Companies, at prices higher than the purchase price. The SVS alleged violation by the defendants of a number of Chilean corporate and securities laws in furtherance of the alleged scheme.



On January 31, 2014, the SVS added a number of Chilean financial institutions and asset managers, and certain of their controlling persons, executives or other principals, as named defendants to the Cascading Companies Proceedings. On September 2, 2014, the SVS issued a decision imposing an aggregate fine against all of the defendants of UF 4,0110,000 (approximately US\$162.8 million as of December 31, 2014), including a fine against Mr. Ponce of UF 1,700,000 (approximately US\$69.0 million as of December 31, 2014) and a fine against Mr. Contesse Fica of UF 60,000 (approximately US\$2.4 million as of December 31, 2014). The defendants are currently challenging the SVS administrative decision before a Chilean Civil Court.

The High Complexity Crimes Unit (*Unidad de Delitos de Alta Complejidad*) of the Metropolitan District Central Northern Attorney's Office (*Fiscalía Metropolitana Centro Norte*) is also investigating various criminal complaints filed against various parties to the Cascading Companies Proceedings. In addition, the SII announced an investigation of the transactions alleged to have occurred in the Cascading Companies Proceedings in order to determine whether the individuals or companies involved violated Chilean tax laws or filed false returns for the purpose of evading taxes.

If, for any reason, the Company is unable to differentiate itself from the named defendants, such failure could have a material adverse effect on the Company's market reputation and commercial dealings. Furthermore, we cannot assure you that a non-appealable ruling in connection with the current Cascading Companies Proceedings or the investigations of the High Complexity Crimes Unit or the SII that is adverse to Mr. Ponce or Mr. Contesse Fica will not have a material adverse effect on our market reputation, commercial dealings and the price of our securities, or that the Cascading Companies will not sell shares of the Company or vote to increase the dividends we pay to our shareholders.

***We recently identified a material weakness in our internal controls over payments directed by the office of the former Chief Executive Officer***

Our management assessed the effectiveness of its internal control over financial reporting as of December 31, 2014. The assessment was based on criteria established in the framework "Internal Controls — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management has determined that the Company did not maintain effective control over payments directed by the office of the former CEO. Based on the assessment, our management has concluded that as of December 31, 2014, the Company's internal control over financial reporting was not effective. See "Item 15. Controls and Procedures—Disclosure Control and Procedures."

Although we have initiated steps to remediate the identified material weakness and enhance our internal controls, any failure to implement and maintain such measures or difficulties encountered in their implementation could (i) result in a material misstatement in our financial reporting or financial statements that would not be prevented or detected, (ii) cause us to fail to meet our reporting obligations under applicable securities laws or (iii) cause investors to lose confidence in our financial reporting or financial statements, the occurrence of any of which could materially and

adversely affect our business, financial condition, cash flows, results of operations and the prices of our securities.

***Volatility of world fertilizer and chemical prices and changes in production capacities could affect our business, financial condition and results of operations***

The prices of our products are determined principally by world prices, which, in some cases, have been subject to substantial volatility in recent years. World fertilizer and chemical prices vary depending upon the relationship between supply and demand at any given time. Supply and demand dynamics for our products are tied to a certain extent to global economic cycles, and have been impacted by circumstances related to such cycles. Furthermore, the supply of certain fertilizers or chemical products, including certain products that we provide, varies principally depending on the production of the major producers, (including us) and their respective business strategies.



Since 2008, world prices of potassium-based fertilizers (including some of our specialty plant nutrients and potassium chloride) have fluctuated as a result of the broader global economic and financial conditions. Although prices of potassium-based fertilizers stabilized in 2009 after the conclusion of important contract negotiations between major producers and buyers, during the second half of 2013, potassium prices declined as a result of an unexpected announcement made by the Russian company OAO Uralkali (“Uralkali”) that it was terminating its participation in Belarus Potash Corporation (“BPC”). As a result of the termination of Uralkali’s participation in BPC, there was increased price competition in the market. In addition, during the first half of 2014, we observed lower pricing of contracts between Chinese purchasers and major potash producers, which increased volatility in the price of fertilizers. The average price for our potassium chloride and potassium sulfate business line was approximately 11% lower in 2014 compared to 2013. We cannot assure you that potassium-based fertilizer prices and sales volumes will not decline in the future.

Iodine prices followed an upward trend beginning at the end of 2008 and continuing through 2012, reaching an average price of approximately US\$53 per kilogram in 2012, over 40% higher than average prices in 2011. During 2013, even though iodine demand reached record highs, demand growth softened, and supply increased, causing a decline in iodine prices. The average price of iodine seen by SQM was approximately US\$38 per kilogram in 2014, approximately 23% less than average prices seen by the Company in 2013. We cannot assure you that iodine prices or sales volumes will not continue to decline in the future.

As a result of events in global markets during 2009, demand for lithium carbonate declined, causing a decrease in lithium prices and sales volumes. In September 2009, we announced a 20% reduction in lithium carbonate and lithium hydroxide prices as a means of stimulating demand. As a result, in 2010 we observed demand recovery in the lithium carbonate market, which continued in 2011 and 2012. In 2013, we continued to see strong market growth, driven mostly by an increase in demand related to battery use. Nevertheless, demand growth was accompanied by an increase in supply from existing competitors. In 2014, prices remained at similar levels averaging US\$5,235 per metric ton in 2014 for this business line, which was 4% lower compared to 2013. We cannot assure you that lithium prices and sales volumes will not decline in the future.

We expect that prices for the products we manufacture will continue to be influenced, among other things, by worldwide supply and demand and the business strategies of major producers. Some of the major producers (including us) have increased or have the ability to increase production. As a result, the prices of our products may be subject to substantial volatility. High volatility or a substantial decline in the prices or sales volumes of one or more of our products could have a material adverse effect on our business, financial condition and results of operations.

***Our sales to emerging markets and expansion strategy expose us to risks related to economic conditions and trends in those countries***

We sell our products in more than 110 countries around the world. In 2014, approximately 46% of our sales were made in emerging market countries: 18% in Central and South America (excluding Chile); 7% in Africa and the Middle East; 11% in Chile and 10% in Asia and Oceania (excluding Australia, Japan, New Zealand, South Korea and Singapore). We expect to expand our sales in these and other emerging markets in the future. In addition, we may carry out acquisitions or joint ventures in jurisdictions in which we currently do not operate, relating to any of our businesses or to new businesses in which we believe we may have sustainable competitive advantages. The results of our operations and our prospects in other countries in which we establish operations will depend, in part, on the general level of political stability and economic activity and policies in those countries. Future developments in the political systems or economies of these countries or the implementation of future governmental policies in those countries, including the imposition of withholding and other taxes, restrictions on the payment of dividends or repatriation of capital, the imposition of import duties or other restrictions, the imposition of new environmental regulations or price controls or changes in relevant laws or regulations, could have a material adverse effect on our business, financial condition and results of operations in those countries.

***Our inventory levels may increase because of the global economic slowdown***

In general, world economic conditions can affect our inventory levels. At the end of 2014, our inventory levels were relatively high compared to prior years. Higher inventories carry a financial risk due to increased need for cash to fund working capital and could imply increased risk of loss of product. We cannot assure you that inventory levels will not continue to remain high or increase further in the future. These factors could have a material adverse effect on our business, financial condition and results of operations.

***Our level of and exposure to unrecoverable accounts receivable may significantly increase***

Potentially negative effects of adverse global economic conditions on the financial condition of our customers may include the extension of the payment terms of our accounts receivable and may increase our exposure to bad debt. While we have implemented certain safeguards, such as using credit insurance, letters of credit and prepayment for a portion of sales, to minimize this risk, the increase in our accounts receivable coupled with the financial condition of customers may result in losses that could have a material adverse effect on our business, financial condition and results of operations.

***New production of iodine or lithium carbonate from current or new competitors in the markets in which we operate could adversely affect prices***

In recent years, new and existing competitors have increased the supply of iodine and lithium carbonate, which has affected prices for both products. Further production increases could negatively impact prices. There is limited information on the status of new iodine or lithium carbonate production capacity expansion projects being developed by current and potential competitors and, as such, we cannot make accurate projections regarding the capacities of possible new entrants into the market and the dates on which they could become operational. If these potential projects are completed in the short term, they could adversely affect market prices and our market share, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

***We have a capital expenditure program that is subject to significant risks and uncertainties***

Our business is capital intensive. Specifically, the exploration and exploitation of reserves, mining and processing costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require substantial capital expenditures. We must continue to invest capital to maintain or to increase our exploitation levels and the amount of finished products we produce.

In addition, we require environmental permits for our new projects. Obtaining permits in certain cases may cause significant delays in the execution and implementation of new projects and, consequently, may require us to reassess the related risks and economic incentives. We cannot assure you that we will be able to maintain our production levels or generate sufficient cash flow, or that we will have access to sufficient investments, loans or other financing alternatives, to continue our activities at or above present levels, or that we will be able to implement our projects or receive the necessary permits required for them in time. Any or all of these factors may have a material adverse effect on our business, financial condition and results of operations.

***High raw materials and energy prices could increase our production costs and cost of sales, and energy may become unavailable at any price***

We rely on certain raw materials and various energy sources (diesel, electricity, liquefied natural gas, fuel oil and others) to manufacture our products. Purchases of energy and raw materials we do not produce constitute an important part of our cost of sales, approximately 15% in 2014. In addition, we may not be able to obtain energy at any price if supplies are curtailed or otherwise become unavailable. To the extent we are unable to pass on increases in the prices of energy and raw materials to our customers or we are unable to obtain energy, our business, financial condition and results of operations could be materially adversely affected.

***Our reserves estimates could be subject to significant changes***

Our caliche ore mining reserves estimates are prepared by our own geologists and were most recently validated in January 2015 by Mrs. Marta Aguilera and Mr. Orlando Rojas. Mrs. Aguilera is a geologist with over 20 years of experience in the field. She is currently employed by SQM as Manager of Geology and Mining Development. Mrs. Aguilera is a Competent Person (*Persona Competente*), as that term is defined under Chilean Law No. 20,235, known as the Law that Regulates the Position of Competent Person and Creates the Qualifying Committee for Competencies in Mining Resources and Reserves (*Ley que Regula la Figura de las Personas Competentes y Crea la Comisión Calificadora de Competencias de Recursos y Reservas Mineras* or “Competent Person Law”), and she is registered under No. 163 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with such law and related regulations. Mr. Orlando Rojas is a civil mining engineer and independent consultant. He is Partner and Chief Executive Officer of the company EMI-Ingenieros y Consultores S.A., whose offices are located at Renato Sánchez No. 3357, Las Condes, Santiago, Chile. He is a member of the Institute of Mining Engineers and is registered under No. 118 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a mining engineer for 35 years since graduating from university, including more than 30 years working on estimates for reserves and resources.

Our Salar de Atacama brine mining reserve estimates are prepared by our own geologists and were most recently validated in March 2015 by Mr. Álvaro Henríquez and Mr. Orlando Rojas. Mr. Henríquez is a geologist with more than 10 years of experience in the field of hydrogeology. He is currently employed by SQM as Superintendent of Geology, in the Salar Hydrogeology department. He is a Competent Person and is registered under No. 226 in the Public Registry of Competent Persons in Mining Resources and Reserves, in accordance with the Competent Person Law and related regulations. As a hydrogeologist, he has evaluated multiple brine-based projects and has experience evaluating resources and reserves.

Estimation methods involve numerous uncertainties as to the quantity and quality of the reserves, and reserve estimates could change upwards or downwards. In addition, our reserve estimates are not subject to review by external geologists or an external auditing firm. A downward change in the quantity and/or quality of our reserves could affect

future volumes and costs of production and therefore have a material adverse effect on our business, financial condition and results of operations.

*Quality standards in markets in which we sell our products could become stricter over time*

In the markets in which we do business, customers may impose quality standards on our products and/or governments may enact stricter regulations for the distribution and/or use of our products. As a result, if we cannot meet such new standards or regulations, we may not be able to sell our products. In addition, our cost of production may increase in order to meet any such newly imposed or enacted standards. Failure to sell our products in one or more markets or to important customers could materially adversely affect our business, financial condition and results of operations.

***Chemical and physical properties of our products could adversely affect their commercialization***

Since our products are derived from natural resources, they contain inorganic impurities that may not meet certain customer or government standards. As a result, we may not be able to sell our products if we cannot meet such requirements. In addition, our cost of production may increase in order to meet such standards. Failure to meet such standards could materially adversely affect our business, financial condition and results of operations if we are unable to sell our products in one or more markets or to important customers in such markets.

***Our business is subject to many operating and other risks for which we may not be fully covered under our insurance policies***

Our facilities and business operations in Chile and abroad are insured against losses, damage or other risks by insurance policies that are standard for the industry and that would reasonably be expected to be sufficient by prudent and experienced persons engaged in businesses similar to ours.

We may be subject to certain events that may not be covered under our insurance policies, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, as a result of recent major earthquakes in Chile and other natural disasters worldwide, conditions in the insurance market have changed and may continue to change in the future, and as a result, we may face higher premiums and reduced coverage, which could have a material adverse effect on our business, financial condition and results of operations.

***Changes in technology or other developments could result in preferences for substitute products***

Our products, particularly iodine, lithium, and their derivatives, are preferred raw materials for certain industrial applications, such as rechargeable batteries and LCDs. Changes in technology, the development of substitute raw materials or other developments could adversely affect demand for these and other products which we produce. In addition, other alternatives to our products may become more economically attractive as global commodity prices shift. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to labor strikes and labor liabilities that could impact our production levels and costs***

Over 96% of our employees are employed in Chile, of which approximately 68% were represented by 25 labor unions as of December 31, 2014. As in previous years, during 2014 we renegotiated collective labor contracts with individual unions one year before the expiration of such contracts. As of December 31, 2014, we had concluded negotiations with 21 labor unions, which represent 91.9% of our total unionized workers, signing new agreements with each for the next three years. In January of 2015, we concluded negotiations with two additional unions, covering a total of 99.7% of our unionized workers. In order to finalize the current collective bargaining cycle, we need to conduct negotiations with the remaining two unions.

We are exposed to labor strikes and illegal work stoppages that could impact our production levels. If a strike or illegal work stoppage occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in our product flow that could have a material adverse effect on our business, financial condition and results of operations.



Chilean Law No. 20,123, known as the Subcontracting Law, provides that when a serious workplace accident occurs, a company must halt work at the site where the accident took place until authorities from either the National Geology and Mining Service (*Servicio Nacional de Geología y Minería* or “Sernageomin”), the Labor Board (*Dirección del Trabajo* or “Labor Board”), or the National Health Service (*Servicio Nacional de Salud*), inspect the site and prescribe the measures such company must take to minimize the risk of similar accidents taking place in the future. Work may not be resumed until such company has taken the prescribed measures, and the period of time before work may be resumed may last for a number of hours, days, or longer. The effects of this law could have a material adverse effect on our business, financial condition and results of operations.

On December 29, 2014, the Government of Chile sent the Chilean Congress a bill introducing modifications to the Labor Code in relation to collective rights. The objective of such bill is to modernize the Chilean labor relations system, giving more power to union organizations. This bill could undergo modifications after being discussed by the parliament during the year 2015. Therefore, we are not able to predict the potential effects of such bill on the Company.

***Lawsuits and arbitrations could adversely impact us***

We are party to a range of lawsuits and arbitrations involving different matters as described in Note 19.1 of our Consolidated Financial Statements and Item 8.A. Legal Proceedings. Although we intend to defend our positions vigorously, our defense of these actions may not be successful. Judgments or settlements in these lawsuits may have a material adverse effect on our business, financial condition and results of operations. In addition, our strategy of being a world leader includes entering into commercial and production alliances, joint ventures and acquisitions to improve our global competitive position. As these operations increase in complexity and are carried out in different jurisdictions, we might be subject to legal proceedings that, if settled against us, could have a material adverse effect on our business, financial condition and results of operations.

In 2009, the Chilean labor code (*Código del Trabajo* or “Labor Code”) established new procedures for labor matters which include oral trials conducted by specialized judges. The information available indicates that the majority of these oral trials have found in favor of the employee. These new procedures have increased the probability of adverse judgments in labor lawsuits which could have a material adverse effect on our business, financial condition and results of operations.

***We have operations in multiple jurisdictions with differing regulatory, tax and other regimes***

We operate in multiple jurisdictions with complex regulatory environments that are subject to different interpretations by companies and respective governmental authorities. These jurisdictions may have different tax codes,

environmental regulations, labor codes and legal framework, which adds complexity to our compliance with these regulations. Any failure to comply with such regulations could have a material adverse effect on our business, financial condition and results of operations.

***Environmental laws and regulations could expose us to higher costs, liabilities, claims and failure to meet current and future production targets***

Our operations in Chile are subject to national and local regulations relating to environmental protection. In accordance with such regulations, we are required to conduct environmental impact studies or statements before we conduct any new projects or activities or significant modifications of existing projects that could impact the environment or the health of people in the surrounding areas. We are also required to obtain an environmental license for certain projects and activities. The Environmental Evaluation Service (*Servicio de Evaluación Ambiental* or “Environmental Evaluation Service”) evaluates environmental impact studies submitted for its approval. The public, government agencies or local authorities may review and challenge projects that may adversely affect the environment, either before these projects are executed or once they are operating, if they fail to comply with applicable regulations. In order to ensure compliance with environmental regulations, Chilean authorities may impose fines up to approximately US\$9 million per infraction, revoke environmental permits or temporarily or permanently close facilities, among other enforcement measures.

Chilean environmental regulations have become increasingly stringent in recent years, both with respect to the approval of new projects and in connection with the implementation and development of projects already approved, and we believe that this trend is likely to continue. Given public interest in environmental enforcement matters, these regulations or their application may also be subject to political considerations that are beyond our control.

We regularly monitor the impact of our operations on the environment and on the health of people in the surrounding areas and have, from time to time, made modifications to our facilities to minimize any adverse impact. Future developments in the creation or implementation of environmental requirements or their interpretation could result in substantially increased capital, operation or compliance costs or otherwise adversely affect our business, financial condition and results of operations.

The success of our current investments at the Salar de Atacama and Nueva Victoria is dependent on the behavior of the ecosystem variables being monitored over time. If the behavior of these variables in future years does not meet environmental requirements, our operation may be subject to important restrictions by the authorities on the maximum allowable amounts of brine and water extraction.

Our future development depends on our ability to sustain future production levels, which requires additional investments and the submission of the corresponding environmental impact studies or statements. If we fail to obtain approval or required environmental licenses, our ability to maintain production at specified levels will be seriously impaired, thus having a material adverse effect on our business, financial condition and results of operations.

In addition, our worldwide operations are subject to international and other local environmental regulations. Since environmental laws and regulations in the different jurisdictions in which we operate may change, we cannot guarantee that future environmental laws, or changes to existing environmental laws, will not materially adversely impact our business, financial condition and results of operations.

***Our water supply could be affected by geological changes or climate change***

Our access to water may be impacted by changes in geology, climate change or other natural factors, such as wells drying up or reductions in the amount of water available in the wells or rivers from which we obtain water, that we cannot control. Any such change may have a material adverse effect on our business, financial condition and results of operations.

***Any loss of key personnel may materially and adversely affect our business***

Our success depends in large part on the skills, experience and efforts of our senior management team and other key personnel. The loss of the services of key members of our senior management or employees with critical skills could have a negative effect on our business, financial condition and results of operations. If we are not able to attract or retain highly skilled, talented and qualified senior managers or other key personnel, our ability to fully implement our business objectives may be materially and adversely affected.

## **Risks Relating to Financial Markets**

### ***Currency fluctuations may have a negative effect on our financial performance***

We transact a significant portion of our business in U.S. dollars, and the U.S. dollar is the currency of the primary economic environment in which we operate. In addition, the U.S. dollar is our functional currency for financial statement reporting purposes. A significant portion of our costs, however, is related to the Chilean peso. Therefore, an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar would affect our costs of production. The Chilean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future. As of December 31, 2014, the Chilean peso exchange rate was Ch\$606.75 per U.S. dollar, while as of December 31, 2013, the Chilean peso exchange rate was Ch\$524.61 per U.S. dollar. The Chilean peso therefore depreciated against the U.S. dollar by 16% in 2014. As of April 28, 2015, the Observed Exchange Rate was Ch\$611.08 per U.S. dollar.

As an international company operating in several other countries, we also transact business and have assets and liabilities in other non-U.S. dollar currencies, such as, among others, the euro, the South African rand, the Mexican peso, the Chinese yuan, the Thai baht and the Brazilian real. As a result, fluctuations in the exchange rates of such foreign currencies to the U.S. dollar may have a material adverse effect on our business, financial condition and results of operations.

### ***Interest rate fluctuations may have a material impact on our financial performance***

We have outstanding short and long-term debt that bears interest based on the London Interbank Offered Rate (“LIBOR”), plus a spread. Since we are currently hedging only a portion of these liabilities into fixed rates, we are exposed to interest rate risk relating to LIBOR fluctuations. As of December 31, 2014, approximately 14% our financial debt had LIBOR-based pricing that was not hedged into fixed rates. A relative increase in the rate could materially impact our business, financial condition and results of operations.

## **Risks Relating to Chile**

***As we are a company based in Chile, we are exposed to Chilean political risks***

Our business, results of operations, financial condition and prospects could be affected by changes in policies of the Chilean government, other political developments in or affecting Chile, legal changes in the standards or administrative practices of Chilean authorities or the interpretation of such standards and practices, over which we have no control.

*Changes in regulations regarding, or any revocation or suspension of our concessions could negatively affect our business*

Any changes to regulations to which we are subject or adverse changes to our concession rights, or a revocation or suspension of our concessions, could have a material adverse effect on our business, financial condition and results of operations.

***Changes in mining or port concessions could affect our operating costs***

We conduct our mining operations, including brine extraction, under exploitation and exploration concessions granted in accordance with provisions of the Chilean constitution and related laws and statutes. Our exploitation concessions essentially grant a perpetual right (with the exception of the Salar de Atacama rights, which have been leased to us until 2030) to conduct mining operations in the areas covered by the concessions, provided that we pay annual concession fees. Our exploration concessions permit us to explore for mineral resources on the land covered thereby for a specified period of time and to subsequently request a corresponding exploitation concession. Our subsidiary SQM Salar, as leaseholder, holds exclusive and temporary rights over the mineral resources in an area covering approximately 140,000 hectares of land in the Salar de Atacama in northern Chile, of which SQM Salar is entitled to exploit the mineral resources of 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar pursuant to the Lease Agreement between Corfo and SQM Salar. Corfo may not unilaterally modify the Lease Agreement, and the rights to exploit the mineral substances cannot be transferred. The Lease Agreement establishes that SQM Salar is responsible for making quarterly lease payments to Corfo, maintaining Corfo's rights over the mining exploitation concessions, and making annual payments to the Chilean government for such concession rights. The Lease Agreement expires on December 31, 2030. Furthermore, under the regulations of the Chilean Nuclear and Energy Commission (*Comisión Chilena de Energía Nuclear* or "CCHEN"), we are limited to 180,100 tons of total lithium (958,672 tons of lithium carbonate equivalent) extraction in the aggregate for all periods. We are over halfway through the term of the Lease Agreement and have extracted approximately half of the total accumulated extraction limit of lithium. However, there can be no assurance that we will not reach the lithium extraction limit prior to the term of the lease agreement. In addition, we cannot assure you that Corfo will not take other actions in the future in respect of the Lease Agreement that are contrary to our interests. See "-Risk Relating to our Business-Arbitration proceedings under the Lease Agreement for the Salar de Atacama, if determined adversely to us, would materially adversely affect our business and operations."

We also operate port facilities at Tocopilla, Chile for the shipment of products and the delivery of raw materials pursuant to maritime concessions, which have been granted under applicable Chilean laws and are normally renewable on application, provided that such facilities are used as authorized and annual concession fees are paid.

Any significant changes to any of these concessions could have a material adverse effect on our business, financial condition and results of operations.

***Changes in water rights laws and other regulations could affect our operating costs***

We hold water rights that are key to our operations. These rights were obtained from the Chilean Water Authority (*Dirección General de Aguas*) for supply of water from rivers and wells near our production facilities, which we believe are sufficient to meet current operating requirements. However, the Chilean water rights code (*Código de Aguas* or the "Water Code") is subject to changes, which could have a material adverse impact on our business, financial

condition and results of operations. For example, an amendment published on June 16, 2005 modified the Water Code, allowing, under certain conditions, the granting of permanent water rights of up to two liters per second for each well built prior to June 30, 2004, in the areas where we conduct our mining operations, without considering the availability of water, or how the new rights may affect holders of existing rights. Therefore, the amount of water we can effectively extract based on our existing rights could be reduced if these additional rights are exercised. In addition, we must pay annual fees to maintain water rights that have been granted to us and that we are not exercising. These and potential future changes to the Water Code or other relevant regulations could have a material adverse effect on our business, financial condition and results of operations.

***The Chilean government could levy additional taxes on corporations operating in Chile***

In 2005, the Chilean Congress approved Law No. 20,026 known as the Law to Establish a Specific Tax on Mining Activity” (*Ley que Establece un Impuesto Específico a la Actividad Minera* or the “Royalty Law”), establishing a royalty tax to be applied to mining activities developed in Chile.

Following the earthquake and tsunami in February 2010, the Chilean government raised the corporate income tax rate in order to pay for reconstruction. Such legislation increased the general corporate tax rate from its historic rate of 17.0% to 20.0% for the income accrued in 2011, which was declared and paid in 2012. On September 27, 2012, Law No. 20,630 introduced new amendments to existing tax legislation. Among the amendments introduced, the corporate income tax was maintained at 20% beginning in the 2013 calendar year.



On September 29, 2014, Law No. 20,780 was published (the “Tax Reform”), introducing significant changes to the Chilean taxation system and strengthening the powers of the SII to control and prevent tax avoidance. The Tax Reform contemplates, among other matters, changes to the corporate tax regime to create two tax regimes. Starting on January 1, 2017, Chilean companies will be able to opt between two tax regimes: (i) the partially integrated shareholder tax regime (*sistema parcialmente integrado*) or (ii) the attributed income shareholder taxation regime (*sistema de renta atribuida*). In both regimes, the corporate tax rate will be increased to 21% in 2014, 22.5% in 2015 and 24% by 2016. On or after January 1, 2017, and depending on the tax regime chosen by the company, tax rates may be increased to a maximum rate of 25% in 2017 for the attributed income shareholder taxation regime or to a rate of 25.5% in 2017 and subsequently to a maximum rate of 27% in 2018 for the partially integrated shareholder tax regime.

As an open stock corporation, the default regime that applies to us is the partially integrated regime, unless at a future shareholders’ meeting our shareholders agree to opt for the attributed income shareholder taxation regime. Under the partially integrated shareholder taxation regime, shareholders bear the tax on dividends, when paid, but will be permitted to credit against such shareholder taxes only a portion of the Chilean corporate tax paid by us on our earnings, unless the shareholder is resident in a country with a tax treaty with Chile, in which case 100% of the Chilean corporate tax paid by us may be credited against such shareholder taxes. As a result, foreign shareholders resident in a non-treaty jurisdiction (such as the United States) will be subject to a higher effective tax rate than residents of treaty jurisdictions. Under the attributed-income shareholder taxation regime, shareholders bear the Chilean tax on our accrued earnings (whether or not dividends have been distributed), but may credit the full amount of the Chilean corporate tax we pay on such earnings against such shareholder taxes.

The Tax Reform tax increase prompted a US\$52.3 million increase in our deferred tax liabilities as of December 31, 2014. In accordance with IAS 12, the effects generated by the change in the income tax rate approved by Law No. 20.780 on income and deferred taxes have been applied to the income statement. For purposes of the Company’s statutory consolidated financial statements filed with the SVS, in accordance with the instructions issued by the SVS in its circular 856 of October 17, 2014, the effects generated by the change in the income tax rate were accounted for as retained earnings. The amount charged to equity was US\$52.3 million, thereby giving rise to a difference of US\$52.3 million in profit for the year and income tax expense as presented in the Company’s Audited Consolidated Financial Statements and as presented in its statutory consolidated financial statements filed with the SVS.

Given the difference in accounting treatments between IFRS and the instructions of the SVS, we will continue to analyze the effects of the Tax Reform on our financial statements and reporting obligations, and we cannot be sure of how our future financial statements will reflect these changes.

In addition, the Tax Reform may have other material adverse effects on our business, financial condition and results of operations. Likewise, we cannot assure you that the manner in which the Royalty Law or the corporate tax rate are interpreted and applied will not change in the future. The Chilean government may decide to levy additional taxes on mining companies or other corporations in Chile. Such changes could have a material adverse effect on our business, financial condition and results of operations.

***Ratification of the International Labor Organization's Convention 169 concerning indigenous and tribal peoples might affect our development plans***

Chile, a member of the International Labor Organization (“ILO”), has ratified the ILO’s Convention 169 (the “Indigenous Rights Convention”) concerning indigenous and tribal people. The Indigenous Rights Convention established several rights for indigenous people and communities. Among other rights, the Indigenous Rights Convention states that (i) indigenous groups should be notified and consulted prior to the development of any project on land deemed indigenous, although veto rights are not mentioned and (ii) indigenous groups have, to the extent possible, a stake in benefits resulting from the exploitation of natural resources in indigenous land. The extent of these benefits has not been defined by the Chilean government. To the extent that the new rights outlined in the Indigenous Rights Convention become laws or regulations in Chile, they could affect the development of our investment projects in lands that have been defined as indigenous, which could have a material adverse effect on our business, financial condition and results of operations.

*Chile is located in a seismically active region*

Chile is prone to earthquakes because it is located along major fault lines. The most recent major earthquake in Chile occurred offshore in April 2014 and had a magnitude of 8.2 on the Richter scale. This earthquake followed another one in February 2010, which caused substantial damage to some areas of the country. Chile has also experienced volcanic activity. A major earthquake or a volcanic eruption could have significant negative consequences for our operations and for the general infrastructure, such as roads, rail, and access to goods, in Chile. Although we maintain industry standard insurance policies that include earthquake coverage, we cannot assure you that a future seismic or volcanic event will not have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to our Shares and to our ADSs

The price of our ADSs and the U.S. dollar value of any dividends will be affected by fluctuations in the U.S. dollar/Chilean peso exchange rate

Chilean trading in the shares underlying our ADSs is conducted in Chilean pesos. The depositary will receive cash distributions that we make with respect to the shares in Chilean pesos. The depositary will convert such Chilean pesos to U.S. dollars at the then prevailing exchange rate to make dividend and other distribution payments in respect of ADSs. If the value of the Chilean peso falls relative to the U.S. dollar, the value of the ADSs and any distributions to be received from the depositary will decrease.

Developments in other emerging markets could materially affect the value of our ADSs

The Chilean financial and securities markets are, to varying degrees, influenced by economic and market conditions in other emerging market countries or regions of the world. Although economic conditions are different in each country or region, investor reaction to developments in one country or region can have significant effects on the securities of issuers in other countries and regions, including Chile and Latin America. Events in other parts of the world may have a material effect on Chilean financial and securities markets and on the value of our ADSs.

The volatility and low liquidity of the Chilean securities markets could affect the ability of our shareholders to sell our ADSs

The Chilean securities markets are substantially smaller, less liquid and more volatile than the major securities markets in the United States. The volatility and low liquidity of the Chilean markets could increase the price volatility of our ADSs and may impair the ability of a holder to sell our ADSs into the Chilean market in the amount and at the price and time he wishes to do so.

Our share price may react negatively to future acquisitions and investments

As world leaders in our core businesses, part of our strategy is to look for opportunities that will allow us to consolidate and strengthen our competitive position in jurisdictions in which we currently do not operate. Pursuant to this strategy, we may carry out acquisitions or joint ventures relating to any of our businesses or to new businesses in which we believe we may have sustainable competitive advantages. Depending on our capital structure at the time of such acquisitions or joint ventures, we may need to raise significant debt and/or equity which will affect our financial condition and future cash flows. Any change in our financial condition could affect our results of operations, negatively impacting our share price.

You may be unable to enforce rights under U.S. Securities Laws

Because we are a Chilean company subject to Chilean law, the rights of our shareholders may differ from the rights of shareholders in companies incorporated in the United States, and you may not be able to enforce or may have difficulty enforcing rights currently in effect under U.S. Federal or State securities laws.

Our Company is an open stock corporation incorporated under the laws of the Republic of Chile. Most of our directors and officers reside outside the United States, principally in Chile. All or a substantial portion of the assets of these persons are located outside the United States. As a result, if any of our shareholders, including holders of our ADSs, were to bring a lawsuit against our officers or directors in the United States, it may be difficult for them to effect service of legal process within the United States upon these persons. Likewise, it may be difficult for them to enforce judgments obtained in United States courts based upon the civil liability provisions of the federal securities laws in the United States against them in the United States.

In addition, there is no treaty between the United States and Chile providing for the reciprocal enforcement of foreign judgments. However, Chilean courts have enforced judgments rendered in the United States, provided that the Chilean court finds that the United States court respected basic principles of due process and public policy. Nevertheless, there is doubt as to whether an action could be brought successfully in Chile in the first instance on the basis of liability based solely upon the civil liability provisions of the United States federal securities laws.

As preemptive rights may be unavailable for our ADS holders, they have the risk of their holdings being diluted if we issue new stock

Chilean laws require companies to offer their shareholders preemptive rights whenever issuing new shares of capital stock so shareholders can maintain their existing ownership percentage in a company. If we increase our capital by issuing new shares, a holder may subscribe for up to the number of shares that would prevent dilution of the holder's ownership interest.

If we issue preemptive rights, United States holders of ADSs would not be able to exercise their rights unless a registration statement under the Securities Act were effective with respect to such rights and the shares issuable upon exercise of such rights or an exemption from registration were available. We cannot assure holders of ADSs that we will file a registration statement or that an exemption from registration will be available. We may, in our absolute discretion, decide not to prepare and file such a registration statement. If our holders were unable to exercise their preemptive rights because we did not file a registration statement, the depositary bank would attempt to sell their rights and distribute the net proceeds from the sale to them, after deducting the depositary's fees and expenses. If the depositary could not sell the rights, they would expire and holders of ADSs would not realize any value from them. In

either case, ADS holders' equity interest in us would be diluted in proportion to the increase in our capital stock.

If we were classified as a Passive Foreign Investment Company there could be adverse consequences for U.S. investors

We believe that we were not classified as a Passive Foreign Investment Company (“PFIC”) for 2014. Characterization as a PFIC could result in adverse U.S. tax consequences to you if you are a U.S. investor in our shares or ADSs. For example, if we (or any of our subsidiaries) are a PFIC, our U.S. investors may become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to burdensome reporting requirements. The determination of whether or not we (or any of our subsidiaries or portfolio companies) are a PFIC is made on an annual basis and will depend on the composition of our (or their) income and assets from time to time. See “Item 10.E. Taxation—United States Tax Considerations.”

***Changes in Chilean tax regulations could have adverse consequences for U.S. investors***

Currently cash dividends paid by us to foreign shareholders are subject to a 35% Chilean withholding tax. If we have paid corporate income tax (the “First Category Tax”) on the income from which the dividend is paid, a credit for the First Category Tax effectively reduces the rate of Withholding Tax. Changes in Chilean tax regulations could have adverse consequences for U.S. investors. See “Item 3. Risk Factors—Risks Relating to Chile—The Chilean Government Could Levy Additional Taxes on Corporations Operating in Chile” and “Item 10. Taxation—Chilean Tax Considerations.”

**ITEM 4. INFORMATION ON THE COMPANY**

**4.A. History and Development of the Company**

**Historical Background**

Sociedad Química y Minera de Chile S.A. is an open stock corporation organized under the laws of the Republic of Chile. We were constituted by public deed issued on June 17, 1968 by the Notary Public of Santiago, Mr. Sergio Rodríguez Garcés. Our existence was approved by Decree No. 1,164 of June 22, 1968 of the Ministry of Finance, and we were registered on June 29, 1968 in the Registry of Commerce of Santiago, on page 4,537 No. 1,992. Our headquarters is located at El Trovador 4285, Fl. 6, Las Condes, Santiago, Chile. Our telephone number is +56 2 2425-2000. Our U.S. representative is SQM NA located at 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA 30339. The phone number is +1 (770) 916-9407.

Commercial exploitation of the caliche ore deposits in northern Chile began in the 1830s, when sodium nitrate was extracted from the ore for use in the manufacturing of explosives and fertilizers. By the end of the nineteenth century, nitrate production had become the leading industry in Chile and the country was the world's leading supplier of nitrates. The accelerated commercial development of synthetic nitrates in the 1920s and the global economic depression in the 1930s caused a serious contraction of the Chilean nitrate business, which did not recover significantly until shortly before the Second World War. After the war, the widespread commercial production of synthetic nitrates resulted in a further contraction of the natural nitrate industry in Chile, which continued to operate at depressed levels into the 1960s.

We were formed in 1968 through a joint venture between Compañía Salitrera Anglo Lautaro S.A. ("Anglo Lautaro") and Corfo. Three years after our formation, in 1971, Anglo Lautaro sold all of its shares to Corfo, and we were wholly owned by the Chilean Government until 1983. In 1983, Corfo began a process of privatization by selling our shares to the public and subsequently listing such shares on the Santiago Stock Exchange. By 1988, all of our shares were publicly owned. Our Series B ADSs have traded on the NYSE under the ticker symbol "SQM" since 1993. We accessed international capital markets again for the issuance of additional ADSs in 1995 and 1999. On December 21, 2006, two groups of shareholders, the "Pampa Group" (which includes the company Sociedad de Inversiones Pampa Calichera S.A. and its related companies, Inversiones Global Mining Chile Limitada and Potasios de Chile S.A.) and Kowa Group (which includes the companies Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation) signed a joint agreement and became the controlling group of SQM.



Since our inception, we have produced nitrates and iodine, which are obtained from the caliche ore deposits in northern Chile. In 1985, we began to use heap leaching processes to extract nitrates and iodine, and in 1986 we started to produce potassium nitrate at our Coya Sur facility. Between 1994 and 1999, we invested approximately US\$300 million in the development of the Salar de Atacama project in northern Chile, which enabled us to produce potassium chloride, lithium carbonate, potassium sulfate and boric acid.

From 2000 through 2004, we principally consolidated the investments carried out in the preceding five years. We focused on reducing costs and improving efficiencies throughout the organization. In addition, in 2001, we signed a commercial distribution agreement with the Norwegian company Yara International ASA, in order to take advantage of cost synergies in the Specialty Plant Nutrition business line.

Starting in 2005, we began strengthening our leadership position in our core businesses through a combination of capital expenditures and advantageous acquisitions and divestitures. Our acquisitions have included the Kemira Emirates Fertiliser Company (“Kefco”) in Dubai in 2005 and the iodine business of Royal DSM N.V. (“DSM”) in 2006. We also entered into a number of joint ventures, including a joint venture with Migao Corporation (“Migao”), signed in 2008, for the production of potassium nitrate, and SQM VITAS, our joint venture with the French Roullier Group. Pursuant to the latter joint venture, in 2010, we launched a new line of soluble phosphate products, and in 2012 we built new plants for the production of water-soluble fertilizers in Brazil (Candeias), Peru and South Africa (Durban). We have also sold: (i) Fertilizantes Olmeca, our former Mexican subsidiary, in 2006, (ii) our stake in Impronta S.R.L., our former Italian subsidiary, in 2007 and (iii) our former butyllithium plant located in Houston, Texas, in 2008. These sales allowed us to concentrate our efforts on our core products.

The capital expenditure program has allowed us to add new products to our product line and increase the production capacity of our existing products. In 2005, we started production of lithium hydroxide at a plant in the Salar del Carmen, near the city of Antofagasta in the north of Chile. In 2007, we completed the construction of a new prilling and granulating plant. In 2011, we completed expansions of our lithium carbonate capacity, achieving 48,000 metric tons per year. Since 2010, we have continued to expand our production capacity of potassium products in our operations in the Salar de Atacama. In 2011, we completed the construction of a new potassium nitrate facility in Coya Sur, increasing our overall production capacity of potassium nitrate by 300,000 metric tons per year. In 2013, we completed expansions in the production capacity of our iodine plants in Nueva Victoria. Our capital expenditure program also includes exploration for metallic minerals. Our exploration efforts have led to discoveries that in some cases may result in sales of the discovery and the generation of royalty income in the future. Within this context, in 2013 we sold our royalty rights to the Antucoya mining project to Antofagasta Minerals. In 2013 we also opened a trading office in Thailand.

In 2014, we invested in the development of new extraction sectors and production increases in both nitrates and iodine at Nueva Victoria, reaching an approximate production capacity of 6,500 metric tons per year of iodine at the facility. We also issued a bond in the international capital markets for US\$250 million, primarily to refinance existing indebtedness.

### **Capital Expenditure Program**

We regularly review different opportunities to improve our production methods, reduce costs, increase production capacity of existing products and develop new products and markets. Additionally, significant capital expenditures are required every year in order to sustain our production capacity. We are focused on developing new products in response to identified customer demand, as well as new products that can be derived as part of our existing production or other products that could fit our long-term development strategy. Our capital expenditures during the past five years were mainly related to the organic growth and sustainability of our business, including the construction of new facilities and the renovation of plants and equipment. These investments were carried out with internal financing through our capital expenditure program for investments in Chile.

Our capital expenditures for the years ended December 31, 2014, 2013 and 2012 were as follows:

(in millions of U.S. dollars)	2014	2013	2012
Capital Expenditures	112.1	386.5	450.0

During 2014, we had total capital expenditures of US\$112.1 million, primarily related to:

- development of new extraction sectors and production increases for both nitrates and iodine at Nueva Victoria;
  - investments aimed at maintaining and improving the quality of finished nitrate products;
- exploration and construction of wells to sustain long-term production at the Salar de Atacama;
  - consolidation of our corporate enterprise resource planning into SAP and
- maintenance across all production units in order to ensure fulfillment of production targets.

During 2013, we had total capital expenditures of US\$386.5 million, primarily related to:

- improvement of nitrate-based products at Coya Sur;
- investment relating to increasing production capacity of potassium-based products at the Salar de Atacama;
- ongoing investment relating to increasing production capacity and efficiency in our nitrate and iodine facilities;
  - optimization of our potassium chloride facility at the Salar de Atacama;
  - projects to increase the efficiency of our human resources and logistics departments and
- various projects designed to maintain production capacity, increase yields, and reduce costs.

During 2012, we had total capital expenditures of US\$450.0 million, primarily related to:

- projects to increase capacity and efficiencies at nitrate and iodine facilities in the Tarapacá region;
- continued investments related to increasing production capacity of potassium-based products at the Salar de Atacama, including several projects related to production of finished products and
  - various projects designed to maintain production capacity, increase yields and reduce costs.

The Board of Directors has approved a capital expenditures plan for 2015 of US\$182 million primarily focused on the maintenance of our production facilities. Our 2015 capital investment program will not require any external financing; however, we reserve the right to access capital markets in order to optimize our financial position.

#### 4.B. Business Overview

The Company

We believe that we are the world's largest producer of potassium nitrate and iodine chemicals. We also produce specialty plant nutrients, iodine and its derivatives, lithium and its derivatives, potassium chloride, potassium sulfate and certain industrial chemicals (including industrial nitrates and solar salts). Our products are sold in over 110 countries through our worldwide distribution network, with 89% of our sales in 2014 derived from countries outside Chile.

Our products are mainly derived from mineral deposits found in northern Chile. We mine and process caliche ore and brine deposits. The caliche ore in northern Chile contains the only known nitrate and iodine deposits in the world and is the world's largest commercially exploited source of natural nitrates. The brine deposits of the Salar de Atacama, a salt-encrusted depression in the Atacama Desert in northern Chile, contain high concentrations of lithium and potassium as well as significant concentrations of sulfate and boron.

From our caliche ore deposits, we produce a wide range of nitrate-based products used for specialty plant nutrients and industrial applications, as well as iodine and iodine derivatives. At the Salar de Atacama, we extract brines rich in potassium, lithium, sulfate and boron in order to produce potassium chloride, potassium sulfate, lithium solutions, boric acid and bischofite (magnesium chloride). We produce lithium carbonate and lithium hydroxide at our plant near the city of Antofagasta, Chile, from the solutions brought from the Salar de Atacama. We market all of these products through an established worldwide distribution network.

Our products are divided into six categories: specialty plant nutrients; iodine and its derivatives; lithium and its derivatives; potassium chloride and potassium sulfate; industrial chemicals; and other commodity fertilizers. Specialty plant nutrients are premium fertilizers that enable farmers to improve yields and the quality of certain crops. Iodine and its derivatives are mainly used in the X-ray contrast media and biocides industries and in the production of polarizing film, which is an important component in LCD screens. Lithium and its derivatives are mainly used in batteries, greases and frits for production of ceramics. Potassium chloride is a commodity fertilizer that is produced and sold by us worldwide. In addition, we complement our portfolio of plant nutrients through the buying and selling of other commodity fertilizers for use mainly in Chile. Potassium sulfate is a specialty fertilizer used primarily in crops such as vegetables, fruits and industrial crops. Industrial chemicals have a wide range of applications in certain chemical processes such as the manufacturing of glass, explosives and ceramics, and, more recently, industrial nitrates are being used in concentrated solar power plants as a means for energy storage. In addition, we complement our portfolio of plant nutrients through the buying and selling of other commodity fertilizers for use mainly in Chile.

For the year ended December 31, 2014, we had revenues of US\$2,014.2 million, gross profit of US\$583.0 million and profit attributable to controlling interests of US\$236.9 million. Our worldwide market capitalization as of December 31, 2014 was approximately US\$6.3 billion.

**Specialty Plant Nutrition:** We produce four main types of specialty plant nutrients: potassium nitrate, sodium nitrate, sodium potassium nitrate and specialty blends. Furthermore, we sell other specialty fertilizers including trading of third party products. All of these specialty plant nutrients are used in either solid or liquid form mainly on high value crops such as vegetables, fruits and flowers. They are widely used in crops that employ modern agricultural techniques such as hydroponics, greenhousing, fertigation (where fertilizer is dissolved in water prior to irrigation) and foliar application. According to the type of use or application our products are primarily marketed under the following brands: Ultrasol™ (fertigation), Qrop™ (open field application), Speedfol™ (foliar application) and Allganic™ (organic farming). Specialty plant nutrients have certain advantages over commodity fertilizers, such as rapid and effective absorption (without requiring nitrification), superior water solubility, increased soil pH (which reduces soil acidity) and low chloride content. One of the most important products in this business line is potassium nitrate, which

is available in crystalline and prill form, allowing for multiple application methods. Crystalline potassium nitrate products are ideal for application by fertigation and foliar sprays, and potassium nitrate prills are suitable for soil applications.

The needs of more sophisticated customers are causing the industry to provide solutions rather than individual products. The advantages of our products, plus customized specialty blends that meet specific needs along with the agronomic service provided, allow us to create plant nutrition solutions that add value to crops through higher yields and better quality production. Because our products are derived from natural nitrate compounds or natural potassium brines, they have certain advantages over synthetically produced fertilizers, including the presence of certain beneficial trace elements, which makes them more attractive to customers who prefer products of natural origin. As a result, specialty plant nutrients are sold at a premium price compared to commodity fertilizers.

***Iodine and its Derivatives:*** We believe that we are the world's leading producer of iodine and iodine derivatives, which are used in a wide range of medical, pharmaceutical, agricultural and industrial applications, including x-ray contrast media, polarizing films for LCD, antiseptics, biocides and disinfectants, in the synthesis of pharmaceuticals, herbicides, electronics, pigments and dye components. We market iodine using the brand QIodine™.

***Lithium and its Derivatives:*** We are a leading producer of lithium carbonate, which is used in a variety of applications, including electrochemical materials for batteries, frits for the ceramic and enamel industries, heat-resistant glass (ceramic glass), air conditioning chemicals, continuous casting powder for steel extrusion, primary aluminum smelting process, pharmaceuticals and lithium derivatives. We are also a leading supplier of lithium hydroxide, which is primarily used as an input for the lubricating greases industry and for certain cathodes for batteries. We market lithium using the following brands: QLithiumCarbonate™, QLithiumHydroxide™ and QLubelith™.

***Potassium:*** We produce potassium chloride and potassium sulfate from brines extracted from the Salar de Atacama. Potassium chloride is a commodity fertilizer used to fertilize a variety of crops including corn, rice, sugar, soybean and wheat. Potassium sulfate is a specialty fertilizer used mainly in crops such as vegetables, fruits and industrial crops. We market potassium chloride using the brand Qrop™.

***Industrial Chemicals:*** We produce four industrial chemicals: sodium nitrate, potassium nitrate, boric acid and potassium chloride. Sodium nitrate is used primarily in the production of glass, explosives, charcoal briquettes and metal treatment. Potassium nitrate is used in the manufacturing of specialty glass, and it is also an important raw material for the production of frits for the ceramics and enamel industries. Solar salts, a combination of potassium nitrate and sodium nitrate, are used as a thermal storage medium in concentrated solar power plants. Boric acid is used in the manufacture of frits for the ceramics and enamel industries, LCDs, glass and fiberglass. Potassium chloride is a basic chemical used to produce potassium hydroxide, and it is also used as an additive in oil drilling as well as in food processing, among other uses. We market our industrial chemicals using the following brands: QSodiumNitrate™, QPotassiumNitrate™, QPotassiumChloride™, QBoricAcid™ and Ultrasol™.

***Other Products and Services:*** We also sell other fertilizers and blends, some of which we do not produce. We are the only company that produces and distributes the three main potassium sources: potassium nitrate, potassium sulfate and potassium chloride.

The following table shows the percentage breakdown of our revenues for 2014, 2013 and 2012 according to our product lines:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Specialty Plant Nutrition	35 %	31 %	28 %
Iodine and Derivatives	17 %	21 %	24 %
Lithium and Derivatives	10 %	9 %	9 %
Potassium	29 %	28 %	25 %
Industrial Chemicals	5 %	7 %	10 %
Other	4 %	4 %	4 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>



## **Business Strategy**

Our general business strategy is to:

- maintain leadership in specialty plant nutrients, iodine, lithium and industrial nitrates, in terms of production capacity, competitive pricing and the development of new products;
- maintain our competitiveness through the continued increase in the efficiency of our production processes and cost reduction;
- evaluate and execute acquisitions, joint ventures or commercial alliances which have concrete synergies with our current core businesses or provide sustainable competitive advantages and
  - maintain a solid, conservative financial position and investment grade ratings for our debt securities.

We have identified market demand in each of our major product lines, both within our existing customer base and in new markets, for existing products and for additional products that can be produced from our natural resources. In order to take advantage of these opportunities, we have developed specific strategies for each of our product lines.

### ***Specialty Plant Nutrition***

Our strategy in our specialty plant nutrition business is to: (i) continue expanding our sales of natural nitrates by continuing to leverage the advantages of our specialty products over commodity-type fertilizers; (ii) selectively expand by increasing our sales of higher margin specialty plant nutrients based on potassium and natural nitrates, particularly soluble potassium nitrate and NPK blends; (iii) pursue investment opportunities in complementary businesses to enhance our product portfolio, increase production, reduce costs, and add value to and improve the marketing of our products; (iv) develop new specialty nutrient blends produced in our mixing plants that are strategically located in or near our principal markets in order to meet specific customer needs; (v) focus primarily on the markets for plant nutrients in soluble and foliar applications in order to establish a leadership position; (vi) further develop our global distribution and marketing system directly and through strategic alliances with other producers and global or local distributors; (vii) reduce our production costs through improved processes and higher labor productivity so as to compete more effectively and (viii) supply a product with consistent quality according to the requirements of our customers.

### ***Iodine and its Derivatives***

Our strategy in our iodine business is to: (i) increase or at least maintain our market share in the iodine market in order to optimize the use of our available production capacity; (ii) encourage demand growth and promote new iodine uses; (iii) participate in iodine recycling projects through the Ajay-SQM Group (“ASG”); (iv) reduce our production costs through improved processes and higher productivity in order to compete more effectively and (v) supply a product with consistent quality according to the requirements of our customers.

***Lithium and its Derivatives***

Our strategy in our lithium business is to: (i) strategically allocate our lithium carbonate and lithium hydroxide sales; (ii) encourage demand growth and promote new lithium uses; (iii) selectively pursue opportunities in the lithium derivatives business by creating new lithium compounds; (iv) reduce our production costs through improved processes and higher productivity in order to compete more effectively and (v) supply a product with consistent quality according to the requirements of our customers.

***Potassium***

Our strategy in our potassium business is to: (i) offer a portfolio of potassium products, including potassium sulfate, potassium chloride and other fertilizers, to our traditional markets; (ii) create flexibility to offer crystalized (standard) or granular (compacted) form products according to market requirements; (iii) focus on markets where we have logistical advantages and synergies with our specialty plant nutrition business and (iv) supply a product with consistent quality according to the requirements of our customers.

### ***Industrial Chemicals***

Our strategy in our industrial chemical business is to: (i) maintain our leadership position in the industrial nitrates market as well as increase our supply of potassium chloride in markets where we have natural advantages; (ii) encourage demand growth in different applications; (iii) become a long-term, reliable supplier for the thermal storage industry; (iv) reduce our production costs through improved processes and higher productivity in order to compete more effectively and (v) supply a product with consistent quality according to the requirements of our customers.

### ***New Business Ventures***

From time to time we evaluate opportunities to expand in our current core businesses or within new businesses in which we believe we may have sustainable competitive advantages, both within and outside Chile, and we expect to continue to do so in the future.

We are continuously exploring the possibility of acquiring controlling interests in companies that have mining properties in our core business areas and are in early stages of development. Consistent with our business strategy, we will continue to evaluate acquisitions, joint ventures and alliances in our core businesses and, depending on all facts and circumstances, may seek to acquire controlling stakes or other interests related to our core businesses both inside and outside of Chile, including other emerging markets.

In addition, we are actively conducting exploration for metallic minerals in the mining properties we own, through the generation of prospects and the progressive exploration of such prospects. If such minerals are found, we may decide to exploit, sell or enter into an association to extract these resources. We have already identified several areas in which we are conducting more targeted exploration, which may lead us to carry out further studies in order to finally decide how to proceed with any prospect or prospects of interest. We have flexibility in determining which strategy we consider appropriate, depending on the characteristics of each prospect. We may also decide not to move forward with any potential metallic prospects discovered from our exploration operations. Between 2011 and 2014 exploration expenses have averaged US\$8.5 million per year, while for 2015 expenses are not expected to exceed US\$5 million as a result of a new strategy to optimize our exploration plan.

In parallel to our own exploration operations, as of March 2015, we had 12 option agreements in effect with third parties and mining companies related to metallic mineral exploration. In all these agreements, we retain the rights over the caliche ore, which contains nitrates, iodine and potassium, among others. We continue to develop our program of exploration alliances with third parties through option contracts, in particular through minority participation and maintaining royalties on sales if the prospect is exploited. These alliances have enabled us to finance the metallic exploration efforts carried out by SQM. Our current plan is to achieve and maintain closer to one million hectares under exploration alliances and maintain exploration investment of approximately US\$20 million per year by our current and future partners in these exploration alliances.

**Main Business Lines**

Specialty Plant Nutrition

We believe we are the world's largest producer of potassium nitrate. We estimate that our sales accounted for approximately 46% of global potassium nitrate sales by volume in 2014. This estimate does not include potassium nitrate produced and sold locally in China, only net imports/exports. During 2014, the potassium nitrate market grew around 10% (considering only agricultural use of potassium nitrate, and excluding sales by Chinese producers to the domestic Chinese market), with global sales exceeding one million metric tons. This was due in part to the substitution of potassium nitrate for potassium sulfate and also to the more competitive pricing between these chloride-free sources of potassium. We also produce the following specialty plant nutrients: sodium nitrate, sodium potassium nitrate and specialty blends (containing various combinations of nitrogen, phosphate and potassium and generally known as "NPK blends").

These specialty plant nutrients have specific characteristics that increase productivity and enhance quality when used on certain crops and soils. Our specialty plant nutrients have significant advantages for certain applications over commodity fertilizers based on nitrogen and potassium, such as urea and potassium chloride.

In particular, our specialty plant nutrients:

- are fully water soluble, allowing their use in hydroponics, fertigation, foliar applications and other advanced agricultural techniques;

- improve the water use efficiency of crops and help conserve water;

- are chloride-free, which prevents chloride toxicity in certain crops associated with high levels of chlorine in plant nutrients;

- provide nitrogen in nitric form, thereby allowing crops to absorb nutrients faster than they absorb urea or ammonium-based fertilizers;

- do not release hydrogen after application, thereby avoiding increased soil acidity;

- possess trace elements, which promote disease resistance in plants and

- are more attractive to customers who prefer products of natural origin.

In 2014, our specialty plant nutrients sales increased to US\$708.0 million, representing 35% of our total sales for that year and a 3.0% increase from US\$687.5 million specialty plant nutrients sales in 2013. This increase was a result of higher sales volumes, which increased 3.6% in 2014.

#### *Specialty Plant Nutrition: Market*

The target market for our specialty plant nutrients includes producers of high-value crops such as vegetables, fruits, industrial crops, flowers, cotton and others. Furthermore, we sell specialty plant nutrients to producers of chloride-sensitive crops. Since 1990, the international market for specialty plant nutrients has grown at a faster rate than the international market for commodity-type fertilizers. This is mostly due to: (i) the application of new agricultural technologies such as fertigation and hydroponics, and the increasing use of greenhouses; (ii) the increase in the cost of land and the scarcity of water, which has forced farmers to improve their yields and reduce water use; and (iii) the increase in demand for higher quality crops, such as fruits and vegetables.

Over the last 10 years, the compound annual growth rate for vegetable production per capita was 3.0% while the compound annual growth rate for the world population was only 1.5%.

Worldwide scarcity of water and arable land drives the development of new agricultural techniques to maximize the use of these resources. Irrigation has grown at an average annual rate of 1.5% during the last 20 years (a pace equal with population growth). However, micro-irrigation has grown at 10% per year over the same period. Microirrigation systems, which include drip-irrigation and micro-sprinklers, are the most efficient forms of technical irrigation. These applications require fully water-soluble plant nutrients. Our nitrate-based specialty plant nutrients provide nitrogen in nitric form, which helps crops absorb these nutrients faster than they absorb urea- or ammonium-based fertilizers, facilitating a more efficient application of nutrients to the plant and thereby increasing the crop's yield and improving its quality.

Asia is the region with the lowest ratio (micro-irrigation/total irrigated hectares) in the world, reaching around 3%. This represents a high potential for this technology, which is reflected in the high growth rates in recent years. For example, the growth rate of hectares under micro-irrigation in China is estimated to have exceeded 6% in 2014.

The market for potassium nitrate in China is 385,000 to 400,000 metric tons, of which approximately 150,000 is related to the tobacco industry and 75,000 to 80,000 is related to the horticulture business. Of the total, between 40,000 and 50,000 metric tons are imports.

### Specialty Plant Nutrition: Our Products

Potassium nitrate, sodium potassium nitrate and specialty blends are higher margin products derived from, or consisting of, sodium nitrate, and they are all produced in crystallized or prilled form. Specialty blends are produced using our own specialty plant nutrients and other components at blending plants operated by us or our affiliates and related companies in Chile, the United States, Mexico, United Arab Emirates, South Africa, Turkey, China, India, Thailand, Brazil and Peru.

The following table shows our sales volumes of and revenues from specialty plant nutrients for 2014, 2013 and 2012:

	2014	2013	2012
<b>Sales Volume</b> ( <i>Th. MT</i> )			
Sodium nitrate	15.8	26.2	24.4
Potassium nitrate and sodium potassium nitrate	531.6	512.6	469.3
Specialty blends <sup>(1)</sup>	228.0	208.1	197.5
Other specialty plant nutrients <sup>(2)</sup>	102.5	100.8	89.0
<b>Total Revenues</b> ( <i>in US\$ millions</i> )	708.0	687.5	675.3

(1)Includes Yara's products sold pursuant to our commercial agreement.

(2)Includes trading of other specialty fertilizers.

Depending on the systems used to apply specialty nutrients, fertilizers can be classified as specialty field fertilizers or water-soluble fertilizers.

Specialty field fertilizers are applied directly to the soil, manually or in a mechanized fashion. Their high solubility levels, lack of harmful chlorine and absence of acidic reactions make them particularly advantageous for tobacco, potatoes, coffee, cotton and a wide range of fruits and vegetables.

Water-soluble fertilizers are specialty nutrients that are delivered to the crops using modern irrigation systems. As these systems feature refined technology, the products used in them must be highly soluble, rich in nutrients, free of impurities and insoluble substances, and with a low salinity index. The leading nutrient in this segment is potassium nitrate, whose optimal balance of nitric nitrogen and chlorine-free potassium (the two macronutrients most needed by plants) make it an indispensable source of nutrition for crops that use modern irrigation systems.

In addition, potassium nitrate is widely known to be a vital component in foliar feeding applications, where usage is recommended in order to stave off nutritional deficiencies before the first symptoms appear, correct any deficiencies that arise and prevent physiological stress. This nutrient also helps promote a suitable balance between fruit production and/or growth, and plant development, particularly in crops with physiological disorders.



Foliar feeding with potassium nitrate can have beneficial effects:

- when soil chemistry limits nutrient solubility and availability (pH, organic matter, type and percentage of clay);
- when nutrient absorption through the roots is limited as a result of conditions that hamper root growth (temperature, moisture, oxygen and loss of soil structure);
- when the plant's local internal demand may surpass real internal nutrient redistribution capacity, leaving the demand unsatisfied;
- when nutrient mobility is limited, when plants flower before the leaf growth phase, imposing limiting factors on xylem nutrient transport; and
- to promote rapid recovery from leaf stress caused by climatic conditions, soil conditions and irrigation management.

In addition to these products, SQM has consolidated a product portfolio of over 200 specialty fertilizer blends, including top brands such as Ultrasol™, for fertigation; Qrop™, for application to the soil; Speedfol™, for foliar feeding; and Allganic™, for organic crops.

#### Specialty Plant Nutrition: Marketing and Customers

In 2014, we sold our specialty plant nutrients in over 85 countries. During the same year, sales of our specialty plant nutrients were as per the table below. No single customer represented more than 10% of our specialty plant nutrient sales during 2014, and we estimate that our 10 largest customers accounted in the aggregate for approximately 34% of sales during that period. No supplier accounted for more than 10% of the costs of sales for this business line.

<b>Sales Breakdown</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
North America	30 %	27 %	27 %
Europe	21 %	20 %	17 %
Central and South America	31 %	32 %	38 %
Asia and Others	18 %	21 %	18 %

We sell our specialty plant nutrition products outside Chile mainly through our own worldwide network of representative offices and through our distribution affiliates.

We maintain stocks of our specialty plant nutrients in the main markets of the Americas, Asia, Europe, the Middle East and Africa in order to facilitate prompt deliveries to customers. In addition, we sell specialty plant nutrients directly to some of our large customers. Sales are made pursuant to spot purchase orders and short-term contracts.

In connection with our marketing efforts, we provide technical and agronomical assistance and support to some of our customers. By working closely with our customers, we are able to identify new, higher-value-added products and markets. Our specialty plant nutrients are used on a wide variety of crops, particularly value-added crops, where the use of our products enables our customers to increase yield and command a premium price.

In 2013, we launched the global Speedfol™ Crop SP project in order to promote a range of crop-specific, predominantly potassium nitrate-based, locally-produced, water-soluble NPK formulations for foliar spray applications. The Speedfol™ Crop SP project has a duration of five years and targets a variety of crops such as cereals grains, citrus, mango, cotton, soybean and coffee, in countries such as Brazil, China, India, Mexico, South Africa and the United States of America. Scientifically proven benefits of Speedfol™ Crop SP applications include increased yields, better quality (such as larger-sized fruits) and reduced crop losses (such as less premature fruit drop and lower lodging incidence in cereals).

Our customers are located in both the northern and southern hemispheres. Consequently, we do not believe there are any seasonal or cyclical factors that can materially affect the sales of our specialty plant nutrients.

*Specialty Plant Nutrition: Joint Ventures and Agreements*

Consistent with our business strategy, from time to time we evaluate opportunities to expand in our current core businesses, including our specialty plant nutrition business, or within new businesses in which we believe we may have sustainable competitive advantages. We evaluate potential acquisitions, joint ventures and alliances with companies both within and outside of Chile, including in other emerging markets.

In May 2008, we signed a commitment letter for a joint venture with Migao Corporation (“Migao”) for the production and distribution of specialty plant nutrients in China. Through the joint venture, we constructed a potassium nitrate plant with a production capacity of 40,000 metric tons per year. The plant began operating in January 2011, and has allowed us to increase our presence in China, which is one of the most important and fastest growing markets for the fertilizer industry.

In May 2009, our subsidiary Soquimich European Holdings entered into an agreement with Coromandel Fertilizers Ltd. to create a joint venture for the production and distribution of water soluble fertilizers in India. The agreement established a 50/50 contribution to the joint venture. As part of the agreement, a new 15,000 metric ton facility was constructed in the city of Kakinada to produce water soluble NPK grade fertilizers. This new facility began operating in January 2012.

In December 2009, we signed an agreement with the French Roullier Group to form the joint venture SQM Vitas. This agreement joins two of the largest companies in the businesses of specialty plant nutrition, specialty animal nutrition and professional hygiene. Peru, Brazil and South Africa are the main focus markets of this joint venture, and Dubai is the main productive unit. As part of the agreement, our phosphate plant located in Dubai became part of this joint venture.

In 2012, SQM Vitas started the construction of new plants in Brazil (Candeias), Peru and South Africa (Durban) for the production of water soluble fertilizers containing different relative amounts of nitrogen, phosphorus and potassium, and at times, smaller amounts of other chemicals. The Candeias Industrial Complex plant in Brazil began operating in March 2012 and has a production capacity of 25,000 metric tons per year.

Between 2010 and 2012, we continued to expand our production capacity of potassium products in our operations in the Salar de Atacama. In 2011, we completed the construction of a new potassium nitrate facility in Coya Sur, increasing our overall production capacity of potassium nitrate by 300,000 metric tons.

In 2013, the operations of SQM Vitas in Spain began with a water soluble NPK fertilizer plant that has a production capacity of 15,000 metric tons per year.

During 2013, the marketing activities of our joint ventures integrated in SQM (Beijing). This change aims to enhance the efficiency of distribution channels for fertilizer products by consolidating marketing into a unified brand and management team, thus reducing costs. In addition, our strategy in this segment is to increase production of water soluble fertilizers and extend our technologies and their applications in order to increase popularity and expand the use of these products.

On March 8, 2013, SQM VITAS acquired the Controlled Release Fertilizer (“CRF”) Technology and Plantacote® business and brand name from AGLUKON. Plantacote® is highly efficient in nutrient utilization and is environmentally friendly due to prevention of leaching, volatilization and fixation of nutrients in the soils as well as the degradation of the coating by microorganisms after complete nutrient release. The unique coating technology and quality standards make Plantacote® very reliable for growing high-quality plants. This new global facility will produce both premium and standard CRFs under the Plantacote® brand name in order to supply worldwide customers that are active in horticulture, agriculture, turf, growing media and consumer markets. Due to this acquisition, SQM VITAS will be able to further expand its current product portfolio of specialty plant nutrition solutions for the benefit of its customers.

In December 2014, an asset transfer agreement was signed between Plantacote BV and Plantacote NV (a new company that is 99.99% owned by Doctor Tarsa, which is a company that was created in 2000 in which SQM holds a 50% stake). As a result of this agreement, the business and Plantacote® brand were transferred to the new company Plantacote NV, but with no changes to the business or the CRF project. SQM continues to hold a 50% ownership stake in the company.

*Specialty Plant Nutrition: Fertilizer Sales in Chile*

We market specialty plant nutrients in Chile through our subsidiary Soquimich Comercial S.A. (SQMC).

SQMC is currently one of the main players in the Chilean market, offering a wide range of products developed specifically for the crops grown in the country. As specialty plant nutrients have differentiating qualities with respect to traditional fertilizers, they play a key role in this market.

SQMC sells local products as well as products imported from different countries around the world, including China, Mexico and Venezuela.

All contracts and agreements between Soquimich Comercial S.A. and its foreign suppliers of fertilizers generally contain standard and customary commercial terms and conditions. SQMC has been able to obtain adequate supplies of these products with good pricing conditions.

Soquimich Comercial S.A.’s sales of fertilizers represented approximately 30% of total fertilizer sales in Chile during 2014. Soquimich Comercial S.A.’s consolidated revenues were approximately US\$214 million and US\$230 million in 2014 and 2013, respectively.

Specialty Plant Nutrition: Competition

We believe we are the world's largest producer of sodium and potassium nitrate for agricultural use. Our sodium nitrate products compete indirectly with specialty and commodity-type substitutes, which may be used by some customers instead of sodium nitrate depending on the type of soil and crop to which the product will be applied. Such substitute products include calcium nitrate, ammonium nitrate and calcium ammonium nitrate.

In the potassium nitrate market our largest competitor is Haifa Chemicals Ltd. ("Haifa"), in Israel, which is a subsidiary of Trans Resources International Inc. We estimate that sales of potassium nitrate by Haifa accounted for approximately 31% of total world sales during 2014 (excluding sales by Chinese producers to the domestic Chinese market), compared to our share of the market which accounted for approximately 46% of global potassium nitrate sales by volume for the period.

ACF, another Chilean producer, mainly oriented to iodine production, has produced potassium nitrate from caliche ore and potassium chloride since 2005. Kemapco, a Jordanian producer owned by Arab Potash, produces potassium nitrate in a plant located close to the Port of Aqaba, Jordan. In addition, there are several potassium nitrate producers in China, the largest of which are Yuantong (Qinghai Salt Lake 75.5% and Wentong 24.5%) and Migao. Most of the Chinese production is consumed by the Chinese domestic market.

The principal means of competition in the sale of potassium nitrate are product quality, customer service, location, logistics, agronomic expertise and price.

In Chile, our products mainly compete with imported fertilizer blends that use calcium ammonium nitrate or potassium magnesium sulfate. Our specialty plant nutrients also compete indirectly with lower-priced synthetic commodity-type fertilizers such as ammonia and urea, which are produced by many producers in a highly price-competitive market. Our products compete on the basis of advantages that make them more suitable for certain applications as described above.

### *Iodine and its Derivatives*

We believe we are the world's largest producer of iodine. In 2014, our revenues from iodine and iodine derivatives amounted to US\$335.4 million, representing 17% of our total revenues in that year. We estimate that our sales accounted for approximately 26% of world iodine sales by volume in 2014.

#### *Iodine: Market*

Iodine and iodine derivatives are used in a wide range of medical, agricultural and industrial applications as well as in human and animal nutrition products. Iodine and iodine derivatives are used as raw materials or catalysts in the formulation of products such as X-ray contrast media, biocides, antiseptics and disinfectants, pharmaceutical intermediates, polarizing films for LCDs, chemicals, herbicides, organic compounds and pigments. Iodine is also added in the form of potassium iodate or potassium iodide to edible salt to prevent iodine deficiency disorders.

X-ray contrast media is the leading application of iodine, accounting for 22% of demand. Iodine's high atomic number and density make it ideally suited for this application, as its presence in the body can help to increase contrast between tissues, organs, and blood vessels with similar X-ray densities. Other applications include pharmaceuticals, which account for 13% of demand; iodophors and povidone-iodine, 12%; LCD screens, 12%; animal nutrition, 8%; fluoride derivatives, 7%; biocides, 5%; nylon, 4% and human nutrition, 3%.

We have seen consistent growth in the iodine market over the last ten years, with the exception of 2009, which was affected by the global financial crisis, with demand being led by uses related to X-ray contrast media and pharmaceuticals. During 2014, iodine demand grew moderately compared to 2013 as a result of inertia following the high prices observed in the industry from 2011 to 2013. However, the lower prices observed during 2014 have continued, which could have a positive effect on demand growth in 2015. We estimate that the global market size in

2014 was approximately 31,600 metric tons, with around 56% of supply coming from Chilean producers, including us.

*Iodine: Our Products*

We produce iodine in our Nueva Victoria plant, near Iquique, and our Pedro de Valdivia plant, close to María Elena. We have a total production capacity of approximately 13,300 metric tons per year of iodine, including the Iris plant, which is located next to the Nueva Victoria plant.

Through ASG, we produce organic and inorganic iodine derivatives. ASG was established in the mid-1990s and has production plants in the United States, Chile and France. ASG is the world's leading inorganic and organic iodine derivatives producer.

Consistent with our business strategy, we are constantly working on the development of new applications for our iodine-based products, pursuing a continuing expansion of our businesses and maintaining our market leadership.



We manufacture our iodine and iodine derivatives in accordance with international quality standards and have qualified our iodine facilities and production processes under the ISO-9001:2008 program, providing third party certification of the quality management system and international quality control standards that we have implemented.

The following table shows our total sales and revenues from iodine and iodine derivatives for 2014, 2013 and 2012:

	2014	2013	2012
<b>Sales Volume (Th. MT)</b>			
Iodine and derivatives	8.8	9.3	11.0
<b>Revenues (in US\$ millions)</b>	335.4	461.0	578.1

Our sales revenues decreased from US\$461.0 million in 2013 to US\$335.4 million in 2014. This decrease was primarily attributable to the decrease in iodine prices during 2014. Average iodine prices were more than 20% lower in 2014 when compared to 2013.

#### Iodine: Marketing and Customers

In 2014, we sold our iodine products to approximately 260 customers in over 60 countries, and most of our sales were exports: 31% was sold to customers in North America, 35% to customers in Europe, 4% to customers in Central and South America, and 30% to customers in Asia and other regions. Only two customers accounted for more than 10% of our iodine sales in 2014. Together, these two customers accounted for approximately 31% of sales, and we estimate that our ten largest customers accounted in the aggregate for approximately 61% of sales. No supplier accounted for more than 10% of the cost of sales of this business line.

The following table shows the geographical breakdown of our sales for 2014, 2013 and 2012:

Sales Breakdown	2014	2013	2012
North America	31 %	35 %	36 %
Europe	35 %	36 %	30 %
Central & South America	4 %	4 %	3 %
Asia and Others	30 %	25 %	31 %

We sell iodine through our own worldwide network of representative offices and through our sales, support and distribution affiliates. We maintain inventories of iodine at our facilities throughout the world to facilitate prompt delivery to customers. Iodine sales are made pursuant to spot purchase orders or within the framework of supply agreements. Supply agreements generally specify annual minimum and maximum purchase commitments, and prices

are adjusted periodically, according to prevailing market prices.

*Iodine: Competition*

The world's main iodine producers are based in Chile, Japan and the United States. Iodine is also produced in Russia, Turkmenistan, Azerbaijan, Indonesia and China.

Iodine is produced in Chile using a unique mineral known as caliche ore, whereas in Japan, the United States, Russia, Turkmenistan, Azerbaijan, and Indonesia, producers extract iodine from underground brines that are mainly obtained together with the extraction of natural gas and petroleum. In China, iodine is extracted from seaweed.

Six Chilean companies accounted for approximately 56% of total global sales of iodine in 2014, including SQM, with approximately 26%, and five other producers, accounting for the remaining 30%. The other Chilean producers are: Atacama Chemical S.A. (Cosayach), controlled by the Chilean holding Inverraz S.A.; ACF Minera S.A. owned by the Chilean family De Urruticoechea; Algorta Norte S.A., a joint venture between ACF Minera S.A. and Toyota Tsusho; SCM Bullmine and RB Energy (a Canadian company previously known as Sirocco Mining Inc. or as Atacama Minerals).

We estimate that eight Japanese iodine producers accounted for approximately 31% of global iodine sales in 2014, including recycled iodine.

We estimate that iodine producers in the United States (one of which is owned by Ise Chemicals Ltd., a Japanese company) accounted for 5% of world iodine sales in 2014.

Iodine recycling is a growing trend worldwide. Several Japanese producers have recycling facilities where they recover iodine and iodine derivatives from iodine waste streams. Iodine recycling, mainly related to LCD consumption, has increased over the past few years and currently represents approximately 17% of world iodine sales. It is estimated that approximately 74% of total world iodine recycling was done by Japanese iodine producers.

We, through ASG or alone, are also actively participating in the iodine recycling business using iodinated side-streams from a variety of chemical processes in Europe and the United States.

The prices of iodine and iodine derivative products are determined by market conditions. World iodine prices vary depending upon, among other things, the relationship between supply and demand at any given time. Iodine supply varies primarily as a result of the production levels of the iodine producers (including us) and their respective business strategies. Our annual average iodine sales prices decreased to approximately US\$38 per kilogram in 2014, as a result of supply growth outpacing demand growth.

Demand for iodine varies depending upon overall levels of economic activity and the level of demand in the medical, pharmaceutical, industrial and other sectors that are the main users of iodine and iodine-derivative products. Certain substitutes for iodine are available for certain applications, such as antiseptics and disinfectants, which could represent a cost-effective alternative to iodine depending on prevailing prices.

The main factors of competition in the sale of iodine and iodine derivative products are reliability, price, quality, customer service and the price and availability of substitutes. We believe we have competitive advantages compared

to other producers due to the size and quality of our mining reserves and the available production capacity. We believe our iodine is competitive with that produced by other manufacturers in certain advanced industrial processes. We also believe we benefit competitively from the long-term relationships we have established with our largest customers.

### *Lithium and its Derivatives*

We believe we are one of the world's largest producers of lithium carbonate and lithium hydroxide. In 2014, our revenues from lithium sales amounted to US\$206.8 million, representing 10% of our total revenues. We estimate that our sales accounted for approximately 27% of the sale of global lithium chemicals sales by volume.

#### Lithium: Market

Lithium is mainly marketed as lithium carbonate. The next most traded compound is lithium hydroxide. Both of these compounds are used to produce the cathodes for rechargeable batteries, taking advantage of lithium's extreme electrochemical potential and low density. Batteries are the leading application for lithium, accounting for 46% of total demand. Lithium carbonate is also used in applications such as ceramic and enamel frits (5% of demand), heat resistant glass (ceramic glass) (5% of demand), air conditioning chemicals (4% of demand), continuous casting powder for steel extrusion (2% of demand), primary aluminum smelting process (1% of demand), and others, including the synthesis of pharmaceuticals and lithium derivatives.

Lithium hydroxide is primarily used as a raw material in the lubricating grease industry (11% of demand), as well as in the dyes and the battery industries.

Lithium's main properties, which facilitate its use in this range of applications, are:

- it is the lightest solid element at room temperature;
- it has a low coefficient of thermal expansion;
- it has high electrochemical potential and low density and
- it is the solid with the highest specific heat capacity.

During 2014, lithium chemicals demand increased by approximately 9%, reaching approximately 142,000 metric tons, with close to 50% supplied by Chilean producers. We expect applications related to energy storage to continue driving demand in the coming years.

*Lithium: Our Products*

We produce lithium carbonate at our Salar del Carmen facilities, near Antofagasta, Chile, from solutions with high concentrations of lithium, in the form of lithium chloride, coming from the potassium chloride production at the Salar de Atacama. The annual production capacity of our lithium carbonate plant is 48,000 metric tons per year. We believe that the technologies we use, together with the high concentrations of lithium and unique characteristics of the Salar de Atacama, such as high evaporation rate and concentration of other minerals, allow us to be one of the lowest cost producers worldwide.

We also produce lithium hydroxide at our facilities at the Salar del Carmen, next to the lithium carbonate operation. The lithium hydroxide facility has a production capacity of 6,000 metric tons per year and is one of the largest plants in the world.

The following table shows our total sales and revenues from lithium carbonate and its derivatives for 2014, 2013 and 2012:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Sales Volume</b> ( <i>Th. MT</i> )			
Lithium and derivatives	39.5	36.1	45.7
<b>Revenues</b> ( <i>in US\$ millions</i> )	206.8	196.5	222.2

Our revenues in 2014 were US\$206.8 million, a 5.3% increase from US\$196.5 million in 2013, due to higher sales volumes supported by strong demand growth.

*Lithium: Marketing and Customers*

In 2014, we sold our lithium products to over 220 customers in around 50 countries. Only one customer accounted for more than 10% of our lithium sales in 2014, accounting for approximately 11% of lithium sales. We estimate that our 10 largest customers accounted in aggregate for approximately 58% of sales. Only one supplier accounted for over 10% of the cost of sales of this business line, accounting for approximately 13% of the cost of sales.

The following table shows the geographical breakdown of our sales for 2014, 2013 and 2012:

Sales Breakdown	2014	2013	2012
North America	11 %	12 %	10 %
Europe	22 %	25 %	22 %
Central & South America	1 %	2 %	2 %
Asia and Others	66 %	62 %	66 %

We sell lithium carbonate and lithium hydroxide through our own worldwide network of representative offices and through our sales, support and distribution affiliates. We maintain inventories of these products at our facilities throughout the world to facilitate prompt delivery to customers. Sales of lithium carbonate and lithium hydroxide are made pursuant to spot purchase orders or within the framework of supply agreements. Supply agreements generally specify annual minimum and maximum purchase commitments, and prices are adjusted periodically, according to prevailing market prices.

#### Lithium: Competition

Our main competitors in the lithium carbonate and lithium hydroxide businesses are Rockwood Lithium (“Rockwood”), which was recently acquired by Albemarle and which, according to our estimates, has a market share of approximately 22%, and FMC Corporation (“FMC”), which has an estimated market share of approximately 12%. In addition, a number of Chinese producers together accounted for approximately 37% of the world market in 2014, by volume. Rockwood produces lithium carbonate at its operations in Chile and in Nevada, United States. Its production of downstream lithium products is mostly performed in the United States, Germany and Taiwan. Rockwood and Tianqi are 49%/51% partners in Talison Lithium Pty Ltd., an Australian company that produces lithium mineral concentrate in Western Australia. Tianqi is in the process of purchasing Galaxy, an Australian company that has a lithium carbonate plant in China. FMC has production facilities in Argentina through Minera del Altiplano S.A., where it produces lithium chloride and lithium carbonate. Production of its downstream lithium products is mostly performed in the United States and the United Kingdom.

We believe that lithium production will increase in the near future, balancing the expected growth in demand. Recently, Orocobre began operating in Argentina, and a number of new projects to develop lithium deposits have been announced recently. Some of these projects are already under advanced development and others could materialize in the medium term.

#### *Potassium*

We produce potassium chloride and potassium sulfate by extracting brines from the Salar de Atacama that are rich in potassium chloride and other salts.

Since 2009, our end product capacity has increased to over 2 million metric tons per year, granting us improved flexibility and market coverage.

In 2014, our potassium chloride and potassium sulfate revenues amounted to US\$584.3 million, representing 29% of our total revenues and a 3.6% decrease compared to 2013.

Potassium is one of the three macronutrients that a plant needs to develop. Although potassium does not form part of a plant's structure, it is essential to the development of its basic functions. Potassium chloride is the most commonly used potassium-based fertilizer. It is used to fertilize crops that can tolerate relatively high levels of chloride, and to fertilize crops that are grown under conditions with sufficient rainfall or irrigation practices that prevent chloride from accumulating to excess levels in the rooting systems of the plant.

Some benefits that may be obtained through the use of potassium are:

- increased yield and quality;
- increased production of proteins;



- increased photosynthesis;
- intensified transport and storage of assimilates;
- prolonged and more intense assimilation period;
- improved water efficiency;
- regulated opening and closure of stomata and synthesis of lycopene.

Potassium chloride is also an important component for our specialty plant nutrition product line, where it is used as a raw material to produce potassium nitrate.

### Potassium: Market

During the last decade, the potassium chloride market has experienced rapid growth due to several key factors such as a growing world population, higher demand for protein-based diets and less arable land. All of these factors have contributed to growing demand for fertilizers and, in particular, potassium chloride, as efforts are being made to maximize crop yields and use resources more efficiently. For the last 10 years, the compound annual growth for the global potassium chloride market was approximately 2.3%.

According to the most recent studies prepared by the International Fertilizer Industry Association from 2010 to 2011, cereals received 10.3 MT K<sub>2</sub>O, (i.e., 37.4% of world K consumption, with a low contribution of wheat (6.2%) compared to rice (12.6%) and maize (14.9%)). In contrast, oilseeds represented 19.8% of the total (5.4 MT K<sub>2</sub>O), with more than four fifths being applied to soybean (9.0%) and oil palm (7.2%) together. K fertilizer use on fibre crops and roots and tubers was modest (2.8 and 3.8%, respectively) compared to sugar crops (7.7%) and fruits and vegetables (16.6%). The remaining 11.8% were applied to other crops.

Demand in the potassium chloride market increased in 2014. We estimate that demand reached between 61 and 62 million metric tons for potassium chloride during 2014, an increase of approximately 15% as compared to 2013, with record levels of shipments from the producers Uralkali, in Russia, and Belaruskali, in Belarus. Demand was affected by the economic uncertainty from the previous year, as some customers pushed their purchases back from the second half of 2013 to 2014. We do not expect to see demand growth in 2015.

Average prices in the potassium market decreased significantly during 2013 and the first quarter of 2014 due to unusual events. Uralkali, a leading company in the potash market, abandoned the business arrangement that it held with BPC and generated market uncertainty which affected the commodity's price levels. Beginning in the second quarter of 2014, the price slowly began to recover, but prices did not return to the levels prevailing prior to these events.

Potassium: Our Products

Potassium chloride differs from our specialty plant nutrition products because it is a commodity fertilizer and contains chloride. We offer potassium chloride in two grades: standard and compacted. Potassium sulfate is considered a specialty fertilizer and we offer three grades: standard, compacted and soluble.

The following table shows our sales volumes of and revenues from potassium chloride and potassium sulfate for 2014, 2013 and 2012:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Sales Volume</b> ( <i>Th. MT</i> )			
Potassium chloride & potassium sulfate	1,556.2	1,434.9	1,209.5
<b>Revenues</b> ( <i>in US\$ millions</i> )	584.3	606.3	605.1

Potassium: Marketing and Customers

In 2014, we sold potassium chloride and potassium sulfate in over 60 countries. No single customer accounted for more than 11% of our sales of potassium chloride and potassium sulfate in 2014, and we estimate that our 10 largest customers accounted in the aggregate for approximately 47% of such sales. One supplier accounted for 12% of the cost of sales for the business line and was the only supplier representing more than 10% of the cost of sales of this business line.

The following table shows the geographical breakdown of our sales for 2014, 2013 and 2012:

Sales Breakdown	2014	2013	2012
North America	23 %	17 %	15 %
Europe	13 %	16 %	21 %
Central & South America	45 %	44 %	47 %
Asia and Others	19 %	23 %	17 %

Potassium: Competition

We estimate that we accounted for less than 3% of global sales of potassium chloride in 2014. Our main competitors are Uralkali, PCS, Belaruskali and Mosaic. We estimate that in 2014, Uralkali accounted for approximately 18% of global sales, PCS around 15%, Mosaic around 14%, and Belaruskali approximately 13% of global sales.

In the potassium sulfate market, we have several competitors, of which the most important are K+S KALI GmbH (Germany), Tessenderlo Chemie (Belgium) and Great Salt Lake Minerals Corp. (United States). We estimate that these three producers account for approximately 30% of the worldwide production of potassium sulfate. SQM accounts for less than 2% of global production.

Industrial Chemicals

In addition to producing sodium and potassium nitrate for agricultural applications, we produce different grades of these products for industrial applications. The different grades differ mainly in their chemical purity. We enjoy certain operational flexibility when producing industrial nitrates, because they are produced from the same process as their equivalent agricultural grades, needing only an additional step of purification. We may, with certain constraints, shift production from one grade to the other depending on market conditions. This flexibility allows us to maximize yields and to reduce commercial risk.

In addition to producing industrial nitrates, we produce and market other industrial chemicals such as industrial-grade potassium chloride and boric acid, a by-product of the production of potassium sulfate.

In 2014, our revenues from industrial chemicals were US\$101.9 million, representing approximately 5% of our total revenues for that year.

*Industrial Chemicals: Market*

Industrial sodium and potassium nitrates are used in a wide range of industrial applications, including the production of glass, ceramics, explosives, charcoal briquettes, metal treatments and various chemical processes.

In addition, this product line has also experienced growth from the use of industrial nitrates as thermal storage in concentrated solar power plants (commonly known as “CSP”). Solar salts for this specific application contain a blend of 60% sodium nitrate and 40% potassium nitrate by weight ratio used as a storage and heat transfer medium. Unlike traditional photovoltaic plants, these new plants use a “battery” or tank that contains molten nitrate salts, which store energy as heat. The salts are kept hot during the day, and release the solar energy that they have captured during the night, allowing the plant to operate even during hours of darkness. Another difference with the photovoltaic technology is that CSP plants are of large scale and only take a few years between the development stage and the commercial operation date. Their development is mainly driven by implementation of renewable programs deployed by different governments worldwide, along with demand for electricity generation. This market fluctuates according to these factors and is based on long-term agreements. In 2014 and 2015, the supply of solar salts has been lower than the previous years because of the delay of some large projects. However, demand is recovering and we have closed agreements for some deliveries in 2015, with larger volumes in 2016 and 2017.

Industrial-grade potassium chloride is a basic chemical used to produce potassium hydroxide, and is used as an additive in oil drilling as well as in food processing, among other applications.

Boric acid is primarily used as raw material in the manufacturing of glass, fiberglass, ceramic and enamel frits and LCD flat panel displays.

*Industrial Chemicals: Our Products*

The following table shows our sales volumes of industrial chemicals and total revenues for 2014, 2013 and 2012:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Sales Volume</b> ( <i>Th. MT</i> )			
Industrial nitrates	124.7	173.5	277.7
Boric Acid	0.8	2.0	1.8
<b>Revenues</b> ( <i>in US\$ millions</i> )	101.9	154.0	245.2

Sales of industrial chemicals decreased from US\$154.0 million in 2013 to US\$101.9 million in 2014, primarily as a result of a decrease in sales volumes of solar salts.

*Industrial Chemicals: Marketing and Customers*

We sold our industrial nitrate products in over 70 countries in 2014, with 32% percent of our sales of industrial chemicals to customers in North America, 37% to customers in Europe, 14% to customers in Central and South America and 17% to customers in Asia and other regions. One customer accounted for more than 10% of our sales of industrial chemicals in 2014, accounting for approximately 19%, and we estimate that our 10 largest customers accounted in the aggregate for approximately 49% of such sales. No supplier accounted for more than 10% of the cost of sales of this business line.

The following table shows the geographical breakdown of our sales for 2014, 2013 and 2012:

Sales Breakdown	2014	2013	2012
North America	32 %	45 %	49 %
Europe	37 %	34 %	35 %
Central & South America	14 %	12 %	10 %
Asia and Others	17 %	9 %	6 %

We sell our industrial chemical products mainly through our own worldwide network of representative offices and through our sales and distribution affiliates. We maintain inventories of our different grades of sodium nitrate and potassium nitrate products at our facilities in Europe, North America, South Africa, Asia and South America to achieve prompt deliveries to customers. Our Research and Development department, together with our foreign affiliates, provides technical support to our customers and continuously works with them to develop new products or applications for our products.

*Industrial Chemicals: Competition*

We believe we are the world's largest producer of industrial sodium and potassium nitrate. In the case of industrial sodium nitrate, we estimate that our sales represented close to 45% of world demand in 2014 (excluding internal demand for China and India, for which we believe reliable estimates are not available). Our competitors are mainly based in Europe and Asia, producing sodium nitrate as a by-product of other production processes. In refined grade sodium nitrate, BASF AG, a German corporation and several producers in China and Eastern Europe are highly competitive in the European and Asian markets. Our industrial sodium nitrate products also compete indirectly with substitute chemicals, including sodium carbonate, sodium sulfate, calcium nitrate and ammonium nitrate, which may be used in certain applications instead of sodium nitrate and are available from a large number of producers worldwide.

Our main competitor in the industrial potassium nitrate business is Haifa, which we estimate had a market share of 23%. We estimate that our market share was approximately 25% for 2014.

Producers compete in the market for industrial sodium and potassium nitrate based on reliability, product quality, price and customer service. We believe that we are a low cost producer of both products and are able to produce high quality products.

In the potassium chloride and boric acid markets, we are a relatively small producer, mainly supplying regional needs.

***Other Products***

A large part of our other revenue is related to fertilizer trading, usually commodities. These fertilizers are traded in large volumes worldwide. We have developed a trade, supply and inventory management business that allows us to respond quickly and effectively to the changing fertilizer market in which we operate and profit on these trades.

**Production Process**

Our integrated production process can be classified according to our natural resources:

caliche ore deposits, which contain nitrates, iodine and potassium; and brines from the Salar de Atacama, which contain potassium, lithium, sulfate, boron and magnesium.

### **Caliche Ore Deposits**

Caliche ore deposits are located in northern Chile. During 2014, we operated two surface mines in this region: Pedro de Valdivia and Nueva Victoria. Operations at the Pampa Blanca site and the El Toco surface mine (which is part of the María Elena site) were temporarily suspended in an effort to optimize our production facilities with lower production costs.

Caliche ore is found under a layer of barren overburden in seams with variable thickness from 20 centimeters to five meters, and with the overburden varying in thickness between 50 centimeters and 1.5 meters.



Before proper mining begins, the exploration stage is carried out, including complete geological reconnaissance, sampling and drilling caliche ore to determine the quality and characteristics of each deposit. Drill-hole samples are properly identified and tested at our chemical laboratories. With the exploration information on a closed grid pattern of drill holes, the ore evaluation stage provides information for mine planning purposes. Mine planning is done on a long-term basis (10 years), medium-term basis (three years) and short-term basis (one year). Once all of this information has been compiled, detailed planning for the exploitation of the mine takes place.

The mining process generally begins with bulldozers first ripping and removing the overburden in the mining area. This process is followed by production drilling and blasting to break the caliche seams. Front-end loaders load the ore onto off-road trucks, which take it to be processed.

At the Pedro de Valdivia mine, trucks deliver the ore to stockpiles next to rail loading stations. The stockpiled ore is later loaded onto railcars that take the mineral to the processing facilities, where it is crushed and leached in vats in order to produce concentrated solutions containing nitrate and iodine.

At the Nueva Victoria site, the run of mine ore is loaded in heaps and leached with water to produce concentrated solutions containing nitrate, iodine and potassium. These solutions are then sent to plants where iodine is extracted through both solvent-extraction and blow out processes. The remaining solutions are subsequently sent to solar evaporation ponds where the solutions are evaporated and rich nitrate salts are produced. These concentrated nitrate salts are then sent to Coya Sur where they are used to produce potassium nitrate.

### ***Caliche Ore-Derived Products***

Caliche ore-derived products are: sodium nitrate, potassium nitrate, sodium potassium nitrate, iodine, and iodine derivatives.

#### **Sodium Nitrate**

During 2014, sodium nitrate for both agricultural and industrial applications was produced at the Pedro de Valdivia facility and subsequently processed at the Coya Sur plants. At the Pedro de Valdivia facility, the caliche ore is crushed, creating two products: a coarse fraction and a fine fraction. The coarse fraction is processed using the Guggenheim method, which was originally patented in 1921 and is based on a closed-circuit method of leaching vats. This process uses heated brines to leach the crushed caliche in vats and selectively dissolve the contents. The concentrated solution is then cooled, producing sodium nitrate crystals, which can then be separated from the brine

using basket centrifuges. After the crystallization and separation processes, the nitrate crystals are sent to the processing plant, and the brine is pumped to the iodine facilities, where the iodide is separated in a solvent extraction plant. Finally, the brine is returned to the vat leaching process.

The fine fraction from the caliche crushing process is leached at ambient temperature with water, producing a solution that is pumped to a fines pond. After going through a separation process, the solution is pumped to the iodine facilities. After a solvent extraction process, the brine is pumped to solar evaporation ponds in Coya Sur, 15 km south of María Elena, for the concentration of nitrates.

Our total current crystallized sodium nitrate production capacity at the Pedro de Valdivia facility is approximately 500,000 metric tons per year. Crystallized sodium nitrate is an intermediate product that is subsequently processed further at the Coya Sur and María Elena production plants to produce sodium nitrate, potassium nitrate and sodium potassium nitrate in different chemical and physical qualities, including crystallized and prilled products. Finally, the products are transported by railway to our port facilities in Tocopilla for shipping to customers and distributors worldwide.

### Potassium Nitrate

Potassium nitrate is produced at our Coya Sur facility using a production process developed by us. The brine leached using the fine fraction of the crushed caliche at Pedro de Valdivia and the brines produced by the heap leaching process at María Elena are pumped to Coya Sur's solar evaporation ponds for a nitrate concentration process. After the nitrate concentration process, the brine is pumped to a conversion plant where salts with lower potassium content, produced at Nueva Victoria or Coya Sur, are added. A chemical reaction begins, producing brine with dissolved potassium nitrate. This brine is pumped to a crystallization plant, which crystallizes the potassium nitrate by cooling it and separating it from the liquid by centrifuge.

Our current potassium nitrate production capacity at Coya Sur is approximately 1,000,000 metric tons per year. In March 2011, a new potassium nitrate production plant (NPT3) started operations. This plant has been gradually increasing its annual production, reaching approximately 283,000 tons in 2014. This new plant was designed to use raw material salts harvested at Nueva Victoria (nitrate salts) and the Salar de Atacama (potassium salts).

The potassium nitrate produced in crystallized or prilled form at Coya Sur has been certified by TÜV-Rheiland under the quality standard ISO 9001:2008. The potassium nitrate produced at Coya Sur is transported to Tocopilla for shipping and delivery to customers and distributors.

### Sodium Potassium Nitrate

Sodium potassium nitrate is a mixture of approximately two parts sodium nitrate per one part potassium nitrate. We produce sodium potassium nitrate at our Coya Sur and María Elena prilling facilities using standard, non-patented production methods we have developed. Crystallized sodium nitrate is mixed with the crystallized potassium nitrate to make sodium potassium nitrate, which is then prilled. The prilled sodium potassium nitrate is transported to Tocopilla for bulk shipment to customers.

The production process for sodium potassium nitrate is basically the same as that for sodium nitrate and potassium nitrate. With certain production restraints and following market conditions, we may supply sodium nitrate, potassium nitrate or sodium potassium nitrate, either in prilled or crystallized form.

### Iodine and Iodine Derivatives

During 2014, we produced iodine at our Pedro de Valdivia, María Elena, and Nueva Victoria facilities (including the Iris facility, which is part of the Nueva Victoria facility). At the María Elena and Nueva Victoria facilities, iodine is extracted from solutions produced by heap leaching caliche ore. At the Pedro de Valdivia facility, iodine is produced from the vat leaching of caliche ore. In August 2014, iodine production operations at the Iris plant were restarted after being temporarily suspended in October 2013.

As in the case of nitrates, the process of extracting iodine from the caliche ore is well established, but variations in the iodine and other chemical contents of the treated ore and other operating parameters require a high level of know-how to manage the process effectively and efficiently.

The solutions resulting from the leaching of caliche carry iodine in iodate form. Part of the iodate solution is reduced to iodide using sulfur dioxide, which is produced by burning sulfur. The resulting iodide is combined with the rest of the untreated iodate solution to release elemental iodine in low concentrations. The iodine is then extracted from the aqueous solutions and concentrated as iodide form using a solvent extraction and stripping plant in the Pedro de Valdivia and Nueva Victoria facilities and using a blow out plant in Iris. The concentrated iodide is oxidized to solid iodine, which is then refined through a smelting process and prilled. We have obtained patents in the United States and Chile (Chilean patent number 47,080) for our iodine prilling process.

Prilled iodine is tested for quality control purposes, using international standard procedures that we have implemented. It is then packed in 20 to 50 kilogram drums or 350 to 700 kilogram maxibags and transported by truck to Antofagasta, Mejillones, or Iquique for export. Our iodine and iodine derivatives production facilities have qualified under the ISO-9001:2008 program, providing third-party certification—by TÜV-Rheiland—of the quality management system. The last recertification process was approved in February 2011. Iodine from the Iris plant was certified under ISO-9001:2008 in April 2012.

Our total iodine production in 2014 was approximately 9,602 metric tons: approximately 5,987 metric tons from Nueva Victoria and Iris; 3,242 metric tons from Pedro de Valdivia; and 373 metric tons from María Elena. The Nueva Victoria facility is also used for recycling iodine from the potassium iodide contained in the LCD waste solutions imported mainly from Korea. Nueva Victoria is also equipped to toll iodine from iodide delivered from other SQM facilities. We have the flexibility to adjust our production according to market conditions. Our total current production capacity at our iodine production plants is approximately 13,300 metric tons per year.

We use a portion of the iodine we produce to manufacture inorganic iodine derivatives, which are intermediate products used for manufacturing agricultural and nutritional applications, at facilities located near Santiago, Chile. We also produce inorganic and organic iodine derivative products together with Ajay, which purchases iodine from us. In the past, we have primarily sold our iodine derivative products in South America, Africa and Asia, while Ajay and its affiliates have primarily sold their iodine derivative products in North America and Europe.

In September 2010, the National Commission for the Environment of Chile (*Comisión Nacional del Medio Ambiente* or “CONAMA”), currently known as the Environmental Evaluation Service, approved the environmental study of our Pampa Hermosa project in the Tarapacá Region of Chile. This approval allows us to increase the production capacity of our Nueva Victoria operations to 11,000 metric tons of iodine per year and to produce up to 1.2 million metric tons of nitrates, mine up to 33 million metric tons of caliche per year and use new water rights of up to 570.8 liters per second. In recent years, we have made investments in order to increase the water capacity in the Nueva Victoria operations from two water sources approved by the environmental study of Pampa Hermosa, expand the capacity of solar evaporation ponds, and implement new areas of mining and collection of solutions. Our current production capacity at Nueva Victoria is approximately 8,500 metric tons per year of iodine (including the Iris operations) and 700,000 metric tons per year of nitrates. Additional expansions may be done from time to time in the future, depending on market conditions.

In October 2013, the Environmental Evaluation Service approved the Pampa Blanca Environmental Impact Study, to increase our caliche ore extraction in the Antofagasta Region in order to increase production capacity of iodine by 10,000 tons and nitrates by 1.3 million tons. The project also requested permission to build a pipeline from the Pacific Ocean to the mining site. Operations at Pampa Blanca were temporarily suspended in March 2010.

### **Salar de Atacama Brine Deposits**

The Salar de Atacama, located approximately 250 kilometers east of Antofagasta, is a salt-encrusted depression in the Atacama Desert, within which lies an underground deposit of brines contained in porous sodium chloride rock fed by an underground inflow from the Andes mountains. The brines are estimated to cover a surface of approximately 2,800 square kilometers and contain commercially exploitable deposits of potassium, lithium, sulfates and boron. Concentrations vary at different locations throughout the Salar de Atacama. Our production rights to the Salar de Atacama are pursuant to the Lease Agreement between SQM Salar and Corfo, which expires in 2030. The Lease Agreement permits the CCHEN to establish a total accumulated extraction limit of 180,100 tons of lithium (958,672 tons of lithium carbonate equivalent) in the aggregate for all periods.

Brines are pumped from depths of 1.5 to 60 meters below surface, through a field of wells that are located in areas of the Salar de Atacama that contain relatively high concentrations of potassium, lithium, sulfate, boron and other minerals.

### ***Products Derived from the Salar de Atacama Brines***

The products derived from the Salar de Atacama brines are: potassium chloride, potassium sulfate, lithium carbonate, lithium hydroxide, lithium chloride, boric acid and bischofite (magnesium chloride).

### **Potassium Chloride**

We use potassium chloride in the production of potassium nitrate. Production of our own supplies of potassium chloride provides us with substantial raw material cost savings. We also sell potassium chloride to third parties, primarily as a commodity fertilizer.

In order to produce potassium chloride, brines from the Salar de Atacama are pumped to solar evaporation ponds. Evaporation of the brines results in a complex crystallized mixture of salts of potassium, sodium and magnesium. Waste sodium chloride salts are removed by precipitation. After further evaporation, the sodium and potassium salts are harvested and sent for treatment at one of the potassium chloride plants where potassium chloride is separated by a grinding, flotation, and filtering process. Potassium salts also containing magnesium are harvested and sent for treatment at one of the cold leach plants where magnesium is removed. Potassium chloride is transported approximately 300 kilometers to our Coya Sur facilities via a dedicated truck transport system, where it is used in the production of potassium nitrate. We sell potassium chloride produced at the Salar de Atacama in excess of our needs to third parties. All of our potassium-related plants in the Salar de Atacama currently have a production capacity in excess of up to 2.6 million metric tons per year. Actual production capacity depends on volume, metallurgical recovery rates and quality of the mining resources pumped from the Salar de Atacama.

The by-products of the potassium chloride production process are (i) brines remaining after removal of the potassium chloride, which are used to produce lithium carbonate as described below, with the excess amount being reinjected into the Salar de Atacama; (ii) sodium chloride, which is similar to the surface material of the Salar de Atacama and is deposited at sites near the production facility and (iii) other salts containing magnesium chloride.

### **Lithium Carbonate and Lithium Chloride**

After the production of potassium chloride, a portion of the brines remaining is sent to additional solar concentration ponds adjacent to the potassium chloride production facility. Following further evaporation, the remaining concentrated solution of lithium chloride is transported by truck to a production facility located near Antofagasta, approximately 230 kilometers from the Salar de Atacama. At the production facility, the solution is purified and treated with sodium carbonate to produce lithium carbonate, which is dried and then, if necessary, compacted and finally packaged for shipment. A portion of this purified lithium chloride solution is packaged and shipped to customers. The production capacity of our lithium carbonate facility is approximately 48,000 metric tons per year. Future production will depend on the actual volumes and quality of the lithium solutions sent by the Salar de Atacama operations, as well as prevailing market conditions. Our future production is also subject to the extraction limit of 180,100 tons of lithium (958,672 tons of lithium carbonate equivalent) in the aggregate for all periods of the Lease Agreement mentioned above.

Our lithium carbonate production quality assurance program has been certified by TÜV-Rheiland under ISO 9001:2000 since 2005 and under ISO 9001:2008 since October 2009.



### Lithium Hydroxide

Lithium carbonate is sold to customers, and we also use it as a raw material for our lithium hydroxide facility, which started operations at the end of 2005. This facility has a production capacity of 6,000 metric tons per year and is located in the Salar del Carmen, adjacent to our lithium carbonate operations. In the production process, lithium carbonate is reacted with a lime solution to produce lithium hydroxide brine and calcium carbonate salt, which is filtered and piled in reservoirs. The brine is evaporated in a multiple effect evaporator and crystallized to produce the lithium hydroxide, which is dried and packaged for shipment to customers.

Our lithium hydroxide production quality assurance program has been certified by TÜV-Rheiland under ISO 9001:2000 since 2007 and under ISO 9001:2008 since October 2009.

### Potassium Sulfate and Boric Acid

Approximately 12 kilometers northeast of the potassium chloride facilities at the Salar de Atacama, we use the brines from the Salar de Atacama to produce potassium sulfate, potassium chloride (as a by-product of the potassium sulfate process) and boric acid. The plant is located in an area of the Salar de Atacama where high sulfate and potassium concentrations are found in the brines. Brines are pumped to pre-concentration solar evaporation ponds where waste sodium chloride salts are removed by precipitation. After further evaporation, the sulfate and potassium salts are harvested and sent for treatment at the potassium sulfate plant. Potassium sulfate is produced using flotation, concentration and reaction processes, after which it is crystallized, dried and packaged for shipment.

Production capacity for the potassium sulfate plant is approximately 340,000 metric tons per year, of which approximately 95,000 metric tons correspond to potassium chloride production as by product of the potassium sulfate process. This capacity is part of the total plant capacity of 2.6 million metric tons per year. In our dual plant complex we may switch, to some extent, between potassium chloride and potassium sulfate production. Part of the pond system in this area is also used to process potassium chloride brines extracted from the low sulfate concentration areas found in the salar.

The principal by-products of the production of potassium sulfate are: (i) non-commercial sodium chloride, which is deposited at sites near the production facility and (ii) remaining solutions, which are re-injected into the Salar de Atacama or returned to the evaporation ponds. The principal by-products of the boric acid production process are remaining solutions that are treated with sodium carbonate to neutralize acidity and then are reinjected into the Salar de Atacama.

## **Raw Materials**

The main raw material that we require in the production of nitrate and iodine is caliche ore, which is obtained from our surface mines. The main raw material in the production of potassium chloride, lithium carbonate and potassium sulfate is the brine extracted from our operations at the Salar de Atacama.

Other important raw materials are sodium carbonate (used for lithium carbonate production and for the neutralization of iodine solutions), sulfur, sulfuric acid, kerosene, anti-caking and anti-dust agents, ammonium nitrate (used for the preparation of explosives in the mining operations), woven bags for packaging our final products, electricity acquired from electric utilities, and liquefied natural gas and fuel oil for heat generation. Our raw material costs (excluding caliche ore and salar brines and including energy) represented approximately 15% of our cost of sales in 2014.

We have several electricity supply agreements signed with major producers in Chile which are expected to cover our electricity needs until 2030. We have been connected to the northern power grid in Chile, which currently supplies electricity to most cities and industrial facilities in northern Chile, since April 2000.

For the supply of liquefied natural gas, in 2013 and 2014 we had a contract with Solgas. For 2015, we executed a supply contract with Endesa, primarily to serve our operations at the Salar del Carmen and Coya Sur.

We obtain ammonium nitrate, sulfur, sulfuric acid, kerosene and soda ash from several large suppliers, mainly in Chile and the United States, under long-term contracts or general agreements, some of which contain provisions for annual revisions of prices, quantities and deliveries. Diesel fuel is obtained under contracts that provide fuel at international market prices.

We believe that all of our contracts and agreements with third-party suppliers with respect to our main raw materials contain standard and customary commercial terms and conditions.

### **Water Supply**

We hold water rights for the supply of surface and subterranean water near our production facilities. The main sources of water for our nitrate and iodine facilities at Pedro de Valdivia, María Elena and Coya Sur are the Loa and San Salvador rivers, which run near our production facilities. Water for our Nueva Victoria and Salar de Atacama facilities is obtained from wells near the production facilities. In addition, we buy water from third parties for our production processes at the Salar del Carmen lithium carbonate plant, and we also purchase potable water from local utility companies. We have not experienced significant difficulties obtaining the necessary water to conduct our operations.

### **Government Regulations**

#### Regulations in Chile Generally

We are subject to the full range of government regulations and supervision generally applicable to companies engaged in business in Chile, including labor laws, social security laws, public health laws, consumer protection laws, tax laws, environmental laws, securities laws and anti-trust laws. These include regulations to ensure sanitary and safety conditions in manufacturing plants.

We conduct our mining operations pursuant to exploration concessions and exploitation concessions granted pursuant to applicable Chilean law. Exploitation concessions essentially grant a perpetual right (with the exception of the Salar de Atacama rights, which have been leased to us until 2030) to conduct mining operations in the areas covered by

such concessions, provided that annual concession fees are paid. Exploration concessions permit us to explore for mineral resources on the land covered thereby for a specified period of time, and to subsequently request a corresponding exploitation concession.

Under Law No. 16,319 that created the CCHEN, we have an obligation to the CCHEN regarding the exploitation and sale of lithium from the Salar de Atacama. Pursuant to such obligation, we are subject to annual quotas that limit the total tonnage of lithium authorized to be sold.

We also hold water rights obtained from the Chilean water regulatory authority for the supply of water from rivers or wells near our production facilities sufficient to meet our current operating requirements. See “Item 3. Risk Factors—Risks Relating to Chile.” The Water Code is subject to changes, which could have a material adverse impact on our business, financial condition and results of operations. For example, Law No. 20,017, published in 2005, modified the Chilean laws relating to water rights and established that, under certain conditions, permanent water rights of up to two liters per second for each well built prior to June 30, 2004, may be constituted in the areas where we conduct our mining operations. In constituting these new water rights, the law does not consider the availability of water, or how the new rights may affect holders of existing rights. Therefore, the amount of water we can effectively extract based on our existing rights could be reduced if these additional rights are exercised. These and other potential future changes to Chilean laws relating to water rights could have a material adverse impact on our business, financial condition and results of operations.

We operate port facilities at Tocopilla, Chile for the shipment of products and the delivery of raw materials pursuant to maritime concessions, which have been granted under applicable Chilean laws and are normally renewable on application, provided that such facilities are used as authorized and annual concession fees are paid.

In 2005, the Chilean Congress approved the Royalty Law, which established a royalty tax to be applied to mining activities developed in Chile. In 2010, modifications were made to the law and taxes were increased. In 2012, new modifications to the tax laws were enacted to set the corporate tax rate at 20% for companies like SQM.

On September 29, 2014, the Tax Reform was published, introducing significant changes to the Chilean taxation system and strengthening the powers of the SII to control and prevent tax avoidance. The Tax Reform contemplates, among other matters, changes to the corporate tax regime to create two tax regimes. Starting on January 1, 2017, Chilean companies will be able to opt between two tax regimes: (i) the partially integrated shareholder tax regime (*sistema parcialmente integrado*) or (ii) the attributed income shareholder taxation regime (*sistema de renta atribuida*). In both regimes, the corporate tax rate will be increased to 21% in 2014, 22.5% in 2015 and 24% by 2016. On or after January 1, 2017, and depending on the tax regime chosen by the company, tax rates may be increased to a maximum rate of 25% in 2017 for the attributed income shareholder taxation regime or to a rate of 25.5% in 2017 and subsequently to a maximum rate of 27% in 2018 for the partially integrated shareholder tax regime.

As an open stock corporation, the default regime that applies to us is the partially integrated regime, unless at a future shareholders' meeting our shareholders agree to opt for the attributed income shareholder taxation regime.

The Tax Reform tax increase prompted a US\$52.3 million increase in our deferred tax liabilities as of December 31, 2014. In accordance with IAS 12, the effects generated by the change in the income tax rate approved by Law No. 20.780 on income and deferred taxes have been applied to the income statement. For purposes of the Company's statutory consolidated financial statements filed with the SVS, in accordance with the instructions issued by the SVS in its circular 856 of October 17, 2014, the effects generated by the change in the income tax rate were accounted for as retained earnings. The amount charged to equity was US\$52.3 million, thereby giving rise to a difference of US\$52.3 million in profit for the year and income tax expense as presented in the Company's Audited Consolidated Financial Statements and as presented in its statutory consolidated financial statements filed with the SVS.

Given the difference in accounting treatments between IFRS and the instructions of the SVS, we will continue to analyze the effects of the Tax Reform on our financial statements and reporting obligations, and we cannot be sure of how our future financial statements will reflect these changes.

The Chilean government may again decide to levy additional taxes on mining companies or other corporations in Chile, and such taxes could have a material adverse impact on our business, financial condition and results of

operations.

In 2006, the Chilean Congress amended the Labor Code, and effective January 15, 2007, changes were made affecting companies that hire subcontractors to provide certain services. This new law, known as the Subcontracting Law (*Ley de Subcontratación*), further amends the Labor Accidents Law No. 16,744 to provide that when a serious accident in the workplace occurs, a company must halt work at the site where the accident took place until authorities from the Sernageomin, the Labor Board, or the National Health Service inspect the site and prescribe the measures such company must take to minimize the risk of similar accidents taking place in the future. Work may not be resumed until said company has taken the prescribed measures, and the period of time before work may be resumed may last for a number of hours, days, or longer. The effects of this law could have a material adverse effect on our business, financial condition and results of operations.

On December 2, 2009, Law No. 20,393 went into effect, establishing criminal liability for legal entities, for the crimes of (a) asset laundering, (b) financing terrorism and (c) bribery. Such criminal liability applies to legal entities for the aforementioned crimes where such crimes are committed directly or indirectly in benefit of such legal entity, by the legal entity's owners, controllers, representatives or principal executives, to the extent to which the commission of the crime is a consequence of the legal entity's failure to fulfill its management and supervisory obligations. The law establishes that the company has fulfilled such obligations when it has adopted and implemented a prevention model for such crimes.

On January 1, 2010, Law No. 20,382 went into effect, introducing modifications to the Securities Law and Law No. 18,046 on Corporations (*Ley de Sociedades Anónimas* or the "Chilean Corporations Act"). The new law regulates corporate governance and, in general, seeks to improve such matters as the professionalization of senior management at corporations, the transparency of information, and the detection and resolution of possible conflicts of interest. The law establishes the requirement of at least one independent director for certain corporations, including SQM. Such director must be a member of the Directors' Committee, a position which, in turn, grants the director further supervisory powers. The independent director may be proposed by any shareholder with an ownership interest of 1% or more in a company and must satisfy a series of independence requirements with respect to the company and the company's competition, providers, customers and majority shareholders. The new law also defines the regulations regarding the information that companies must provide to the general public and to the SVS, as well as regulations relating to the use of inside information, the independence of external auditors, and procedures for the analysis of transactions with related parties.

In 2010, the Chilean Congress amended the Environmental Law to create the Ministry of Environment, the Environmental Evaluation Service and the Superintendence for the Environment (*Superintendencia del Medio Ambiente* or "Superintendence for the Environment"). These changes introduced important amendments to environmental regulations by setting up new agencies and introducing new provisions and procedures applicable to projects whose operations bear an impact on the environment. The new Ministry designs and implements environmental policies relating to environmental conservation, sustainable growth and the protection of Chile's renewable energy resources. In addition, the Ministry is responsible for enacting emission and quality standard regulations, as well as recovery and decontamination plans. The Environmental Evaluation Service plays an active role in the procedures of the Environmental Impact Evaluation System, pursuant to which projects are approved or rejected from an environmental standpoint. In procedures for obtaining an environmental license, any person, including legal entities and companies, will be allowed to file oppositions and comments. Summary procedures, such as Environmental Impact Statements, allow comments in support or opposition under certain circumstances. Technical reports from governmental agencies are considered to be final. The Superintendence for the Environment is an independent agency which coordinates with other governmental agencies in charge of supervision of suspended projects and projects requiring environmental approval. Likewise, it receives, investigates and rules on complaints concerning the infringement of environmental regulations and sanctions violators, delivers injunction orders and levies relevant fines. The Environmental Enforcement Superintendence had its powers suspended until the First Environmental Court was installed in Santiago on December 28, 2012.

There are currently no material legal or administrative proceedings pending against us except as discussed in Note 19.1 to our Consolidated Financial Statements, Item 8.A. Legal Proceedings and below under "Safety, Health and

Environmental Regulations in Chile.” We believe we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business.



### ***Safety, Health and Environmental Regulations in Chile***

Our operations in Chile are subject to both national and local regulations related to safety, health and environmental protection. In Chile, the main regulations on these matters that are applicable to SQM are the Mine Health and Safety Act of 1989 (*Reglamento de Seguridad Minera* or the “Mine Health and Safety Act”), the Health Code (*Código Sanitario*), the Health and Basic Conditions Act of 1999 (*Reglamento sobre Condiciones Sanitarias y Ambientales Básicas en los Lugares de Trabajo* or the “Health and Basic Conditions Act”), the Subcontracting Law and the Environmental Law of 1994, amended in 2010 (*Ley sobre Bases Generales del Medio Ambiente* or the “Environmental Law”).

Health and safety at work are fundamental aspects in the management of mining operations, which is why SQM has made constant efforts to maintain good health and safety conditions for the people working at its mining sites and facilities. In addition to the role played by us in this important matter, the Chilean government has a regulatory role, enacting and enforcing regulations in order to protect and ensure the health and safety of workers. The Chilean government, acting through the Ministry of Health and the Sernageomin, performs health and safety inspections at the mining sites and oversees mining projects, among other tasks, and it has exclusive powers to enforce standards related to environmental conditions and the health and safety of the people performing activities related to mining.

The Mine Health and Safety Act protects workers and nearby communities against health and safety hazards, and it provides for enforcement of the law where compliance has not been achieved. SQM’s Internal Mining Standards (*Reglamentos Internos Mineros*) establish our obligation to maintain a workplace where safety and health risks are managed appropriately. We must comply with the general provisions of the Health and Basic Conditions Act, our own internal standards and the provisions of the Mine Health and Safety Act. In the event of non-compliance, the Ministry of Health and particularly the Sernageomin are entitled to use their enforcement powers to ensure compliance with the law.

In November 2011, the Ministry of Mining enacted Law No. 20,551 that Regulates the Closure of Mining Sites and Facilities (*Ley que Regula el Cierre de Faenas e Instalaciones Mineras*). This new statute entered in force in November 2012 and required all mining sites to present or update their closure plans as of November 2014. SQM has fulfilled this requirement for all of its mining sites and facilities. The main requirements of the law are related to disclosures to the Sernageomin regarding decommissioning plans for each mining site and its facilities, along with the estimated cost to implement such plans. There is a requirement to provide a form of financial assurance to the Sernageomin to ensure compliance with the decommissioning plans. There are various types of financial assurance that satisfy the requirement. The mining site closure plans must be approved by the Sernageomin, and the corresponding financial assurances are subject to approval by the SVS.

The Environmental Law was subjected to several important modifications that entered into effect in January 2010, including the creation of the Ministry of the Environment, the Environmental Evaluation Service and the

Superintendence for the Environment. The Superintendence for the Environment began operations on December 28, 2012. The new and modified Environmental Law replaced the CONAMA with both the Ministry of the Environment, which is currently the governmental agency responsible for coordinating and supervising environmental issues and the Environmental Evaluation Service. Under the new Environmental Law, we will continue to be required to conduct environmental impact studies or statements of any future projects or activities (or their significant modifications) that may affect the environment. The Superintendence for the Environment is responsible for supervising environmental performance during the construction, operation and closure of the projects that have been evaluated for environmental purposes, and it is also responsible for enforcing compliance with prevention and atmospheric decontamination plans. The Environmental Law also promotes citizen participation in project evaluation and implementation, providing more opportunities for observations or objections to be made during the environmental evaluation process. Annually, the Superintendence for the Environment audits a sample of approved projects to verify compliance with the environmental permits, and it may pursue fines or sanctions if applicable, which can be challenged in the Environmental Court.

On August 10, 1993, the Ministry of Health published in the Official Gazette a resolution establishing that atmospheric particulate levels at our production facilities in María Elena and Pedro de Valdivia exceeded air quality standards, affecting the nearby towns. The high particulate matter levels came principally from dust produced during the processing of caliche ore, particularly the crushing of the ore before leaching. Residents of the town of Pedro de Valdivia were relocated to the town of María Elena, practically removing Pedro de Valdivia from the scope of the determination of the Ministry of Health. In 1998, authorities approved a plan to reduce the atmospheric particulate levels later modified by Decree No. 37/2004 in March 2004, which called for an 80% reduction of the emissions of atmospheric particulate material. This was achieved by 2008 through the implementation of a project that modified the milling and screening systems used in the processing of the caliche ore at the María Elena facilities. Due to international market conditions, this project suspended its operation in March 2010, and today the milling and screening systems used in the processing of the caliche ore at the María Elena facilities have been suspended. Air quality in the area has improved significantly, and therefore compliance of air quality standards is expected to be achieved. When the compliance with the Chilean air quality standard has been achieved for three consecutive years (2012 to 2014), the resolution of 1993 of the Ministry of Health may be reviewed.

On March 16, 2007, the Ministry of Health published in the Official Gazette a resolution establishing that atmospheric particulate levels exceeded air quality standards in the coastal town of Tocopilla, where we have our port operations. The high particulate matter levels are caused mainly by two thermoelectric power plants that use coal and fuel oil and are located next to our port operations. Our contribution to particulate matter emissions is very small (less than 0.20% of the total). However, the environmental authority included SQM's operations in the decontamination plan that it developed, and implementation of the plan began in October 2010. During 2008 and 2009, earlier than required, SQM implemented control measures for mitigating particulate matter emissions in its port operations according to the requirements of this plan. We do not expect any additional measures to be required of SQM following the implementation of the plan.

We continuously monitor the impact of our operations on the environment and on the health of our employees and other persons who may be affected by such operations. We have made modifications to our facilities in an effort to eliminate any adverse impacts. Also, over time, new environmental standards and regulations have been enacted, which have required minor adjustments or modifications of our operations for full compliance. We anticipate that additional laws and regulations will be enacted over time with respect to environmental matters. While we believe we will continue to be in compliance with all applicable environmental regulations of which we are now aware, there can be no assurance that future legislative or regulatory developments will not impose new restrictions on our operations. We are committed to both complying with all applicable environmental regulations and to continuously improving our environmental performance through our Environmental Management System ("EMS") and international certifications, such as the Responsible Conduct certification from the Chilean Industrial Chemicals Association, which applies to our operations at Nueva Victoria.

We have submitted and will continue to submit several environmental impact assessment studies related to our projects to the governmental authorities. We require the authorization of these submissions in order to maintain and to increase our production capacity.



### ***International Regulations***

SQM employs its best efforts to ensure compliance with the complex regulatory environments in which it operates.

In October 2014, the European Food Safety Authority (“EFSA”) released a scientific opinion on the risks to public health related to the presence of perchlorate in food, particularly fruits and vegetables. The scientific opinion concluded, among other things, that the use of natural fertilizers and perchlorate contaminated irrigation water may lead to substantial concentrations in food, particularly fruits and vegetables. The EFSA scientific opinion recommended that additional data gathering be undertaken to improve risk assessment. The review of the provisional limits established by the European Commission in July 2013 was carried out in March 2015, and new, lower provisional limits were established for perchlorate presence in fruits and vegetables. The fertilizers sold by SQM contain less than 0.01% of perchlorate, and agronomical perchlorate uptake studies performed on target crops have shown that the uptake rates are well within the above mentioned provisional limits. Therefore, we do not anticipate difficulties with compliance. The European Commission announced a program to monitor perchlorate content in food and drinking water that will last at least one year, and therefore, the limits are not expected to be reviewed or definitively established during the next 18 months.

In September 2014, Regulation No. 98/2013 went into effect in the European Community, relating to the marketing and use of explosives precursors. The regulation includes the obligation to report to authorities any suspicious transactions of different products that may be used illegally in the production of explosives, including potassium nitrate and sodium nitrate produced by SQM. The regulation covers products for agricultural use and for industrial use indistinctly and does not establish ranges of concentration to which the standard applies. Therefore, the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs of the European Commission developed Implementation Guidelines, which contemplate the definition of ranges of concentration for fertilizer products, within a public-private Committee set up by the European Commission for this purpose. During 2015, we will improve the existing control procedures and carry out an awareness program for SQM Europe employees, as well as carrying out internal audit programs in order to appropriately handle inspections by the competent authorities, with a focus on Belgium and Spain.

SQM has complied with the implementation requirements for the new Hazard Communication Standard of the U.S. Occupational Safety and Health Administration (“OSHA”), for the classification and updating of labels and safety data sheets before June 2015. In 2014 the employees of SQM North America were trained on this new standard.

### **Research and Development, Patents and Licenses**

See “Item 5.C. Research and Development, Patents and Licenses.”

#### 4.C. Organizational Structure

All of our principal operating subsidiaries are essentially wholly-owned, except for Soquimich Comercial S.A., which is approximately 61% owned by us and whose shares are listed and traded on the Santiago Stock Exchange, and Ajay SQM Chile S.A., which is 51% owned by us. The following is a summary of our main subsidiaries as of December 31, 2014. For a list of all our consolidated subsidiaries, see Note 2.5 to our Consolidated Financial Statements.

Principal subsidiaries	Activity	Country of Incorporation	SQM Beneficial Ownership Interest (Direct/Indirect)	
SQM Nitrates S.A.	Extracts and sells caliche ore to subsidiaries and affiliates of SQM	Chile	100	%
SQM Industrial S.A.	Produces and markets SQM's products directly and through other subsidiaries and affiliates of SQM	Chile	100	%
SQM Salar S.A.	Exploits the Salar de Atacama to produce and market SQM's products directly and through other subsidiaries and affiliates of SQM	Chile	100	%
SQM Potasios S.A.	Produces and markets SQM's products directly and through other subsidiaries and affiliates of SQM	Chile	100	%
Servicios Integrates de Transitos y Transferencias S.A. (SIT)	Owns and operates a rail transport system and also owns and operates the Tocopilla port facilities	Chile	100	%
Soquimich Comercial S.A.	Markets SQM's specialty plant nutrition products domestically and imports fertilizers for resale in Chile	Chile	61	%
Ajay-SQM Chile S.A.	Produces and markets SQM's iodine and iodine derivatives	Chile	51	%
Sales and distribution subsidiaries in the United States, Belgium, Brazil, Ecuador, Peru, Argentina, Mexico, South Africa, Spain, China, Thailand and other locations.	Market SQM's products throughout the world	Various		

#### 4.D. Property, Plant and Equipment

We carry out our operations through the use of mining rights, production facilities and transportation and storage facilities. Discussion of our mining rights is organized below according to the geographic location of our mining operations. Our caliche ore mining interests are located throughout the valley of the Tarapacá and Antofagasta regions of northern Chile (in a part of the country known as "el Norte Grande"). From caliche ore, we produce products based on nitrates and iodine, and caliche also contains concentrations of potassium. Our mining interests in the brine deposits of the Salar de Atacama are found within the Atacama Desert, in the eastern region of el Norte Grande. From these brines, we produce products based on potassium, sulfate, lithium and boron.

The map below shows the location of our principal mining operations and the exploitation and exploration mining concessions that have been granted to us, as well as the mining properties that we lease from Corfo:

57



## **Mining Concessions**

### ***Mining Concessions for the Exploration and Exploitation of Caliche Ore Mining Resources***

We hold our mining rights pursuant to mining concessions for exploration and exploitation of mining resources that have been granted pursuant to applicable law in Chile:

- (1) “Mining Exploitation Concessions”: entitle us to use the land in order to exploit the mineral resources contained therein on a perpetual basis, subject to annual payments to the Chilean government.

“Mining Exploration Concessions”: entitle us to use the land in order to explore for and verify the existence of mineral resources for a period of two years, at the expiration of which the concession may be extended one time (2) only for two additional years, if the area covered by the concession is reduced by half. We may alternatively request an exploitation concession in respect of the area covered by the original exploration concession, which must be made within the timeframe established by the original exploration concession.

A Mining Exploration Concession is generally obtained for purposes of evaluating the mineral resources in a defined area. If the holder of the Mining Exploration Concession determines that the area does not contain commercially exploitable mineral resources, the Mining Exploration Concession is usually allowed to lapse. An application also can be made for a Mining Exploitation Concession without first having obtained a Mining Exploration Concession for the area involved.

As of December 31, 2014, the surface area covered by Mining Exploitation Concessions that have been granted in relation to the caliche resources of SQM S.A.’s mining sites corresponds to approximately 554,447 hectares. In addition, as of December 31, 2014, the surface area covered by Mining Exploration Concessions in relation to the caliche resources of SQM S.A.’s mining sites corresponds to approximately 9,900 hectares. We have not requested additional mining rights.

### ***Mining Concessions for the Exploitation of Brines at the Salar de Atacama***

As of December 31, 2014, SQM Salar held exclusive and temporary rights to exploit the mineral resources in an area covering approximately 140,000 hectares of land in the Salar de Atacama in northern Chile, of which SQM Salar S.A. is only entitled to exploit the mineral resources of 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar pursuant to the Lease Agreement between Corfo and SQM Salar. Corfo cannot unilaterally modify the Lease Agreement, and the rights to exploit the resources cannot be transferred. The Lease Agreement establishes that SQM Salar is responsible for making quarterly lease payments to Corfo according to specified percentages of the value of production of minerals extracted from the Salar de Atacama brines, maintaining Corfo's rights over the mining exploitation concessions and making annual payments to the Chilean government for such concession rights. The Lease Agreement expires on December 31, 2030.

Under the terms of the Salar de Atacama project agreement between Corfo and SQM Salar, (the "Project Agreement"), Corfo has agreed that it will not permit any other person to explore, exploit or mine any mineral resources in the approximately 140,000 hectares area of the Salar de Atacama mentioned above. The Project Agreement expires on December 31, 2030.

SQM Salar holds an additional 254,026 hectares of constituted Mining Exploitation Concessions in areas near the Salar de Atacama, which correspond to mining reserves that have not been exploited. SQM Salar also holds Mining Exploitation Concessions that are in the process of being granted covering 78,530 hectares in areas near the Salar de Atacama.

In addition, as of December 31, 2014, SQM Salar held constituted Mining Exploration Concessions covering approximately 102,300 hectares and had applied for additional Mining Exploration Concessions covering approximately 46,800 hectares. Exploration rights are valid for a period of two years, after which we can (i) request a Mining Exploitation Concession for the land, (ii) request an extension of the Mining Exploration Concession for an additional two years (the extension only applies to a reduced surface area equal to 50% of the initial area) or (iii) allow the concession to expire.

According to the terms of the Lease Agreement, with respect to lithium production, the CCHEN has established a total accumulated extraction limit set at 180,100 tons of lithium (958,672 tons of lithium carbonate equivalent) in the aggregate for all periods while the Lease Agreement is in force. More than halfway through the term of the Lease Agreement, we have extracted approximately half of the total accumulated extraction limit of lithium.

Corfo has initiated arbitration proceedings in connection with the Lease Agreement. See “Item 8.A. Legal Proceedings.”

### *Concessions Generally*

As of December 31, 2014, approximately 93% of SQM’s mining interests were held pursuant to Mining Exploitation Concessions and 7% pursuant to Mining Exploration Concessions. Of the Mining Exploitation Concessions, approximately 90% already have been granted pursuant to applicable Chilean law, and approximately 10% are in the process of being granted. Of the Mining Exploration Concessions, approximately 66% already have been granted pursuant to applicable Chilean law, and approximately 34% are in the process of being granted.

In 2014, we made payments of approximately US\$8.2 million to the Chilean government for Mining Exploration and Exploitation Concessions, including the concessions we lease from Corfo. The US\$8.2 million payments do not include quarterly payments we made directly to Corfo pursuant to the Lease Agreement, which were based on the percentages of the sales price of products produced using brines from the Salar de Atacama.

The following table shows the constituted Mining Exploitation and Exploration Concessions held by SQM S.A., including the mining properties we lease from Corfo, as of December 31, 2014:

Region of Chile	Exploitation Concessions		Exploration Concessions		Total	
	Total Number	Hectares	Total Number	Hectares	Total Number	Hectares

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Region I	2,233	446,280	33	8,400	2,266	454,680
Region II	8,539	2,255,109	269	122,400	8,808	2,377,509
Region III and others	261	61,393	123	29,500	384	90,893
Total	11,033	2,762,782	425	160,300	11,458	2,923,082

The majority of the Mining Exploitation Concessions held by SQM were requested primarily for non-metallic mining purposes. However, a small percentage of our Mining Concessions were requested for metallic mining purposes. The annual payment to the Chilean government for this group of concessions is higher.

Geological studies over mining properties that were requested primarily for non-metallic mining purposes may show that the concession area is of interest for metallic mining purposes, in which case we must inform the Sernageomin, indicating that the type of substance contained by such Mining Concessions has changed, for purposes of the annual payment for these rights.

## **Caliche: Facilities and Reserves**

### ***Caliche: Facilities***

Currently, our Nueva Victoria and Pedro de Valdivia mines are being exploited. Operations at the Pampa Blanca site were temporarily suspended in 2010, and operations at the María Elena site were temporarily suspended in October 2013.

### ***María Elena***

The María Elena mine and facilities, named El Toco, are located 220 kilometers northeast of Antofagasta and are accessible by highway. Until February 2010, caliche was used at this facility to produce nitrates and iodine through vat leaching. Subsequently, these facilities were equipped to produce nitrates and iodine through the use of heap leaching and solar evaporation ponds. Heap leaching operations at this site were temporarily suspended in October 2013. The main production facilities at this site include the operations center located at El Toco and the iodide plant located at María Elena. The area mined until operations were suspended is located approximately 14 kilometers north of the María Elena production facilities. Electricity and fuel oil are the primary sources of power for this operation.

### ***Nueva Victoria***

The Nueva Victoria mine and facilities are located 180 kilometers north of María Elena and are accessible by highway. Since 2007, the Nueva Victoria mine includes the mining properties Soronal, Mapocho and Iris. At this site, we use caliche to produce nitrates and iodine, through heap leaching and the use of solar evaporation ponds. The main production facilities at this site include the operation centers for the heap leaching process, the iodide and iodine plants at Nueva Victoria and Iris and the evaporation ponds at the Sur Viejo sector of the site. The areas currently being mined are located approximately 4 kilometers northeast of Nueva Victoria. Solar energy and electricity are the primary sources of power for this operation.

### ***Pampa Blanca***

The mining facilities at Pampa Blanca, which is located 100 kilometers northeast of Antofagasta, have been suspended since March 2010. At this site, we used caliche to produce nitrates and iodine through heap leaching and the use of solar evaporation ponds. The main production facilities at this site included the operation centers for the heap leaching system and the iodide plant. Electricity was the primary source of power for this operation.

### ***Pedro de Valdivia***

The mine and facilities that we operate in Pedro de Valdivia are located 170 kilometers northeast of Antofagasta and are accessible by highway. At this site, we use caliche to produce nitrates and iodine through vat and heap leaching and solar evaporation ponds. The main production facilities at this site include the crushing, vat leaching, fines processing, iodide and iodine plants. The areas currently being mined are located approximately 32 kilometers southeast of the Pedro de Valdivia production facilities. Electricity, natural gas and fuel oil are the primary sources of power for this operation.

*Caliche: Reserves*

Our in-house staff of geologists and mining engineers prepares our estimates of caliche ore reserves. The Proven and Probable Reserve figures presented below are estimates, and may be subject to modifications due to natural factors that affect the distribution of mineral grades, which would, in turn, modify the recovery of nitrate and iodine. Therefore, no assurance can be given that the indicated levels of recovery of nitrates and iodine will be realized.

We estimate ore reserves based on evaluations, performed by engineers and geologists, of assay values derived from sampling of drill-holes and other openings. Drill-holes have been made at different space intervals in order to recognize mining resources. Normally, we start with 400x400 meters and then we reduce spacing to 200x200 meters, 100x100 meters and 50x50 meters. The geological occurrence of caliche ore is unique and different from other metallic and non-metallic minerals. Caliche ore is found in large horizontal layers at depths ranging from one to four meters and has an overburden between zero and two meters. This horizontal layering is a natural geological condition and allows the Company to estimate the continuity of the caliche bed based on surface geological reconnaissance and analysis of samples and trenches. Mineral resources can be calculated using the information from the drill-hole sampling.

A Mineral Resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form or quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological, metallurgical and technological evidence.

A Measured Resource is the part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. The estimate is based on detailed exploration, sampling and testing information gathered through appropriate sampling techniques from locations such as outcrops, trenches, and exploratory drill holes.

An Indicated Mineral Resource is the part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. The estimate is based on detailed exploration, sampling and testing information gathered through appropriate sampling techniques from locations such as outcrops, trenches and exploratory drill holes.

According to our experience in caliche ore, the grid pattern drill-holes with spacing equal to or less than 100 meters produce data on the caliche resources that is sufficiently defined to consider them Measured Resources and then, adjusting for technical, economic and legal aspects, as Proven Reserves. These reserves are obtained using the Kriging Method and the application of operating parameters to obtain economically profitable reserves.

Similarly, the information obtained from detailed geologic work and samples taken from grid pattern drill-holes with spacing equal to or less than 200 meters can be used to determine Indicated Resources. By adjusting such Indicated Resources to account for technical, economic and legal factors, it is possible to calculate Probable Reserves. Probable Reserves are calculated by using a polygon-based methodology and have an uncertainty or margin of error greater than that of Proven Reserves. However, the degree of certainty of Probable Reserves is high enough to assume continuity between points of observation.

Proven Reserves are the economically mineable part of a Measured Resource. The calculation of the reserves includes the application of mining parameters including maximum overburden, minimum thickness of caliche ore, stripping ratio, cutoff grade and application of dilution factors to the grade values. Appropriate assessments, including pre-feasibility studies or feasibility studies, have been carried out and include consideration of metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

Probable Reserves are the economically mineable part of an Indicated Resource and in some cases a Measured Resource. The calculation of the reserves includes the application of mining parameters including maximum overburden, minimum thickness of caliche ore, stripping ratio, cutoff grade and application of dilution factors to the grade values. Appropriate assessments, including pre-feasibility studies, have been carried out or are in process and include consideration of metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.



The estimates of Proven Reserves of caliche ore at each of our mines as of December 31, 2014 are set forth below. The Company holds 100% of the concession rights for each of these mines.

Mine	Proven Reserves <sup>(1)</sup> (millions of metric tons)	Nitrate Average Grade (percentage by weight)	Iodine Average Grade (parts per million)	Cutoff Grade Average for Mine <sup>(3)</sup>
Pedro de Valdivia	186.3	7.1	% 369	Nitrate 6.0 %
María Elena	98.3	7.1	% 434	Iodine 300 ppm
Pampa Blanca	54.7	5.7	% 538	Iodine 300 ppm
Nueva Victoria <sup>(4)</sup>	348.1	5.7	% 435	Iodine 300 ppm

In addition, the estimates of our Probable Reserves of caliche ore at each of our principal mines as of December 31, 2014, are as follows:

Mine	Probable Reserves <sup>(2)</sup> (millions of metric tons)	Nitrate Average Grade (percentage by weight)	Iodine Average Grade (parts per million)	Cutoff Grade <sup>(3)</sup>
Pedro de Valdivia <sup>(5)</sup>	264.6	7.8	% 438	Nitrate 6.0 %
María Elena	133.8	7.3	% 377	Iodine 300 ppm
Pampa Blanca	464.6	5.7	% 540	Iodine 300 ppm
Nueva Victoria <sup>(6)</sup>	1,093.7	5.6	% 420	Iodine 300 ppm

#### Notes on Reserves:

(1) The Proven Reserves set forth in the table above are shown before losses related to exploitation and mineral treatment. Proven Reserves are affected by mining exploitation methods, which result in differences between the estimated reserves that are available for exploitation in the mining plan and the recoverable material that is finally transferred to the leaching vats or heaps. The average mining exploitation factor for each of our different mines ranges between 80% and 90%, whereas the average global metallurgical recoveries of processes for nitrate and iodine contained in the recovered material vary between 55% and 65%.

(2) Probable Reserves can be expressed as Proven Reserves using a conversion factor, only for purposes of obtaining a projection to be used for long-term planning purposes. On average, this conversion factor is higher than 60%, depending on geological conditions and caliche ore continuity, which vary from mine to mine.

(3) The cutoff grades for the Proven and Probable Reserves vary according to the objectives of each mine. These amounts correspond to the averages of the different sectors.

- (4) The 3.3% increase in the Proven Reserves at Nueva Victoria is the result of the recategorization of resources within the western sector of the mine from Indicated Resources to Measured Resources.
- (5) The increase of 145.9 million tons in the Probable Reserves at Pedro de Valdivia is the result of the recategorization of resources within the Algorta section of the mine to Indicated Resources.
- (6) The increase in the Probable Reserves at Nueva Victoria is the result of the recategorization of resources within the Soronal (692.1 million tons) and Pampa Orcoma (326.1 million tons) sectors of the mine to Indicated Resources.

The complete technical supporting documentation for the information set forth in the table above is contained in the report “Methodology, Procedure, and Classification of SQM’s Nitrate and Iodine Resources and Reserves for the Year 2014,” which was prepared by SQM geologist Vladimir Tejerina and other SQM engineering professionals and validated by Mrs. Marta Aguilera and Mr. Orlando Rojas.

Mrs. Marta Aguilera is a geologist with more than 20 years of experience in the field. She is currently employed by SQM as Manager of Exploration and Mining Development. Mrs. Aguilera is a Competent Person, as that term is defined under the Competent Person Law. She is registered under No. 163 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. She has worked as a geologist with both metallic and non-metallic deposits, with vast experience in the latter.

Mr. Orlando Rojas is a civil mining engineer and independent consultant. He is Partner and Chief Executive Officer of the company EMI-Ingenieros y Consultores S.A., whose offices are located at Renato Sánchez No. 3357, Las Condes, Santiago, Chile. He is a member of the Institute of Mining Engineers and is registered under No. 118 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a mining engineer for 35 years since graduating from university, including more than 30 years working on estimates for reserves and resources.

Copies of the certificates of qualified competency issued by the Chilean Mining Commission are attached hereto as Exhibits 99.1 and 99.2.

The proven and probable reserves shown above are the result of the evaluation of approximately 19.2% of the total caliche-related mining property of our Company. However, we have explored the areas in which we believe there is a higher potential of finding high-grade caliche ore minerals. The remaining 80.8% of this area has not been explored or has had limited reconnaissance, which is not sufficient to determine the sources of potential and hypothetical resources. The reserves shown in these tables are calculated based on properties that are not involved in any legal disputes between SQM and other parties.

Caliche ore is the key raw material used in the production of iodine, specialty plant nutrients and industrial chemicals. The following gross margins for the business lines specified were calculated on the same basis as cut off grades used to estimate our reserves. We expect costs to remain relatively stable in the near future.

	2014		2013		2012	
	Gross Margin	Price	Gross Margin	Price	Gross Margin	Price
Iodine and Derivatives	42 %	US\$38/kg	56 %	US\$50/kg	63 %	US\$53/kg
Specialty Plant Nutrition	21 %	US\$806/ton	22 %	US\$811/ton	32 %	US\$866/ton
Industrial Chemicals	40 %	US\$812/ton	28 %	US\$877/ton	34 %	US\$877/ton

We maintain an ongoing program of exploration and resource evaluation on the land surrounding the mines at Nueva Victoria, Pedro de Valdivia, María Elena, Pampa Blanca and other sites for which we have the appropriate concessions. In 2014, we continued a basic reconnaissance program on new mining properties including a geological mapping of the surface and spaced drill-hole campaign covering approximately 7,143 hectares. We did not carry out detailed explorations during 2014. For 2015 we have an exploration and recategorization program covering 1,609 hectares in Region I of Chile.

**Brines from the Salar de Atacama: Facilities and Reserves**

*Salar de Atacama: Facilities*

*Salar de Atacama*

Our facilities at the Salar de Atacama are located 208 kilometers to the east of the city of Antofagasta and 188 kilometers to the southeast of the city of María Elena. At this site we use brines extracted from the salar to produce potassium chloride, potassium sulfate, boric acid, magnesium chloride salts and lithium solutions, which are subsequently sent to our lithium carbonate plant at the Salar del Carmen for processing. The main production plants at this site include the potassium chloride flotation plants (MOP-H I and II), potassium sulfate flotation plant (SOP-H), boric acid plant (ABO), potassium chloride drying plant (MOP-S) potassium chloride compacting plant (MOP-G) potassium sulfate drying plant (SOP-S) and potassium sulfate compacting plant (SOP-G). Solar energy is the primary energy source used for the Salar de Atacama operations.

***Salar de Atacama: Reserves***

Our in-house staff of hydro-geologists and mining engineers prepares our estimates of potassium, sulfate, lithium and boron reserves at the Salar de Atacama. We have exploitation concessions covering an area of approximately 81,920 hectares, in which we have carried out geological exploitation, brine sampling and geostatistical analysis. We estimate that our proven and probable reserves as of December 31, 2014, based on economic restrictions, geological exploitation, brine sampling and geostatistical analysis up to a depth of 100 meters of our total exploitation concessions, and additionally, up to a depth of 300 meters over approximately 47% of the same total area, are as follows:

	<b>Proven Reserves <sup>(1)</sup></b> <i>(millions of metric tons)</i>	<b>Probable Reserves <sup>(1)</sup></b> <i>(millions of metric tons)</i>	<b>Total Reserves</b> <i>(millions of metric tons)</i>
Potassium (K+) <sup>(2)</sup>	50.2	21.8	72.0
Sulfate (SO4-2) <sup>(3)</sup>	40.1	19.1	59.2
Lithium (Li+) <sup>(4)</sup>	3.7	2.3	6.0
Boron (B3+) <sup>(5)</sup>	0.9	0.3	1.2

## Notes on reserves:

Metric tons of potassium, sulfate, lithium and boron considered in the proven and probable reserves are shown (1) before losses from evaporation processes and metallurgical treatment. The recoveries of each ion depend on both brine composition and the process applied to produce the desired commercial products.

- (2) Recoveries for potassium vary from 47% to 77%.  
 (3) Recoveries for sulfate vary from 27% to 45%.  
 (4) Recoveries for lithium vary from 28% to 40%.  
 (5) Recoveries for boron vary from 28% to 32%.

The information set forth in the table above was validated in March 2015 by Messrs. Álvaro Henríquez and Orlando Rojas using information that was prepared by geologists, SQM's engineers and external advisors.

Mr. Henríquez is a geologist with more than 10 years of experience in the field of hydrogeology. He is currently employed by SQM as Superintendent of Geology, in the Salar Hydrogeology department. He is a Competent Person and is registered under No. 226 in the Public Registry of Competent Persons in Mining Resources and Reserves, in accordance with the Competent Person Law. As a hydrogeologist, he has evaluated multiple brine-based projects and has experience evaluating resources and reserves.

Mr. Orlando Rojas is a civil mining engineer and independent consultant. He is Partner and Chief Executive Officer of the company EMI-Ingenieros y Consultores S.A., whose offices are located at Renato Sánchez No. 3357, Las Condes, Santiago, Chile. He is a member of the Institute of Mining Engineers and is registered under No. 118 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a mining engineer for 35 years since graduating from university, including more than 30 years working on estimates for reserves and resources.

Copies of the certificate of qualified competency issued by the Chilean Mining Commission for Mr. Rojas and Mr. Henríquez are attached hereto as Exhibit 99.2 and 99.3.

A cutoff grade of 1% K is used in the calculation, considering a low margin scenario using only MOP-S as, and using diluted brine with higher levels of contaminants as, the raw material, with recovery yields of approximately 47%, which is on the lower end of the range. In this scenario, considering current market conditions and market conditions from recent years, the production cost of MOP production is still competitive.

The cutoff grade for lithium extraction is set at 0.05% Li. The cost of the process is competitive in the market despite a small cost increase due to the expansions in the evaporation area (to reach the required Li concentration) and to the use of additives to maintain the quality of the brine that is used to feed the plant.

The proven and probable reserves are based on production experience, drilling, brine sampling and geo-statistic reservoir modeling in order to estimate brine volumes and their composition. We calculate the volume of brine effectively drainable or exploitable in each evaluation unit. We consider chemical parameters to determine the process to be applied to the brines. Based on the chemical characteristics, the volume of brine and drainable porosity, we determine the number of metric tons for each of the chemical ions being evaluated.

Reserves are defined as those geographical blocks which belong to properly identified hydrogeological units with proven historical brine yield production, and a quality and piezometric brine monitoring network to control brine evolution over time. Reserve classification is finally achieved by using the geostatistical estimation error and the search volume, as an indicator between proven and probable reserves. This criterion applies to all hydrogeological units shallower than 100 meters deep.

For deeper (below 100 meters) and unexploited units, blocks within the first search volume were estimated and considered in the evaluation as probable reserves and indicated resources. Blocks within the second and third search volumes were classified as inferred resources until further exploration is performed. This exploration includes systematic packer testing, chemical brine sampling and long-term pilot production pumping tests.

This procedure is used to estimate potential restrictions on production yields, and the economic feasibility of producing such commercial products as potassium chloride, potassium sulfate, lithium carbonate and boric acid is determined on the basis of the evaluation.

Complementing the reserves information, SQM has an environmental impact assessment (RCA 226/06) which defines a maximum brine extraction per year until the end of the Lease Agreement (in the year 2030). Considering the maximum brine production rates, and including reinjection factors, we have performed several hydrogeological numeric simulations to estimate changes in the volume and quality of the brine during the life of the project. This procedure allows us to estimate an amount of 26.5 million metric tons of potassium out of our environmentally approved reserves, which is considered to be a fraction of the proven and probable reserves previously defined.

Brines from the Salar de Atacama are the key raw material used in the production of potassium chloride and potassium sulfate, and lithium and its derivatives. The following gross margins for the business lines specified were calculated on the same basis as cut off grades used to estimate our reserves. We expect costs to remain relatively stable in the near future.



	2014	2013	2012
	Gross Margin	Gross Price Margin	Gross Price Margin
Potassium Chloride and Potassium Sulfate	28% US\$375/ton	27% US\$423/ton	41% US\$500/ton
Lithium and Derivatives	42% US\$5.235/ton	49% US\$5.444/ton	50% US\$4.863/ton

### *Other Production Facilities*

#### Coya Sur

The Coya Sur site is located approximately 15 kilometers south of María Elena, and production activities undertaken there are associated with the production of potassium nitrate and finished products. The main production plants at this site include four potassium nitrate plants with a total capacity of 1,000,000 metric tons per year. There are also five production lines for crystallized nitrates, with a total capacity of 1,200,000 metric tons per year, and a prilling plant with a capacity of 320,000 metric tons per year. The potassium nitrate produced at Coya Sur is an intermediate product that is used as a raw material for the production of finished products (crystallized nitrates and prilled nitrates). Therefore, the production capacities listed above are not independent of one another and cannot be added together to obtain an overall total capacity. Natural gas is the main source of energy for our Coya Sur operation.

#### Salar del Carmen

The Salar del Carmen site is located approximately 14 kilometers to the east of Antofagasta. The production plants at this facility include the lithium carbonate plant, with a production capacity of 48,000 metric tons per year, and the lithium hydroxide plant, with a production capacity of 6,000 metric tons per year. Electricity and natural gas are the main sources of energy for our Salar del Carmen operation.

The following table provides a summary of our production facilities as of December 31, 2014;

Facility	Type of Facility	Approximate Size (hectares) <sup>(1)</sup>	Production Capacity (thousands of metric tons/year)	Weighted Average Age (years) <sup>(2)</sup>	Gross Book Value (millions of US\$) <sup>(2)</sup>
Coya Sur <sup>(3)</sup> <sup>(4)</sup>	Nitrates production	1,518	Potassium nitrate: 1,000 Crystallized nitrates: 1,200 Prilled nitrates: 320	7.4	463.1
		35,830		11.6	427.2

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

María Elena <sup>(5)</sup> (6)	Nitrates and iodine production		Nitrates: 250 Iodine: 1.6		
Nueva Victoria <sup>(5)</sup> (7)	Concentrated nitrate salts and iodine production	47,492	Iodine: 8.5	7.2	372.2
Pampa Blanca <sup>(5)</sup> (8)	Concentrated nitrate salts and iodide production	10,441	Nitrates: n/a Iodine: n/a	6.8	12.1
Pedro de Valdivia <sup>(3)</sup>	Nitrates and iodine production	253,880	Nitrates: 500 Iodine: 3.2	11.2	203.2
Salar de Atacama <sup>(3)</sup> (9)	Potassium chloride, potassium sulfate, lithium chloride, and boric acid production	35,911	Potassium chloride: 2,600 Potassium sulfate: 240 Boric acid: 15	10.6	1,444.1
Salar del Carmen, Antofagasta <sup>(3)</sup>	Lithium carbonate and lithium hydroxide production	126	Lithium carbonate: 48 Lithium hydroxide: 6	11.2	170.5
Tocopilla <sup>(10)</sup>	Port facilities	22	-	11.1	155.2

Approximate size considers both the production facilities and the mine for María Elena, Nueva Victoria, Pampa Blanca, Pedro de Valdivia and the Salar de Atacama. Mining areas are those authorized for exploitation by the environmental authority and/or Sernageomin.

(2) Weighted average age and gross book value correspond to production facilities, excluding the mine, for María Elena, Nueva Victoria, Pampa Blanca, Pedro de Valdivia and the Salar de Atacama.

(3) Includes production facilities and solar evaporation ponds.

The potassium nitrate produced at Coya Sur is an intermediate product that is used as a raw material for the production of finished products (crystallized nitrates and prilled nitrates). Therefore, the production capacities listed above are not independent of one another and cannot be added together to obtain an overall total capacity.

(5) Includes production facilities, solar evaporation ponds and leaching heaps.

(6) Operations at the El Toco mine at María Elena were temporarily suspended in November 2013.

(7) Operations at the Iris plant were temporarily suspended in October 2013 and restarted in August 2014.

(8) Operations at Pampa Blanca were temporarily suspended in March 2010.

Potassium chloride and potassium sulfate are produced in a dual plant, and the production capacity for each of these products depends on the production mix. Therefore, the production capacities for these two products are not independent of one another and cannot be added together to obtain an overall total capacity.

(10) The Tocopilla port facilities were originally constructed in 1961 and have been refurbished and expanded since that time.

Our railroad line between our production facilities and Tocopilla was originally constructed in 1890, but the rails, locomotives, and rolling stock have been replaced and refurbished as needed. We consider the condition of our principal plant and equipment to be good.

We own, directly or indirectly through subsidiaries, all of the facilities free of any material liens, pledges or encumbrances, and believe they are suitable and adequate for the business we conduct in them.

### *Extraction Yields*

The following table shows certain operating data relating to each of our mines for 2014, 2013 and 2012:

(in thousands, unless otherwise stated)	2014	2013	2012
<b>Pedro de Valdivia</b>			
Metric tons of ore mined	11,401	11,571	12,027
Average grade nitrate (% by weight)	8.1	7.5	7.3
Iodine (parts per million (ppm))	418	415	406
Metric tons of crystallized nitrate produced	453	445	466
Metric tons of iodine produced	3.2	3.2	3.2
<b>Maria Elena<sup>(1)</sup></b>			
Metric tons of ore mined	-	5,870	6,787
Average grade nitrate (% by weight)	-	6.6	6.2
Iodine (ppm)	-	484	454
Metric tons of crystallized nitrate produced	-	-	-
Metric tons of iodine produced	0.4	1.5	1.7
<b>Coya Sur<sup>(2)</sup></b>			
Metric tons of crystallized nitrate produced	519	429	487
<b>Pampa Blanca<sup>(1)</sup></b>			
Metric tons of ore mined	-	-	-
Iodine (ppm)	-	-	-
Metric tons of iodine produced	-	-	-
<b>Nueva Victoria<sup>(3)</sup></b>			
Metric tons of ore mined	19,792	23,515	23,937
Iodine (ppm)	467	462	465
Metric tons of iodine produced	6.0	6.1	6.0
<b>Salar de Atacama<sup>(4)</sup></b>			

Metric tons of lithium carbonate produced	30	33	41
Metric tons of potassium chloride and potassium sulfate and potassium salts produced	1,993	1,922	1,979

Operations at the El Toco (María Elena) and Pampa Blanca mines were temporarily suspended in November 2013 (1) and March 2010, respectively. During 2014, María Elena obtained production from caliche ore exploited in prior years.

(2) Includes production at Coya Sur from treatment of nitrates solutions from María Elena and fines from Pedro de Valdivia, nitrates from pile treatment at Nueva Victoria, and net production from NPT, or technical grade potassium nitrate, plants.

(3) Operations at the Iris iodine plant at Nueva Victoria were temporarily suspended in October 2013 and restarted in August 2014.

(4) Lithium carbonate is extracted at the Salar de Atacama and processed at our facilities at the Salar del Carmen. Potassium salts include synthetic sylvinites produced in the plant and other harvested potassium salts (natural sylvinites, carnalites and harvests from plant ponds) that are sent to Coya Sur for the production of crystallized nitrates.

### *Transportation and Storage Facilities*

We own and operate railway lines and equipment, as well as port and storage facilities, for the transport and handling of finished products and consumable materials.

Our main center for production and storage of raw materials is the hub composed of the facilities in Coya Sur, Pedro de Valdivia and the Salar de Atacama. Other facilities include Nueva Victoria and the lithium carbonate and lithium hydroxide finishing plants at the Salar del Carmen site. The Tocopilla port terminal (“Tocopilla Port Terminal”), which we own, is the main facility for storage and shipment of our products.

Nitrate raw materials are produced and initially stored at our Pedro de Valdivia mine, and subsequently transported by trucks to the plants described in the next paragraph, for further processing. Nitrate raw material is also produced at Nueva Victoria, from where it is transported by trucks to Coya Sur for further processing.

Nitrate finished products are produced at our facilities in Coya Sur and then transported by our rail system to Tocopilla Port Terminal, where they are stored and shipped, either bagged or in bulk. Potassium chloride is produced at our facilities in the Salar de Atacama and transported either to Tocopilla Port Terminal or Coya Sur by truck owned by a third-party dedicated contractor. Products transported to Coya Sur are used as a raw material for the production of potassium nitrate. Potassium sulfate and boric acid are both produced at our facilities in the Salar de Atacama and are then transported by trucks to the Tocopilla Port Terminal.

Lithium solutions, produced at our facilities in the Salar de Atacama, are transported to the lithium carbonate facility at the Salar del Carmen site, where finished lithium carbonate is produced. Part of the lithium carbonate is fed to the adjacent lithium hydroxide plant, where finished lithium hydroxide is produced. These two products are bagged and stored on the premises and are subsequently transported by truck to the Tocopilla Port Terminal or to the container terminals, mainly Antofagasta and Mejillones, for shipment on charter vessels or container vessels.

Iodine raw material, obtained from the same mines as the nitrates, is processed, packed in bags or drums, and stored exclusively in the facilities of Pedro de Valdivia and Nueva Victoria, and then shipped by truck to container terminals, mainly Antofagasta, Mejillones or Iquique, where they are subsequently shipped to different markets by container vessel or by truck to Santiago, where iodine derivatives are produced.

The facilities at Tocopilla Port Terminal are located approximately 186 kilometers north of Antofagasta and approximately 124 kilometers west of Pedro de Valdivia, 84 kilometers west of María Elena and Coya Sur and 372 kilometers west of the Salar de Atacama. Our subsidiary, Servicios Integrales de Tránsitos y Transferencias S.A. (SIT) operates the facilities under maritime concessions granted pursuant to applicable Chilean laws. The port also complies with ISPS (International Ship and Port Facility Security Code) regulation. The Tocopilla Port Terminal facilities include a railcar dumper to transfer bulk product into the conveyor belt system used to store and ship bulk product.

Storage facilities consist of a six silo system, with a total storage capacity of 55,000 metric tons, and an open storage area for approximately 250,000 metric tons. Additionally, to meet future storage needs, we will continue to make investments in accordance with the investment plan outlined by management. Products are also bagged at port facilities in Tocopilla, where the nominal bagging capacity is approximately 300,000 metric tons per year.

For transporting bulk product, the conveyor belt system extends over the coast line to deliver product directly inside bulk carrier hatches. Using this system, the loading capacity is 1,200 tons per hour. Bags are loaded to bulk vessels using barges that are loaded in the Tocopilla Port Terminal dock and unloaded by vessel cranes into the corresponding warehouses. Both bulk and bagged trucks are loaded in Tocopilla Port Terminal for transferring product directly to customers or for transport on container vessels shipping from other ports, mainly Antofagasta, Mejillones and Iquique.

Bulk carrier loading in the Tocopilla Port Terminal is mostly contracted to transfer product to our hubs around the world or for shipping to customers, which in some cases use their own contracted vessels for delivery. Trucking is provided by a mix of spot, contracted and customer-owned equipment.

Tocopilla processes related to the reception, handling, storage and shipment of bulk/package nitrates produced at Coya Sur are certified by the third party organization TÜV-Rheiland under the quality standard ISO 9001:2008.

### ***Water Rights***

We hold water rights for the supply of surface and subterranean water near our production facilities. The main sources of water for our nitrate and iodine facilities at Pedro de Valdivia, María Elena, and Coya Sur are the Loa and San

Salvador rivers, which run near our production facilities. Water for our Nueva Victoria and Salar de Atacama facilities is obtained from wells near the production facilities. In addition, we buy water from third parties for our production processes at the Salar del Carmen lithium carbonate plant, and we also purchase potable water from local utility companies. We have not experienced significant difficulties obtaining the necessary water to conduct our operations.

### ***Computer System***

In addition to the above-listed facilities, we operate a computer and information system linking our principal subsidiaries to our operating facilities throughout Chile via a local area network. The computer and information system is used mainly for accounting, monitoring of supplies and inventories, billing, quality control and research activities. The system's mainframe computer equipment is located at our offices in Santiago.

### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The information in this Item 5 should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto included elsewhere in this Annual Report.

Since January 1, 2010, the Company's Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as published by the International Accounting Standards Board (IASB).

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, which would potentially result in materially different results under different assumptions and conditions.

We believe that our critical accounting policies applied in the preparation of our Audited Consolidated Financial Statements are limited to those described below. It should be noted that in many cases, IFRS specifically dictates the accounting treatment of a particular transaction, limiting management's judgment in their application. There are also areas in which management's judgment in selecting available alternatives would not produce materially different results.



***Trade and Other Accounts Receivable***

Trade and other accounts receivable relate to non-derivative financial assets with fixed payments that can be determined and are not quoted in any active market. These arise from sales operations involving products and/or services that we sell directly to our customers that are not within the following categories:

- those which we have the intention of selling immediately in the near future and which are held-for-sale;
- those designated at their initial recognition as available-for-sale; and
- those through which we do not intend to recover for reasons other than credit impairment and therefore must be classified as available-for-sale.

These assets are initially recognized at their fair value (which is equivalent to their face value, discounting implicit interest for installment sales) and subsequently at amortized cost according to the effective interest rate method less a provision for impairment loss. When the face value of the account receivable does not significantly differ from its fair value, it is recognized at face value. An allowance for impairment loss is established for trade accounts receivable when there is objective evidence that we will not be able to collect all the amounts owed to us according to the original terms of accounts receivable.

Implicit interest in installment sales is recognized as interest income when interest is accrued over the term of the sale.

### ***Income tax***

Corporate income tax for the year is determined as the aggregate of current taxes from all of the consolidated companies. Current taxes are calculated on the basis of the tax laws enacted or substantively enacted as of the date of our statements of financial position in the countries in which we and our subsidiaries operate and generate taxable income.

Deferred tax is recognized using the liability method on temporary differences arising between the tax basis for assets and liabilities and their carrying amounts in our Audited Consolidated Financial Statements. Deferred income taxes are calculated using the tax rates expected to be applicable when the assets are realized or the liabilities are settled.

In conformity with current Chilean tax regulations, the provision for corporate income tax and taxes on mining activity is recognized on an accrual basis, presenting the net balances of accumulated monthly tax provisional payments for the fiscal period and credits associated with it. The balances of these accounts are presented in current income taxes recoverable or current taxes payable, as applicable.

Tax on companies and variations in deferred tax assets or liabilities that are not the result of business combinations are recorded in income statement accounts or net shareholders' equity accounts in our consolidated statements of financial position, depending on the origin of the gains or losses which have generated them.

At the year end, the carrying value of deferred tax assets has been reviewed and reduced for as long as possible for there to be no sufficient taxable income to allow the recovery of all or a portion of the deferred tax asset. Likewise, at the date of the statement of financial position, deferred tax assets not recognized are revalued and recognized as long as it has become possible that future taxable income will allow the recovery of the deferred tax asset.

With respect to deductible temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, deferred tax assets are recognized solely provided that there is a possibility that the temporary differences will be reversed in the near future and that there will be taxable income with which they may be used.

The deferred income tax related to entries directly recognized in equity is recognized with an effect on equity and not with an effect on profit or loss.

Deferred tax assets and liabilities are offset if there is a legally receivable right of offsetting tax assets against tax liabilities and the deferred tax is related to the same tax entity and authority.

### ***Inventories***

We state inventory at the lower of cost and net realizable value. The method used to determine the cost of inventory is weighted average cost. The cost of finished products and products-in-progress includes direct costs of materials and, as applicable, labor costs, indirect costs incurred to transform raw materials into finished products and general expenses incurred in carrying inventory to their current location and conditions.

The net realizable value represents the estimate of the sales price less all finishing estimated costs and costs that will be incurred in sales and distribution processes. Commercial discounts, rebates obtained and other similar entries are deducted in the determination of the cost. We conduct an evaluation of the net realizable value of inventory at the end of each year, recording a provision with a charge to income when circumstances warrant. When the circumstances that previously gave rise to the reserve cease to exist, or when there is clear evidence of an increase in the net realizable value due to a change in economic circumstances or prices of main raw materials, the estimate made previously is modified. The valuation of obsolete, impaired or slow-moving products relates to their estimated net realizable value.

Provisions on our inventory have been made based on a technical study which covers the different variables affecting products in stock (density, humidity, among others).

Raw materials, supplies and materials are recorded at the lower of acquisition cost or market value. Acquisition cost is calculated according to the annual average price method.

***Obligations related to staff severance indemnities and pension commitments***

Our obligations with respect to our employees are established in collective bargaining agreements and individual employment contracts. In the case of certain employees in the United States, our obligations are established through a pension plan, which was terminated in 2002.

These obligations are valued using an actuarial calculation that considers factors such as mortality rate, employee turnover, interest rates, retirement dates, effects related to increases in employees' salaries, as well as the effects on variations in services derived from variations in the inflation rate.

Actuarial losses and gains that may be generated by variations in previously defined obligations are directly recorded in profit or loss for the year.

Actuarial losses and gains originating from deviations between the estimate and the actual behavior of actuarial hypotheses or in the reformulation of established actuarial hypotheses are recorded in equity.

The discount rate used for calculating obligations outside the United States was 6% for the periods ended as of December 31, 2014 and 2013.

Our United States subsidiary, SQM North America Corp. has established pension plans for its retired employees that are calculated by measuring the projected benefit obligation in accordance with International Accounting Standards (“IAS”) using a net salary progressive rate net of adjustments to inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 5.0% interest rate for 2014 and 2013. The net balance of this obligation is presented in the line item called Provisions for Employee Benefits, Non-Current.

*Mining development costs*

Mine exploration costs and stripping costs to maintain production of mineral resources extracted from operating mines are considered variable production costs and are included in the cost of inventory produced during the period. Mine development costs at new mines, and major development costs at operating mines outside existing areas under extraction that are expected to benefit future production, are capitalized under “other long-term assets” and amortized using a units-of-production method over the associated proven and probable reserves. We determine our proven and probable reserves based on drilling, brine sampling and geostatistical reservoir modeling in order to estimate mineral volume and composition.

All other mine exploration costs, including expenses related to low grade mineral resources rendering reserves that are not economically exploitable, are charged to the statement of income in the period in which they are incurred.

***Asset value impairment***

We assess on an annual basis any impairment on the value of buildings, plant and equipment, intangible assets, goodwill and investments accounted for using the equity method of accounting in accordance with IAS 36 “Impairment of Assets.” Assets to which this method applies are:

investments recognized using the equity method of accounting;  
property, plant and equipment;  
intangible assets; and  
goodwill.

Assets are reviewed for impairment as to the existence of any indication that the carrying value is lower than the recoverable amount. If such an indication exists, the asset recoverable amount is calculated in order to determine the extent of the impairment, if any. In the event that the asset does not generate any cash flows independent from other assets, we determine the recoverable amount of the cash generating unit to which this asset belongs according to the corresponding business segment (specialty plant nutrients, iodine and derivatives, lithium and derivatives, potassium, industrial chemicals and other products and services.)

We conduct impairment tests on intangible assets and goodwill with indefinite useful lives on an annual basis and every time there is indication of impairment. If the recoverable value of an asset is estimated at an amount lower than its carrying value, the latter decreases to its recoverable amount.

***Financial derivatives and hedging transactions***

Derivatives are recognized initially at fair value at the date in which the derivatives contract has been signed and subsequently they are valued at fair value at each period end. The method for recognizing the resulting loss or gain depends on whether the derivative has been designated as an accounting hedging instrument and if so, the type of hedging, which may be:

- a. fair value hedge of assets and liabilities recognized (fair value hedges); or

b. hedging of a single risk associated with an asset or liability recognized or a highly possible foreseen transaction (cash flow hedge).

At the beginning of the transaction, we document the relationship between hedging instruments and those entries hedged, as well as their objectives for risk management purposes and the strategy to conduct different hedging operations.

We also document our evaluation both at the beginning and the end of each period of whether derivatives used in hedging transactions are highly effective to offset changes in the fair value or in cash flows of hedged entries.

The fair value of derivative instruments used for hedging purposes is shown in Note 9.3 to our Consolidated Financial Statements.

Non-hedge instruments are classified as current assets or liabilities, and the change in their fair value is recognized directly in profit or loss.

***a. Fair value hedge***

The change in the fair value of a derivative is recognized with a debit or credit to profit or loss, as applicable. The change in the fair value of the hedged entry attributable to hedged risk is recognized as part of the carrying value of the hedged entry and is also recognized with a debit or credit to profit or loss.

For fair value hedging related to items recorded at amortized cost, the adjustment of the fair value is amortized against income on the remaining years to its expiration. Any adjustment to the carrying value of a hedged financial instrument for which the effective rate is used is amortized with a debit or credit to profit or loss at its fair value attributable to the risk being covered.

If the hedged entry no longer meets the criteria for hedge accounting, the fair value not amortized is immediately recognized with a debit or credit to profit or loss.

***b. Cash flow hedge***

The effective portion of gains or losses from the hedging instrument is initially recognized as “other revenue” with a debit or credit to other comprehensive income whereas any ineffective portion is immediately recognized with a debit or credit to profit or loss, as applicable.

Amounts accumulated in equity are transferred to profit or loss when the hedged transaction affects income for the period, such as when the hedged interest income or expense is recognized when a forecasted sale occurs. When the hedged item is the cost of a non-financial asset or liability, amounts taken to equity are transferred to the initial carrying value of the non-financial asset or liability.

Should the expected firm transaction or commitment no longer be expected to occur, the amounts previously recognized as other comprehensive income are transferred to income. If a hedging instrument expires, is sold, finished, and exercised without any replacement, or if a rollover is performed or if its designation as hedging is revoked, the amounts previously recognized in equity are maintained in equity until the expected firm transaction or commitment occurs.

**5.A. Operating Results**



## Introduction

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements. Certain calculations (including percentages) that appear herein have been rounded.

Our Consolidated Financial Statements are prepared in accordance with IFRS standards and prepared in U.S. dollars. The U.S. dollar is the primary currency in which we operate.

We operate as an independent corporation. Nonetheless we are a "controlled corporation," as that term is defined under Chilean law. See "Item 6.E. Share Ownership."

### Overview of Our Results of Operations

We divide our operations into the following product lines:

- the production and sale of specialty plant nutrients;
- the production and sale of iodine and its derivatives;
- the production and sale of lithium and its derivatives;
- the production and sale of potassium, including potassium chloride and potassium sulfate;
- the production and sale of industrial chemicals, principally industrial nitrates and solar salts and
- the purchase and sale of other commodity fertilizers for use primarily in Chile.

We sell our products through three primary channels: our own sales offices, a network of distributors and, in the case of our fertilizer products, through Yara International ASA's (formerly Norsk Hydro ASA) ("Yara") distribution network in countries where its presence and commercial infrastructure are larger than ours. Similarly, in those markets where our presence is larger, both our specialty plant nutrients and Yara's are marketed through our offices.

### Factors Affecting Our Results of Operations

Our results of operations substantially depend on:

- trends in demand for and supply of our products, including global economic conditions, which impact prices and sales volumes;
- efficient operations of our facilities, particularly as some of them run at production capacity;
- our ability to accomplish our capital expenditures program in a timely manner;
- the levels of our inventories;
- trends in the exchange rate between the U.S. dollar and Chilean peso, as a significant portion of the cost of sales is in Chilean pesos, and trends in the exchange rate between the U.S. dollar and the euro, as a significant portion of our sales is denominated in euros; and
- energy, logistics, raw materials, labor and maintenance costs.

The following table shows our revenues (in millions of U.S. dollars) and the percentage accounted for by each of our product lines for each of the periods indicated:

	<b>2014</b>		<b>2013</b>		<b>2012</b>	
	US\$	%	US\$	%	US\$	%
Specialty plant nutrition	708.0	35 %	687.5	31 %	675.3	28 %
Iodine and derivatives	335.4	17 %	461.0	21 %	578.1	24 %
Lithium and derivatives	206.8	10 %	196.5	9 %	222.2	9 %
Potassium	584.3	29 %	606.3	28 %	605.1	25 %
Industrial chemicals	101.9	5 %	154.0	7 %	245.2	10 %
Other products and services	77.7	4 %	97.9	4 %	103.2	4 %
<b>Total</b>	<b>2,014.2</b>	<b>100</b>	<b>2,203.1</b>	<b>100</b>	<b>2,429.2</b>	<b>100</b>

The following table shows certain financial information of the Company under IFRS (in millions of U.S. dollars) for each of the periods indicated, as a percentage of revenues:

(in millions of U.S. dollars)	Year Ended December 31,					
	2014		2013		2012	
	US\$	%	US\$	%	US\$	%
Revenues	2,014.2	100.0	2,203.1	100.0	2,429.2	100.0
Cost of sales	(1,431.2)	71.1	(1,481.7)	67.3	(1,400.6)	57.7
<b>Gross profit</b>	<b>583.0</b>	<b>28.9</b>	<b>721.5</b>	<b>32.7</b>	<b>1,028.6</b>	<b>42.3</b>
Other income	24.1	1.2	96.7	4.4	12.7	0.5
Administrative expenses	(96.5 )	4.8	(105.2 )	4.8	(106.4 )	4.4
Other expenses <sup>(1)</sup>	(64.3 )	3.2	(49.4 )	2.2	(34.6 )	1.4
Other gains (losses)	4.4	0.2	(11.4 )	0.5	0.7	—
Finance income	16.1	0.8	12.7	0.6	29.1	1.2
Finance expenses	(63.4 )	3.1	(58.6 )	2.6	(54.1 )	2.2
Equity income of associates and joint ventures accounted for using the equity method	18.1	0.9	18.8	0.8	24.4	1.0
Foreign currency exchange differences	(16.5 )	0.8	(12.0 )	0.5	(26.8 )	1.1
<b>Income before income tax expense <sup>(1)</sup></b>	<b>405.0</b>	<b>20.1</b>	<b>613.1</b>	<b>27.8</b>	<b>873.5</b>	<b>36.0</b>
Income tax expense <sup>(2)</sup>	(160.7 )	8.0	(138.5 )	6.3	(216.1 )	8.9
Profit attributable to:						
Controlling interests <sup>(1)(2)</sup>	236.9	11.8	467.1	21.2	649.2	26.7
Non-controlling interests	7.4	0.4	7.5	0.3	8.2	0.3
<b>Profit for the year <sup>(1)(2)</sup></b>	<b>244.3</b>	<b>12.1</b>	<b>474.6</b>	<b>21.5</b>	<b>657.4</b>	<b>27.1</b>

The 2014 figure includes provisions of approximately US\$7 million corresponding to payments made in 2015 to the Chilean Internal Revenue Service (*Servicio de Impuestos Internos* or “SII”) for expenses that may not have qualified as tax expenses under the Chilean tax code. Such payments were made after March 3, 2015, the date on which the Company filed its statutory consolidated financial statements filed with the SVS. Therefore, this amount <sup>(1)</sup> was not reflected in these statutory consolidated financial statements. For more information, see “Item 3D. Risk Factors—Risks Relating to our Business—We could be subject to numerous risks as a result of ongoing investigations by the Chilean Internal Revenue Service and the Chilean Public Prosecutor in relation to certain payments of invoices made by SQM between the tax years 2009 and 2014.”

<sup>(2)</sup>In accordance with IAS 12, the effects generated by the change in the income tax rate approved by Law No. 20.780 on income and deferred taxes have been applied to the income statement. For purposes of the Company’s statutory consolidated financial statements filed with the Chilean SVS, in accordance with the instructions issued by the SVS in its circular 856 of October 17, 2014, the effects generated by the change in the income tax rate were accounted for as retained earnings. The amount charged to equity was US\$52.3 million, thereby giving rise to a difference of US\$52.3 million in profit for the year and income tax expense as presented in the Company’s Audited Consolidated Financial Statements and as presented in its statutory consolidated financial statements filed with the

SVS. Subsequent amendments will be recognized in profit or loss for the period in the Company's statutory consolidated financial statements in accordance with IAS 12.

Results of Operations – 2014 compared to 2013

**Revenues**

Revenues decreased 8.6% to US\$2,014.2 million in 2014 from US\$2,203.1 million in 2013.

The main factors causing the decrease in revenues and the variation in the different product lines are described below.

***Specialty Plant Nutrition***

Specialty plant nutrition revenues increased 3.0% to US\$708.0 million in 2014 from US\$687.5 million in 2013. Set forth below are sales volume data for the specified years by product category in this product line:

(in Th. MT)	2014	2013	% Change	
Potassium nitrate and sodium potassium nitrate	531.6	512.6	4	%
Specialty blends	228.0	208.1	10	%
Other specialty plant nutrients (*)	102.5	100.8	2	%
Sodium nitrate	15.8	26.2	(40)	)%

\* Includes trading of other specialty fertilizers.

Our sales volumes in the specialty plant nutrition business line increased 3.6% in 2014 compared to 2013. Revenues for our most important product in this business line, potassium nitrate, grew approximately 5%. In general, potassium nitrate prices are less volatile than other commodity fertilizers such as potassium chloride. Prices in the business line were largely flat in 2014 compared to 2013.

***Iodine and Derivatives***

Iodine and derivatives revenues decreased 27.2% to US\$335.4 million in 2014 from US\$461.0 million in 2013. Set forth below are sales volume data for the specified years:

(in Th. MT)	2014	2013	% Change
Iodine and its derivatives	8.8	9.3	(5 )%

SQM was impacted by the overall lower prices in 2014, and our prices dropped approximately 23% in 2014 compared to 2013. We expect average prices will continue to decline throughout 2015. We believe we are the lowest-cost producer in Chile and as a result are well positioned to face this challenging environment.

Our sales volumes in the iodine and derivatives business line decreased approximately 5% in 2014 compared to 2013. In 2015, we expect that our sales volumes will increase as we work to regain market share.

***Lithium and Derivatives***

Lithium and derivatives revenues increased 5.3% to US\$206.8 million in 2014 from US\$196.5 million in 2013. Set forth below are sales volume data for the specified years:

(in Th. MT)	2014	2013	% Change
Lithium and derivatives	39.5	36.1	10 %

Prices in the lithium carbonate market fell slightly during 2014, which was reflected in the approximately 4% decline in average prices for this business line in 2014 compared to 2013. We expect existing competition will add new supply in 2015, but demand growth should exceed this new supply. Therefore, we expect average prices to increase in 2015.

Our sales volumes in the lithium business line increased nearly 10% in 2014 compared to 2013. We achieved particularly strong sales volumes in the fourth quarter, in which we reported the strongest quarterly sales volumes of 2014. We expect our sales volumes in 2015 to remain relatively stable compared to 2014, totaling just below 40,000 metric tons.

**Potassium**

Potassium revenues decreased 3.6% to US\$584.3 million in 2014 from US\$606.3 million in 2013. Set forth below are sales volume data for the specified years:

(in Th. MT)	2014	2013	% Change	
Potassium chloride and potassium sulfate	1,556.2	1,434.9	8	%

The increase of approximately 8% in our sales volumes in 2014 compared to 2013 was offset by lower average prices in 2014. Although prices recovered gradually during the second half of 2014, on average for the full year, our sales prices were approximately 11% lower in 2014 compared to 2013.

In 2014, we continued to take advantage of our developed distribution network and distributed potassium chloride to customers all over the world. Our biggest market continued to be Brazil, which accounted for approximately one-third of our potassium chloride sales for the year.

***Industrial Chemicals***

Industrial chemicals revenues decreased 33.8% to US\$101.9 million in 2014 from US\$154.0 million in 2013. Set forth below are sales volume data for the specified years by product category:

(in Th. MT)	2014	2013	% Change
Industrial nitrates	124.7	173.5	(28 )%
Boric acid	0.8	2.0	(62 )%

Industrial chemical demand for traditional applications remained relatively stable compared to 2013. Solar salt sales volumes reached just over 22,000 metric tons in 2014, which was a significant decline compared to 2013.

SQM executed solar salt supply agreements for over 200,000 metric tons to be supplied to four new projects in Africa and Latin America between 2015 and 2017. The majority of these volumes are expected to be delivered in 2016 and 2017. We will continue to pursue new solar salt business in an effort to further increase sales volumes. Prospects in the solar salt market remain positive, and 2015 sales volumes in this business line are expected to be higher than 2014.

***Other Products and Services***

Revenues from other products and services, which relate primarily to sales of other commodity fertilizers and certain other products, decreased 20.6% to US\$77.7 in 2014 from US\$97.9 million in 2013.

**Cost of Sales**

Cost of sales decreased 3.4% to US\$1,431.2 million in 2014, which represented 71% of revenues, from US\$1,481.7 million in 2013, which represented 67% of revenues. This increase as a percentage of revenues was principally caused by lower prices in most of our products. Cost of sales includes, among other things, depreciation and amortization costs.

**Gross Profit**

Gross profit decreased 19.2% to US\$583.0 million in 2014, which represented 28.9% of revenues, from US\$721.5 million in 2013, which represented 32.7% of revenues. This decrease as a percentage of revenues was principally caused by lower average prices in 2014 compared to 2013 in our iodine, nitrates and lithium business lines.

### **Other Income**

Other income decreased 75.1% to US\$24.1 million in 2014, which represented 1.2% of revenues, from US\$96.7 million in 2013, which represented 4.4% of revenues.

### **Administrative Expenses**

Administrative expenses decreased 8.3% to US\$96.5 million in 2014, which represented 4.8% of revenues, from US\$105.2 million in 2013, which also represented 4.8% of revenues.



### **Other Expenses**

Other expenses increased 30.2% to US\$64.3 million in 2014, which represented 3.2% of revenues, from US\$49.4 million in 2013, which represented 2.2% of revenues.

### **Other Gains (Losses)**

Other gains (losses) increased to a gain of US\$4.4 million in 2014, which represented 0.2% of revenues, from a loss of US\$11.4 million in 2013, which represented 0.5% of revenues.

### **Finance Income**

Finance income increased 26.8% to US\$16.1 million in 2014, which represented 0.8% of revenues, from US\$12.7 million in 2013, which represented 0.6% of revenues.

### **Finance Expenses**

Finance expenses increased 8.2% to US\$63.4 million in 2014, which represented 3.1% of revenues, from US\$58.6 million in 2013, which represented 2.6% of revenues.

### **Equity Income of Associates and Joint Ventures Accounted for Using the Equity Method**

Equity income of associates and joint ventures accounted for using the equity method decreased 3.7% to US\$18.1 million in 2014, which represented 0.9% of revenues, from US\$18.8 million in 2013, which represented 0.8% of revenues.

### **Foreign Currency Exchange Differences**

Losses from foreign currency exchange differences increased 37.5% to US\$16.5 million in 2014, which represented 0.8% of revenues, from US\$12.0 million in 2013, which represented 0.5% of revenues. A significant portion of our costs is related to the Chilean peso as most of our operations occur in Chile. In addition, although most of our revenues are in U.S. dollars, we have revenues in other currencies, such as the euro and the South African rand, which depreciated during 2014. Because the U.S. dollar is our functional currency, we are subject to currency fluctuations. We aim to mitigate this impact through an active hedging program. During 2014, the Chilean peso depreciated 15.7% against the U.S. dollar.

### **Income Tax Expense**

Income tax expense increased 16.0% to US\$160.7 million in 2014 from US\$138.5 million in 2013. The effective tax rate was 39.0% in 2014 compared to 22.6% in 2013. The increase was due to an increase of US\$52.3 million in our deferred tax liabilities, as a result of the 2014 Chilean Tax Reform. See “Government Regulations—Regulations in Chile Generally.” Excluding this effect, income tax expense decreased 21.7%, to US\$108.4 million in 2014, an effective rate of 26.3%. The difference between the statutory and effective tax rates was due primarily to royalty taxes on income.

### **Profit for the Year**

Profit for the year decreased 48.5% to US\$244.3 million in 2014 from US\$474.6 million in 2013 primarily as a result of the foregoing factors and lower prices across multiple business lines compared to 2013.

Results of Operations – 2013 compared to 2012**Revenues**

Revenues decreased 9.3% to US\$2,203.1 million in 2013 from US\$2,429.2 million in 2012. The main factors causing the increase in revenues and the variation in the different product lines are described below.

***Specialty Plant Nutrition***

Specialty plant nutrition revenues increased 1.8% to US\$687.5 million in 2013 from US\$675.3 million in 2012. Set forth below are sales volume data for the specified years by product category in this product line:

(in Th. MT)	2013	2012	% Change	
Potassium nitrate and sodium potassium nitrate	512.6	469.3	9	%
Specialty blends	208.1	197.5	5	%
Other specialty plant nutrients (*)	100.8	89.0	13	%
Sodium nitrate	26.2	24.4	7	%

\* Includes trading of other specialty fertilizers.

Our sales volumes in the specialty plant nutrition business line in 2013 increased 8.6% compared to sales volumes in 2012. In general, potassium nitrate prices are less volatile than other commodity fertilizers such as potassium chloride; we saw prices in the business line decrease 6% during 2013 when compared to 2012.

***Iodine and Derivatives***

Revenues for iodine and derivatives decreased 20.3% to US\$461.0 million in 2013 from US\$578.1 million in 2012. Set forth below are sales volume data for the specified years:

(in Th. MT)	2013	2012	% Change	
Iodine and derivatives	9.3	11.0	(15	)%

Our sales volumes decreased approximately 15% in 2013 when compared to 2012. Average prices for 2013 were just under US\$50/kg, almost 6% less than prices reported during 2012. These price decreases were in line with market conditions and our expectations.

***Lithium and Derivatives***

Revenues for lithium and its derivatives decreased 11.6% to US\$196.5 in 2013 from US\$222.2 million in 2012. Set forth below are sales volume data for the specified years:

(in Th. MT)	2012	2012	% Change
Lithium and its derivatives	36.1	45.7	(21 )%

Our sales volumes in the lithium segment decreased approximately 21% in 2013, when compared to 2012. This resulted from increased supply from various competitors. We believe our market share totaled 27% in 2013. Prices remained strong in the lithium market, and our average price in the lithium business line was almost 12% higher in 2013 than prices seen in 2012.

**Potassium**

Potassium revenues increased 0.2% to US\$606.3 million in 2013 from US\$606.3 million in 2012. Set forth below are sales volume data for the specified years:

(in Th. MT)	2013	2012	% Change	
Potassium chloride and potassium sulfate	1,434.9	1,209.5	19	%

Our potassium chloride and potassium sulfate sales volumes increased over 18% in 2013 compared to 2012, which was in line with our expectations. As mentioned above, pricing for the second half of 2013 remained volatile, and we were not immune to impacts. Our average price for the potassium chloride and potassium sulfate business line in 2013 was approximately 16% lower than average prices reported during 2012.

We continued to take advantage of our developed distribution network, and distributed potassium chloride to customers all over the world. Our biggest market continued to be Brazil, which, in 2013, accounted for approximately one third of our potassium chloride sales.

**Industrial Chemicals**

Industrial chemicals revenues decreased 37.2% to US\$154.0 million in 2013 from US\$245.2 million in 2012. Set forth below are sales volume data for the specified years by product category:

(in Th. MT)	2013	2012	% Change	
Industrial nitrates	173.5	277.7	(38	)%
Boric acid	2.0	1.8	(6	)%

Average prices for industrial chemicals business line in 2013 remained virtually unchanged compared to 2012. As expected, volumes during 2013 decreased significantly compared to sales volumes reported during 2012. This is a direct result of a reduction in the sale of solar salts, products used for alternative energy sources. This decrease in sales volumes was particularly relevant during the second half of 2013 when sales volumes in solar salts were trivial.

**Other Products and Services**

Revenues from other products and services, primarily other commodity fertilizers and other products, decreased 5.1% to US\$97.9 million in 2013 from US\$103.2 million in 2012.

### **Cost of Sales**

Cost of sales increased 5.0% to US\$1,481.7 million in 2013, which represented 67% of revenues, from US\$1,400.6 million in 2012, which represented 58% of revenues. This increase in the percentage of revenues was principally caused higher volumes and lower prices in most of our products. Cost of sales includes, among others, the costs of depreciation and amortization.

### **Gross Profit**

Gross profit decreased 29.9% to US\$721.5 million in 2013, which represented 32.7% of revenues, from US\$1,028.6 million in 2012, which represented 42.3% of revenues. Gross margin was impacted by generally lower average prices in 2013 compared to 2012 in the fertilizer business lines.

### **Other Income**

Other income increased 661.4% to US\$96.7 million in 2013, which represented 4.4% of revenues, from US\$12.7 million in 2012, which represented 0.5% of revenues.

### **Administrative Expenses**

Administrative expenses decreased 1.1% to US\$105.2 million in 2013, which represented 4.8% of revenues, from US\$106.4 million in 2012, which represented 4.4% of revenue. The increase as a percentage of revenue was mostly caused by decreases in revenues and relatively stable expenses.

### **Other Expenses**

Other expenses increased 42.6% to US\$49.3 million in 2013, which represented 2.2% of revenues, from US\$34.6 million in 2012, which represented 1.4% of revenues in 2012.

### **Other Gains (Losses)**

Other gains (losses) decreased to a loss of US\$11.3 million in 2013 from a gain of US\$0.7 million in 2012.

### **Finance Income**

Finance income decreased 43.6% to US\$12.6 million in 2013, which represented 0.6% of revenues, from US\$29.1 million in 2012, which represented 1.2% of revenues. Financial income decreased resulting from lower returns in financial investments such as money market and time deposits.

### **Finance Expenses**

Finance expenses increased 8.3% to US\$58.6 million in 2013, which represented 2.7% of revenues, from US\$54.1 million in 2012, which represented 2.2% of revenues. The increase in finance expenses was due to a net increase in indebtedness during 2013.

### **Equity Income of Associates and Joint Ventures Accounted for Using the Equity Method**

Equity income of associates and joint ventures accounted for using the equity method decreased 23.0% to US\$18.8 million in 2013, which represented 0.8% of revenues, from US\$24.4 million in 2012, which also represented 1.0% of revenues.

### **Foreign Currency Exchange Differences**

Losses from foreign currency exchange differences decreased 44.9% to US\$12.0 million in 2013, which represented 0.5% of revenues, from US\$26.8 million in 2012, which represented 1.1% of revenues. A significant portion of our costs is related to the Chilean peso as most of our operations occur in Chile. Because the U.S. dollar is our functional currency, we are subject to currency fluctuations. We try to mitigate this impact through an active hedging program. During 2013, the Chilean peso depreciated by 9.3% against the U.S. dollar.

### **Income Tax Expense**

Income taxes decreased to US\$138.5 million in 2013 from US\$216.1 million in 2012. The effective tax rate in 2013 was 22.5% compared with 24.7% in 2012. The difference between the statutory and effective tax rates is due primarily to royalty taxes on income.



## **Profit for the Year**

Profit for the year decreased 27.8% to US\$474.6 million in 2013 from US\$657.4 million in 2012, as a result of the foregoing factors. Profit for the year was lower in 2013 resulting from lower prices across multiple business lines, and lower volumes in lithium, iodine and industrial chemicals when compared to 2012.

## **Impact of Foreign Exchange Rates**

We transact a significant portion of our business in U.S. dollars, which is the currency of the primary economic environment in which we operate and is our financial currency for financial reporting purposes. A significant portion of our costs is related to the Chilean peso as most of our operations occur in Chile, and therefore an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar affects our costs of production. Additionally, as an international company operating in Chile and several other countries, we transact a portion of our business and have assets and liabilities in Chilean pesos and other non-U.S. dollar currencies, such as the Euro, the South African Rand and the Mexican peso. As a result, fluctuations in the exchange rate of such currencies to the U.S. dollar may affect our financial condition and results of operations. See Note 23 to the Financial Statements included in this Annual Report.

We monitor and attempt to balance our non-dollar assets and liabilities position, including through foreign exchange contracts and other hedging instruments, to minimize our exposure to foreign exchange rate risk. As of December 31, 2014, for hedging purposes we had open contracts to buy U.S. dollars and sell euros for approximately US\$31.7 million (EUR 25.2 million) and sell South African rand for approximately US\$25.3 million (ZAR 289 million), as well as forward exchange contracts to sell U.S. dollars and buy Chilean pesos for US\$89.5 million (Ch\$54,304 million). All of our UF and Chilean pesos bonds were hedged with cross-currency swaps to the U.S. dollar for approximately US\$ 368 million as of December 31, 2014.

In addition, we had open forward exchange contracts to buy U.S. dollars and sell Chilean pesos for approximately US\$274 million (Ch\$166,229 million) to hedge our time deposits in Chilean pesos.

## **5.B. Liquidity and Capital Resources**

As of December 31, 2014, we had US\$1,008.0 million of cash and cash equivalents and time deposits. In addition, as of December 31, 2014, we had US\$546.0 million of unused uncommitted working capital credit lines.

Shareholders' equity decreased to US\$2,292.5 million as of December 31, 2014 from US\$2,432.2 million as of December 31, 2013. Our ratio of total liabilities to total equity (including non-controlling interest) on a consolidated basis increased to 1.03 as of December 31, 2014 from 0.96 as of December 31, 2013.

We evaluate from time to time our cash requirements to fund capital expenditures, dividend payouts and increases in working capital, but we believe our working capital is sufficient for our present requirements. As debt requirements also depend on the level of accounts receivable and inventories, we cannot accurately determine the amount of debt we will require nor are our requirements typically seasonal.

The table below shows our cash flows for 2014, 2013 and 2012:

(in millions of U.S. dollars)	2014	2013	2012
Net cash from (used in):			
Net cash from operating activities	591.0	651.7	650.2
Net cash used in financing activities	(388.0)	(2.3 )	(197.7)
Net cash used in investing activities	(311.4)	(487.4)	(562.9)
Effects of exchange rate fluctuations on cash and cash equivalents	(13.7 )	(9.8 )	(10.3 )
Net increase (decrease) in cash and cash equivalents	(122.1)	152.3	(120.6)

We operate a capital-intensive business that requires significant investments in revenue-generating assets. Our past growth strategies have included purchasing production facilities and equipment and the improvement and expansion of existing facilities. Funds for capital expenditures and working capital requirements have been obtained from net cash from operating activities, borrowing under credit facilities and issuing debt securities.

The Board of Directors approved a capital expenditures plan for 2015 of US\$182 million in connection with investments to be made in Chile. The 2015 capital investment program is primarily focused on the maintenance of our production facilities. Our 2015 capital investment program does not call for any external financing, however, we reserve the right to access capital markets in order to optimize our financial position. See “Item 4.A. History and Development of the Company—Capital Expenditure Program.”

Our other major use of funds is for dividend distributions. We paid dividends of US\$373.8 million and US\$273.6 million during 2014 and 2013, respectively. Our 2014 dividend policy, as approved by our shareholders, is to pay 50% of our profit as calculated in our financial statements filed with the SVS for each fiscal year in dividends. Under Chilean law, the minimum dividend payout is 30% of profit for each fiscal year.

## Financing Activities

Our current ratio, defined as current assets divided by current liabilities, increased to 4.80 as of December 31, 2014 from 3.40 as of December 31, 2013. The following table shows key information about our outstanding long- and short-term debt as of December 31, 2014.

Debt Instrument <sup>(1)(2)</sup>	Interest Rate	Issue Date	Maturity Date	Amortization
Bilateral loan — US\$20 million	0.41 %	Aug. 28, 2014	Feb. 25, 2015	Bullet

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Bilateral loan — US\$20 million	0.38	%	Nov. 17, 2014	May. 22, 2015	Bullet
Bilateral loan — US\$20 million	0.59	%	Jun. 19, 2014	Jun. 10, 2015	Bullet
Bilateral loan — US\$20 million	0.46	%	Aug. 26, 2014	Aug. 21, 2015	Bullet
Bilateral loan — US\$20 million	0.59	%	Oct. 14, 2014	Sep. 2, 2015	Bullet
Bilateral loan — US\$50 million	1.37	%	Oct. 19, 2012	Oct. 19, 2015	Bullet
6.125% Notes due 2016 — US\$ 200 million	6.13	%	Apr. 15, 2006	Apr. 15, 2016	Bullet
Bilateral loan — US\$40 million	2.34	%	Oct. 6, 2011	Oct. 6, 2016	Semiannual, beginning in 2014
Bilateral loan — US\$40 million	0.97	%	Oct. 12, 2011	Oct. 12, 2016	Semiannual, beginning in 2014
Bilateral loan — US\$40 million	1.94	%	Dec. 21, 2011	Dec. 21, 2016	Bullet
Series M Bond — UF 1.0 million	2.90	%	Feb. 1, 2012	Feb. 1, 2017	Bullet
Bilateral loan — US\$140 million	2.33	%	Oct. 29, 2009	Sep. 13, 2017	Bullet
5.50% Notes due 2020 — US\$ 250 million	5.50	%	Apr. 21, 2010	Apr. 21, 2020	Bullet
3.625% Notes due 2023 — US\$ 300 million	3.63	%	Apr. 3, 2013	Apr. 3, 2023	Bullet
4.375% Notes due 2025 — US\$ 250 million	4.38	%	Oct. 28, 2014	Jan. 28, 2025	Bullet
Series C Bond — UF 1.8 million	5.84	%	Dec. 1, 2005	Dec. 1, 2026	Semiannual, beginning in 2007
Series H Bond — UF 4 million	4.03	%	Jan. 5, 2009	Jan. 5, 2030	Semiannual, beginning in 2019
Series O Bond — UF 1.5 million	3.56	%	Feb. 1, 2012	Feb. 1, 2033	Bullet

(1) UF- denominated bonds are fully hedged to U.S. dollars with cross-currency swaps.

(2) Some floating rate bilateral loans are currently hedged to fixed rate loans using interest rate swaps.

As of December 31, 2014, we had total financial debt of US\$1,748 million compared to US\$1,815 million as of December 31, 2013. Taking into account the effects of financial derivatives, our total financial debt amounted to US\$1,786 million as of December 31, 2014 and US\$1,792 million as of December 31, 2013. Of the total debt as of December 31, 2014, US\$211.4 million was short-term debt. All of our UF local bonds were hedged with cross-currency swaps to the U.S. dollar as of December 31, 2014.

As of December 31, 2014, all of our long-term debt, including the current portion, was denominated in U.S. dollars, and all our UF-denominated bonds were hedged with cross-currency swaps to the U.S. dollar.

The financial covenants related to our debt instruments include: (i) limitations on the ratio of total liabilities to equity (including non-controlling interest) on a consolidated basis, (ii) minimum net worth requirements, (iii) limitations on net financial debt to EBITDA, (iv) limitations on interest indebtedness of operating subsidiaries and (v) minimum production assets. We believe that the terms and conditions of our debt agreements are standard and customary and that we are in compliance in all material respects with such terms and conditions as of December 31, 2014.

The following table shows the maturities of our long-term debt by year as of December 31, 2014 (in millions of US dollars):

<b>Maturity<sup>(1)</sup></b>	<b>Amount</b>
2015	196.1
2016	286.1
2017	186.7
2018	6.1
2019	13.5
2020 and thereafter	1,058.5
<b>Total</b>	<b>1,746.9</b>

Only the principal amount has been included. For the UF-denominated local bonds, the amounts presented reflect the real U.S. dollar obligation as of December 31, 2014, not including the effects of the cross currency swaps that (1) hedge these bonds to the U.S. dollar and which had, as of December 31, 2014, a market value of US\$37 million in favor of SQM.

***Environmental and Occupational Safety and Health Projects***

We spent US\$7.8 million on environmental, safety and health projects in 2014. We have budgeted approximately US\$7.9 million in 2015 for environmental, safety and health projects. This amount forms part of the capital expenditure program discussed above.

5.C. Research and Development, Patents and Licenses, etc.

One of the main objectives of our research and development team is to develop new processes and products in order to maximize the returns obtained from the resources that we exploit. Our research is performed by four different units whose research topics include chemical process design, phase chemistry, chemical analysis methodologies and physical properties of finished products.

Our research and development policy emphasizes the following: (i) optimization of current processes in order to decrease costs and improve product quality through the implementation of new technology and (ii) development of higher-margin products from current products through vertical integration or different product specifications.

Our research and development activities have been instrumental in improving our production processes and developing new value-added products. As a result of research and development activities, new methods of extraction, crystallization and finishing products have been developed. Technological advances in recent years have enabled us to improve process efficiency for the nitrate, potassium and lithium operations, improve the physical quality of our prilled products and reduce dust emissions and caking by applying specially designed additives to our products handled in bulk. Our research and development efforts have also resulted in new, value-added markets for our products. One example is the use of sodium nitrate and potassium nitrate as thermal storage in solar power plants.

We have patented several production processes for nitrate, iodine and lithium products. These patents have been filed mainly in the United States, Chile and in other countries when necessary. The patents used in our production processes include Chilean patent No. 47,080 for iodine (production of spherical granules of chemicals that sublime), Japanese patent No. 4,889,848 for nitrates (granular fertilizers) and patent Numbers 41,838 from Chile, 5393-B and 5391-B from Bolivia, AR001918B1 and AR001916B1 from Argentina and 5,676,916 and 5,939,038 from the U.S. for lithium (removal of boron from brines).

For the years ended December 31, 2014, 2013 and 2012, we invested US\$7.4 million, US\$ 9.2 million and US\$10.4 million, respectively, on research and development activities.

#### 5.D. Trend Information

Our revenues decreased 8.6% to US\$2,014.2 million in 2014 from US\$2,203.1 million in 2013. Gross margin decreased 19.2% to US\$583.0 million in 2014, which represented 28.9% of revenues, from US\$721.5 million in 2013, which represented 32.7% of revenues. Profit attributable to controlling interests decreased 49.3% to US\$236.9 million in 2014 from US\$467.1 million in 2013.

Our sales volumes in the specialty plant nutrition business line increased 3.6% in 2014 compared to 2013, while prices were relatively flat. As a result, our revenues in this business line increased approximately 3.0%. Potassium nitrate is the most important product in this business line, and according to our estimates, worldwide demand growth for this product grew over 10% in 2014, led by demand in North America. We believe demand growth was also supported by the shortage in the potassium sulfate market during the year, as farms sought out alternative sources of chloride-free potassium. We expect demand for potassium nitrate to continue to grow around 5% in 2015. We believe we are prepared to meet the growing market demand in the future.

Our sales volumes in the iodine business line decreased 5.4% in 2014, and significant downward pressure on prices throughout the year led to a total decrease of just over 23% in average prices compared to 2013. Prices are expected to decline further in 2015. However, we believe we are the lowest cost producer in Chile and are therefore well positioned to face the challenging pricing environment. We expect that our sales volumes will increase as we work to regain some of our market share. According to our estimates, the worldwide iodine market grew approximately 3% during 2014. We believe that market demand reached approximately 31,600 metric tons, of which SQM had a market share of approximately 26%. Demand was led by growth in the x-ray contrast media and pharmaceutical industries. We expect worldwide demand to grow over 3% in 2015, in part related to lower prices.

Our sales volumes in the lithium business line increased 9.4% in 2014 compared to 2013, and we expect our sales volumes to remain relatively stable in 2015. According to our estimates, worldwide demand for lithium grew over 9% in 2014, driven primarily by growth of over 14% in the rechargeable battery market, and growth should continue in 2015. We expect other lithium producers to add some new supply in 2015, but we believe the demand growth will exceed the new supply, which should lead to an increase in average prices. We estimate that our market share for 2014 was approximately 27%.

Our sales volumes in the potassium business line increased 8.5% in 2014 compared to 2013. Although average prices for the business line were 11.1% lower year over year, prices did increase during the second half of 2014. Demand for potassium chloride was very strong in 2014, reaching an estimated total of over 60 million metric tons. We do not expect to see further market growth during 2015, and we expect our sales volumes in the potassium business line to be similar in 2015 to their 2014 level.

Our sales volumes in the industrial chemicals product line decreased 28.5% in 2014 compared to 2013, largely due to lower solar salt sales volumes. However, we remain confident in the long-term prospects in the solar thermal energy storage market. We have executed supply agreements of solar salts for over 200,000 metric tons to be supplied between 2015 and 2017. The majority of these sales volumes are expected to be delivered during 2016 and 2017. Demand for traditional applications of industrial chemicals remained relatively stable in 2014 compared to 2013.

#### 5.E. Off-Balance Sheet Arrangements

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, retained or contingent interests in transferred assets, derivative instruments or other contingent arrangements that would expose us to material continuing risks, contingent liabilities, or any other obligations arising out of a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us or that engages in leasing, hedging or research and development services with us.



## 5.F. Tabular Disclosure of Contractual Obligations

The following table shows our material expected obligations and commitments as of December 31, 2014:

	Total	Less Than	1 - 3	3 - 5	More
	ThUS\$	1 year	years	Years	Than
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	5 years
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Long- and short-term debt <sup>(1)</sup>	1,787,397	213,172	472,376	12,176	1,089,673
Capital lease obligations	-	-	-	-	-
Operating leases	45,365	2,835	5,671	5,671	31,188
Purchase commitments <sup>(2)</sup>	15,966	15,966	-	-	-
Staff severance indemnities	30,952	-	-	-	30,952
Total contractual obligations and commitments	1,879,680	231,973	478,047	17,847	1,151,813

(1) Includes interest.

(2) The purchase commitments held by the Company are recognized as a liability when the services and goods are received by the Company.

5.G. Safe Harbor

The information contained in Items 5.E and 5.F contains statements that may constitute forward-looking statements. See “Cautionary Statement Regarding Forward-Looking Statements” in this Annual Report, for safe harbor provisions.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. Directors and Senior Management

We are managed by our executive officers under the direction of our Board of Directors, which, in accordance with our by-laws, consists of eight directors, seven of whom are elected by holders of Series A common shares and one of whom is elected by holders of Series B common shares. The entire Board of Directors is regularly elected every three years at our Ordinary Shareholders’ Meeting. Cumulative voting is allowed for the election of directors. The Board of Directors may appoint replacements to fill any vacancies that occur during periods between elections. If a vacancy occurs, the entire Board must be elected or re-elected at the next regularly scheduled Ordinary Shareholders’ Meeting. Our Chief Executive Officer is appointed by the Board of Directors and holds office at the discretion of the Board. The Chief Executive Officer appoints our executive officers. There are regularly scheduled meetings of the Board of Directors once a month. Extraordinary meetings may be called by the Chairman when requested by (i) the director elected by holders of the Series B common shares, (ii) any other director with the assent of the Chairman or (iii) an absolute majority of all directors. The Board has a Directors’ Committee and its regulations are discussed below.

The current Board of Directors was elected for a three-year term at the Annual Ordinary Shareholders’ Meeting that took place on April 24, 2015.

Our current directors are as follows:

<b>Name</b>	<b>Position and relevant experience</b>	<b>Current position held since</b>
Juan Antonio Guzmán M.	Chairman of the Board and Director. Mr. Guzmán is an Industrial and Chemical Engineer from Pontificia Universidad Católica de Chile and has a Ph.D. from the Polytechnic of North London. He has professional experience in managing different organizations both in the public sector as a former Minister of Education and in the private sector, where he has been appointed to several executive positions as CEO and board member (Gener, CGE, Sonda, Soquimich, Indisa, Chilean Canadian Chamber of Commerce). In addition, he has been active in entrepreneurial activities including in the energy, mining, real estate and health sectors. He has been an SQM board member	April 2015

since 2013.

Name	Position and relevant experience	Current position held since
Edward J. Waitzer <sup>(1)</sup>	<p>Vice Chairman of the Board and Director. Mr. Waitzer was Chair of Stikeman Elliott LLP, a leading Canadian law firm, from 1999 to 2006 and remains a senior partner whose practice focuses on complex business transactions. He also advises on a range of public policy and governance matters. He is a professor and the Jarislowsky Dimma Mooney Chair in Corporate Governance and is director of the Hennick Centre for Business and Law at Osgoode Hall and the Schulich School of Business at York University. Mr. Waitzer served from 1993 to 1996 as Chair of the Ontario Securities Commission and of the Technical Committee of the International Organization of Securities Commissions and as Vice-President of The Toronto Stock Exchange until 1981. He is Chair of the Liquor Control Board of Ontario. He has written and spoken extensively on a variety of legal and public policy issues and serves or has served as director of a number of corporations, foundations, community organizations, editorial boards and advisory groups, including the Canadian Foundation for the Advancement of Investors Rights. He is currently the President of the Canada-Chile Business Council and spent 2003 to 2004 as an advisor to the SVS in Santiago, Chile. He earned his LL.B. in 1976 and his LL.M. in 1981 from the Faculty of Law, University of Toronto. Mr. Waitzer was called to the Ontario Bar in 1978 and admitted to the New York Bar in 1985.</p>	April 2015
Joanne L. Boyes	<p>Director. Ms Boyes, a Senior Director of Corporate Reporting, Finance and Compliance, has been with PotashCorp since 2004 and is responsible for external financial and integrated reporting, complex accounting, treasury activities and internal controls compliance. She is a regular management participant on PotashCorp's Audit Committee.</p>	April 2015
Hernán Büchi B.	<p>Director. Mr. Büchi is a Civil Engineer with a degree from the Universidad de Chile. He served as Vice Chairman of SQM's Board from January 2000 to April 2002. He is currently a member of the Board of Directors of Quinenco S.A. and S.A.C.I. Falabella, among others. He is also Chairman of the Board of Directors of the Universidad del Desarrollo.</p>	April 1993

Name	Position and relevant experience	Current position held since
Robert A. Kirkpatrick	Director. Mr. Kirkpatrick, a Vice President, Deputy General Counsel and Assistant Corporate Secretary of PotashCorp, has been with PotashCorp since 1994 and is responsible for securities regulatory compliance and advising on corporate finance and development matters. He is a regular management participant on PotashCorp's Corporate Governance and Nominating Committee.	April 2015
Hans Dieter Linneberg A. (2)	Director. Mr. Linneberg is an Economist from the Universidad de Chile. He also received a Ph.D. from the Université Catholique Louvain, in Belgium. Currently, he is the Executive Director of the Corporate Governance and Capital Markets Department at the Business School of the Universidad de Chile, where he is also a faculty member lecturing on corporate governance and international finance.	April 2015
Arnfinn F. Prugger	Director. Mr. Prugger, Vice President, Technical Services for PCS Potash, has been with the company for over 25 years and has a wide range of senior-level experience in mining and geophysics.	April 2015
Wolf von Appen B.	Director. Mr. Von Appen is an entrepreneur. He is currently a member of Centro de Estudios Publicos.	May 2005

Our current executive officers are as follows:

Name	Position and relevant experience	Current position held since
Patricio de Solminihac T. (3)	Chief Executive Officer. Mr. de Solminihac is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Master in Business Administration from the University of Chicago. He joined SQM in 1988 as Business Development Vice President. Currently he is a member of the Board of Directors of Melon S.A.	March 2015

Name	Position and relevant experience	Current position held since
Matías Astaburuaga S.	General Counsel and Senior Vice President. Mr. Astaburuaga is a lawyer with a degree from the Pontificia Universidad Católica de Chile. He joined SQM in 1989. Prior to joining SQM, he was Regional Counsel of The Coca Cola Export Corporation, Andean Region and Regional Counsel of American Life Insurance Company, Latin America Region.	February 1989
Ricardo Ramos R.	Chief Financial Officer and Senior Vice President of Business Development. Mr. Ramos is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile. He joined SQM in 1989. Mr. Ramos is also a member of the Board of Directors of Soquimich Comercial S.A.	November 1994
Eugenio Ponce L.	Senior Commercial Vice President. Mr. Ponce is a Mechanical Engineer with a degree from the Universidad Católica de Valparaíso. In 1981, he joined SQM as a Sales Manager. He became Commercial Manager in 1982, Commercial and Operations Manager in 1988 and Chief Executive Officer of SQM Nitratos S.A. in 1991. Currently he is a member of the Board of Directors of Soquimich Comercial S.A. and Vice Chairman of the Board of Directors of Pampa Calichera S.A.	March 1999
Carlos Díaz O.	Senior Vice President of Operations, Nitrates-Iodine. Mr. Díaz is an Industrial Civil Engineer with an engineering degree and an MBA from the Pontificia Universidad Católica de Chile. In 1996, he joined SQM as Planning Engineer in the Sales Division where he was promoted to Planning Manager in 1998. In 2002, he assumed the position of Deputy Financial Manager of the Commercial Offices and after four years took up the position of Logistics Manager.	October 2012

Name	Position and relevant experience	Current position held since
Pauline De Vidts S.	Senior Vice President of Human Resources and Sustainability. Mrs. De Vidts is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Ph.D. in Chemical Engineering from Texas A&M University. She joined SQM in 1996 to work in process development for the Salar de Atacama Operations, becoming Development Manager for these operations in 1998, and later Corporate R&D and Environmental Issues Vice President in 2001. Since 2005, she has overseen safety, health, environmental and community issues, and in 2011, she also began overseeing corporate communications and public affairs for SQM.	August 2013
Juan Carlos Barrera P. (4)	Senior Vice President Operations, Potassium and Lithium. Mr. Barrera is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Masters in Business Administration degree from Tulane University and a Masters in Business Administration degree from Universidad de Chile. He joined SQM in 1991 as an advisor in the Business Development area and has served in many positions since then. In 1995, he became Business Development Manager of SQM Nitratos S.A. In 1999, he became the Corporate Quality Manager, in 2000, Corporate Supply Chain Vice President and, in 2006, General Manager of Soquimich Comercial S.A.	January 2007
Daniel Jiménez Sch.	Senior Vice President of Exploration. Mr. Jiménez is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Masters in Business Administration degree from Old Dominion University. He joined SQM in 1991, holding several positions in the finance and sales areas at SQM's headquarters and foreign subsidiaries in USA and Belgium, countries he was based in for eight years. In 2002, he became VP Sales and Marketing Iodine, Lithium and Industrial Chemicals. In 2007, he became Senior VP of Human Resources and Corporate Services. In 2013 he became Senior VP of Exploration. Mr. Jiménez is also a member of the Board of Directors of Soquimich Comercial S.A.	August 2013

Name	Position and relevant experience	Current position held since
Macarena Briseño C.	Head of Risk Management and Compliance. Ms. Briseño is a Civil Engineer with a degree from the Pontificia Universidad Católica de Chile. She joined SQM in 1993 as a planning engineer, first in the sales department and then in the finance department. She became VP of Reporting in 2001 and Controller in 2003.	August 2013

- (1) As of April 24, 2015, Mr. Waitzer beneficially owned 10,000 of SQM's shares.
- (2) As of April 24, 2015, Mr. Linneberg beneficially owned 455 of SQM's shares.
- (3) On March 16, 2015, Mr. Patricio de Solminihac T. was named as Chief Executive Officer of SQM.
- (4) As of April 24, 2015, Mr. Barrera beneficially owned 224 of SQM's shares.

#### 6.B. Compensation

During 2014, directors were paid a monthly fee, which was independent of attendance and the number of Board sessions. For the Chairman, the fee amounted to UF 300 per month. For the remaining seven directors, the fee amounted to UF 50 per month for the period between January and April, and UF 125 per month for the period between May and December. In addition, the directors received variable compensation (in Chilean pesos) based on a profit-sharing program approved by the shareholders. In 2014, the Chairman received the equivalent of 0.35% of 2013 profit and each of the remaining seven directors received the equivalent of 0.04% of 2013 profit.

In addition, during 2014, members of the Directors' Committee were paid UF 17 per month for the period between January and April and UF 75 per month for the period between May and December, regardless of the number of sessions held by the Directors' Committee. In addition, the members of the Directors' Committee received variable compensation (in Chilean pesos) based on a profit-sharing program approved by the shareholders. In 2014, members of the Directors' Committee each received an amount equal to 0.013% of 2013 profit. This remuneration is also independent from what the Committee members obtain as members of our Board of Directors.

At the Ordinary Shareholders' Meeting held on April 25, 2014, shareholders approved the creation of a Health, Safety and Environment Committee. Members of this committee were paid UF 30 per month, regardless of the number of sessions held.

During 2014, the compensation paid to each of our directors who served on the Board during the year was as follows (amounts in Chilean pesos):

Total (Ch\$)



Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

	SQM Board Meeting(Ch\$)	SQM Directors' Committee (Ch\$)	SQM Health, Safety and Environment Committee (Ch\$)	SQMC Board Meeting (Ch\$)	
Julio Ponce Lerou	994,050,636	—	—	86,438,001	1,080,488,637
Wayne R. Brownlee	131,599,461	—	5,075,089	—	136,674,550
Hernán Büchi Buc	132,761,291	49,068,490	—	—	181,829,781
Patricio Contesse Fica	129,245,311	43,973,524	5,075,089	—	134,320,100
José María Eyzaguirre Baeza	131,599,454	—	5,075,089	—	136,674,543
Juan Antonio Guzmán Molinari	131,599,460	48,673,467	—	—	180,272,927
Alejandro Montero Purviance	131,602,164	—	—	—	131,602,164
Wolf Von Appen Behrman	132,761,293	49,068,491	—	—	181,829,784
Total	1,915,219,070	146,810,448	15,224,967	86,438,001	2,163,692,486

For the year ended December 31, 2014, the aggregate compensation paid to our 108 principal executives based in Chile was Ch\$15,573 million (approximately US\$25.7 million). We do not disclose to our shareholders or otherwise make available to the public information as to the compensation of our individual executive officers.

We maintain incentive programs for our employees based on individual performance, company performance and short- medium- and long-term indicators. Additionally, in order to provide incentives to key executives and to retain such executives, we maintain a long-term cash bonus compensation plan for certain senior executives, which consists of a long-term bonus linked to share price and is payable between 2016 and 2018.

As of December 31, 2014, the provision providing a long-term bonus linked to our share price would have increased or decreased by approximately US\$1.5 million per each movement of US\$1 in the Series B common share price, when the share price is above US\$50. The amount of actual cash bonuses payable under the long-term incentive program will vary depending on the market share price of the Series B common shares on the date as of which the bonuses are paid.

As of December 31, 2014, we had a provision related to all of the incentive programs in an aggregate of US\$18.4 million.

We do not maintain any pension or retirement programs for the members of the Board or our executive officers in Chile.

#### 6.C. Board Practices

Information regarding the period of time each of SQM's current Directors has served in his office is provided in the discussion of each member of the Board above in Item 6.A. Directors and Senior Managers.

The date of expiration of the term of the current Board of Directors is April 2018. The contracts of our executive officers are indefinite.

The members of the Board are remunerated in accordance with the information provided above in Item 6.B. Compensation. There are no contracts between SQM, or any of its subsidiaries, and the members of the Board providing for benefits upon termination of their term.

### **Directors' Committee – Audit Committee**

As required by Chilean Law, during 2014 we had a Directors' Committee (*Comité de Directores*) composed of three Directors, which performs many of the functions of an audit committee. This Directors' Committee complies with the requirements of the NYSE corporate governance rules applicable to audit committees. Under the NYSE corporate governance rules, the audit committee of a U.S. company must perform the functions detailed in the NYSE Listed Company Manual Rules 303A.06 and 303A.07. Non-U.S. companies are required to comply with Rule 303A.06 but are not at any time required to comply with Rule 303A.07.

As of April 24, 2015, our Directors' Committee was comprised of three Directors, Hernán Büchi B., Hans Dieter Linneberg A. and Edward J. Waitzer, each of whom meets the NYSE independence requirements for audit committee members. According to Chilean independence requirements, Mr. Linneberg and Mr. Waitzer meet the requirements for independence.

During 2014, our Directors' Committee was comprised of three Directors: Mr. Buchi, Mr. Guzmán and Mr. Von Appen. Each of the three members met the NYSE independence requirements for audit committee members. According to Chilean independence requirements, Mr. Guzmán met the requirements for independence.

During 2014, the Directors' Committee of SQM (the "Committee") analyzed (i) the Company's Unaudited Financial Statements and Reports; (ii) the Company's Audited Financial Statements and Reports; (iii) the Reports and proposals of external auditors, accounts inspectors and independent risk rating agencies for the Company; (iv) the proposal to SQM's Board of Directors about the external auditors and independent rating agencies that the Board could recommend to the respective shareholders' meeting for their subsequent appointment; (v) the tax and other services, other than audit services, provided by the Company's external auditors and its subsidiaries in Chile and abroad; (vi) the remuneration and compensation plans for the Company's main executives; (vii) the information related to the Company's operations as referred to in Title XVI of the Corporations Act and (viii) the report on internal control of the Company and (ix) other matters.

Regarding the above, the Committee:

- Examined the information regarding the financial statements of SQM for the 2013 business year and the Report (a) issued thereon by the External Auditors of SQM. Similarly, it also examined the Company's Interim Consolidated Financial Statements for the 2014 business year.
- (b) Examined: (i) during its Meeting number 88 on January 07, 2014, the subscription of two "Maritime Transport Contracts" between the "SQM Group" and the "Ultramar Group," linked to Mr. Wolf von Appen B., Director of SQM S.A. The Company's Directors' Committee approved said subscriptions and the Board of Directors of SQM S.A., subsequently, in its Board of Directors Meeting number 680 on January 21, 2014, was informed in a timely manner about said approvals and, in turn, confirmed that said Contracts were agreed upon with the prices, terms and other conditions similar to those prevailing in the respective markets at the pertinent time and, consequently, the Directors present unanimously approved their subscription with the sole abstention from Director Mr. Von Appen, and declared that the latter does not constitute an Essential fact for the Company; (ii) the two "Maritime Transport Contracts" between the "SQM Group" and the "Ultramar Group," linked to Mr. Wolf von Appen B., Director of SQM S.A. and which the Board of Directors of SQM S.A., during its Board of Directors Meeting number 690 on September 16, 2014, confirmed that said contracts were agreed upon with the prices, terms and other conditions similar to those prevailing in the respective markets at the pertinent time and, consequently, the Directors present unanimously approved their subscription with the sole abstention of Director Mr. Von Appen, and declared that the latter does not constitute an Essential Fact for the Company; (iii) during its Meeting number 94 on December 16, 2014, the three "Legal Services Provision Agreements" between the "SQM Group" and the Law Firm, "Estudio de Abogados Claro y Cía," linked to Messieurs Wayne R. Brownlee and José María Eyzaguirre B., Directors of SQM. The Company's Directors Committee approved said Agreements and the Board of Directors of SQM S.A., subsequently, in its Board of Directors Meeting number 694 on December 16, 2014, was informed in a timely manner about said approvals and, in turn, also confirmed that said Contracts were agreed upon with the prices, terms and other conditions similar to those prevailing in the respective markets at the pertinent time and, consequently, unanimously approved the latter, by the Directors present with the sole abstention of the Directors

Messieurs Wayne R. Brownlee and José María Eyzaguirre B., and declared that the latter does not constitute an Essential Fact for the Company and (iv) during its Meeting number 94 on December 16, 2014, the subscription of a “Maritime Transport Contract” between the “SQM Group” and the “Ultramar Group,” linked to Mr. Wolf von Appen B., Director of SQM S.A. The Company’s Directors’ Committee approved said subscription and the Board of Directors of SQM S.A., subsequently, in its Board of Directors Meeting number 694 on December 16, 2014, was informed in a timely manner about said approval and, in turn, also confirmed that said Contract was agreed upon with the prices, terms and other conditions similar to those prevailing in the respective markets at the pertinent time and, consequently, the Directors present unanimously approved this subscription with the sole abstention of the Director Mr. Von Appen, and declared that the latter does not constitute an Essential Fact for the Company.

Proposed to the Company's Board of Directors the names of the External Auditors and the Independent Risk Rating Agencies for SQM and the Company's Board of Directors, in turn, suggested their appointment to the respective Annual Ordinary Shareholders Meeting of SQM. The Company's Board of Directors approved said suggestions and the shareholders' meeting also ratified them.

(d) Examined the remuneration system and the compensation plans for the Company's employees and main executives.

Finally, the Directors' Committee issued the Annual Management Report referred to in Law 18,046.

On April 25, 2014, the Annual General Shareholders Meeting of SQM approved an operational budget for the Directors Committee; the operational budget is equivalent to the annual remuneration of the members of the Directors Committee.

The activities carried out by the Committee, as well as the expenses incurred by it, are disclosed at the General Shareholders Meeting. During 2014, the Directors Committee did not incur any consulting expenses.

Article 50 bis of the Chilean Corporations Act states that the Committee should consist of three Directors, of which at least one member should preferably be independent from the controller (i.e. any person or entity who "controls" the company for Chilean law purposes), if any, and that their functions be remunerated.

#### Comparative Summary of Differences in Corporate Governance Standards

The following table provides a comparative summary of differences in corporate governance practices followed by us under our home-country rules and those applicable to U.S. domestic issuers pursuant to Section 303A of the New York Stock Exchange (NYSE) Listed Company Manual.

Listed Companies that are foreign private issuers, such as SQM, are permitted to follow home country practices in lieu of the provisions of Section 303A, except such companies are required to comply with the requirements of Section 303A.06, 303A.11 and 303A.12(b) and (c).

**Section NYSE Standards**

**SQM practices pursuant to Chilean Stock Exchange regulations**

- 303A.01 Listed companies must have a majority of independent directors. There is no legal obligation to have a majority of independent directors on the Board but, according to Chilean law, the Company's directors cannot serve as executive officers.
- 303A.02 No director qualifies as "independent" unless the Board of Directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). A director would not be considered independent if, at any time, within the last 18 months he or she:
- (i) Maintained any relationship of a relevant nature and amount with the company, with other companies of the same group, with its controlling shareholder or with the principal officers of any of them or has been a director, manager, administrator or officer of any of them;

**Section NYSE Standards**

In addition, a director is not independent if:

(i) The director is, or has been within the last three years, an employee of the listed company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company.

(ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

(iii) (A) The director is a current partner or employee of a firm that is the listed company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the listed company's audit within that time.

(iv) The director or an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee.

**SQM practices pursuant to Chilean Stock Exchange regulations**

(ii) Maintained a family relationship with any of the members described in (i) above;

(iii) Has been a director, manager, administrator or principal officer of non-profit organizations that have received contributions from (i) above;

(iv) Has been a partner or a shareholder that has had or controlled, directly or indirectly, 10% or more of the capital stock or has been a director, manager, administrator or principal officer of an entity that has provided consulting or legal services for a relevant consideration or external audit services to the persons listed in (i) above;

(v) Has been a partner or a shareholder that has had or controlled, directly or indirectly, 10% or more of the capital stock or has been a director, manager, administrator or principal officer of the principal competitor, supplier or clients.



(v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

303A.03 The non-management directors must meet at regularly scheduled executive sessions without management. These meetings are not needed given that directors cannot serve as executive officers.

(a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.

(b) The nominating/corporate governance committee must have a written charter that addresses:

303A.04 (i) the committee's purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and This committee is not required as such in the Chilean regulations. However, pursuant to Chilean regulations SQM has a Directors' Committee (see Board practices above).

(ii) an annual performance evaluation of the committee.

303A.05 Listed companies must have a compensation committee composed entirely of independent directors, and must have a written charter This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations, SQM has a Directors' Committee (see Board practices above) that is in charge of reviewing management's compensation.

**Section NYSE Standards**

**SQM practices pursuant to Chilean Stock Exchange regulations**

303A.06 Listed companies must have an audit committee.

This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations, SQM has a Directors' Committee that performs the functions of an audit committee and that complies with the requirements of the NYSE corporate governance rules.

303A.07 The audit committee must have a minimum of three members. All audit committee members must satisfy requirements of independence, and the committee must have a written charter. The listed companies must have an internal audit function to provide management with ongoing assistance of the Company's risk management process and the system of internal controls

Pursuant to Section 303A.00, SQM is not required to comply with requirements in 303A.07. Pursuant to Chilean Regulations SQM has a Director's Committee (see Board practices above) that also performs the functions of an audit committee with certain requirements of independence.

303A.08 Shareholders must have the opportunity to vote on all equity-compensation plans and material revisions thereto.

SQM does not have equity compensation plans. However, as mentioned in Item 6.B. Compensation, the Company does have a long-term cash bonus compensation plan. Directors and executives may only acquire SQM shares by individual purchases. The purchaser must give notice of such purchases to the Company and the Superintendence of Securities and Insurance.

303A.09 Listed companies must adopt and disclose corporate governance guidelines.

Chilean law does not require that corporate governance guidelines be adopted. Directors' responsibilities and access to management and independent advisors are directly provided for by applicable law. Directors' compensation is approved at the annual meeting of shareholders, pursuant to applicable law.

303A.10 Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers.

Not required in the Chilean regulations. SQM has adopted and disclosed a Code of Business Conduct and Ethics, available at the Company's website, [www.sqm.com](http://www.sqm.com).

303A.11 Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listed standards.

Pursuant to 303A.11, this table shows a comparative summary of differences in corporate governance practices followed by SQM under Chilean regulations and those applicable to U.S. domestic issuers pursuant to Section 303A.

303A.12

Each listed company CEO must (a) certify Not required in the Chilean regulations. The CEO must only to the NYSE each year that he or she is comply with Section 303A.12 (b) and (c). not aware of any violation by the listed company of NYSE corporate governance listing standards; (b) promptly notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with any applicable provisions of Section 303A; and (c) must submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must submit an interim Written Affirmation as and when required by the interim Written Affirmation form specified by the NYSE. The annual and interim Written Affirmations must be in the form specified by the NYSE.

**Section NYSE Standards**

The NYSE may issue a public reprimand letter to any listed company that violates a NYSE listing 303A.13 standard.

**SQM practices pursuant to Chilean Stock Exchange regulations**

Not specified in the Chilean regulations.

6.D. Employees

As of December 31, 2014, we had 4,800 permanent employees, 190 of whom were employed outside of Chile. The average tenure of our permanent employees is approximately 7.4 years.

	As of December 31,		
	2014	2013	2012
Employees in Chile	4,610	4,583	5,450
Employees outside of Chile	190	209	193
Total employees	<b>4,800</b>	<b>4,792</b>	<b>5,643</b>

As of December 31, 2014, 68% of our permanent employees in Chile were represented by 25 labor unions, which represent their members in collective negotiations with us. Compensation for unionized personnel is established in accordance with the relevant collective bargaining agreements. The terms of most such agreements currently in effect are three years, and expiration dates of such agreements vary from contract to contract. Under these agreements, employees receive a salary according to a scale that depends upon job function, seniority and productivity. Unionized employees also receive certain benefits provided by law and certain benefits provided under the applicable collective bargaining agreement, which vary depending upon the terms of the collective agreement, such as scholarships and additional health, death and disability benefits, among others.

In addition, we own all of the equity of Institución de Salud Previsional Norte Grande Limitada (“Isapre Norte Grande”), which is a health care organization that provides medical services primarily to our employees, and of Sociedad Prestadora de Servicios de Salud Cruz de Norte S.A. (“Prestadora”), which is a hospital in María Elena. We make contributions to Isapre Norte Grande and to Prestadora in accordance with Chilean laws and the provisions of our various collective bargaining agreements, but we are not otherwise responsible for their liabilities.

Non-unionized employees receive individually negotiated salaries, benefits provided for by law and certain additional benefits which we provide.

We provide housing and other facilities and services for employees and their families at the María Elena site.

We do not maintain any pension or retirement programs for our Chilean employees. Most workers in Chile are subject to a national pension law, adopted in 1980, which establishes a system of independent pension plans that are administered by the corresponding Pension Fund Administrator (“Sociedad Administradora de Fondos de Pensiones”). We have no liability for the performance of any of these pension plans or any pension payments to be made to our employees. We do, however, sponsor staff severance indemnities plans for our employees and employees of our Chilean subsidiaries whereby we commit to provide a lump sum payment to each employee at the end of his/her employment, whether due to death, termination, resignation or retirement.

Over 96% of our employees are employed in Chile, of which approximately 68% were represented by 25 labor unions as of December 31, 2014. As in previous years, during 2014, we renegotiated collective labor contracts with individual unions one year before the expiration of such contracts. As of December 31, 2014, we had concluded negotiations with 21 labor unions, which represent 91.9% of our total unionized workers, signing new agreements with each for the next three years. In January of 2015, we concluded negotiations with two additional unions, for a total of 99.7% of our unionized workers. In order to finalize the current collective bargaining cycle, we need to conduct negotiations with the remaining two unions. We are exposed to labor strikes and illegal work stoppages that could impact our production levels. If a strike or illegal work stoppage occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in our product flow that could have a material adverse effect on our business, financial condition and results of operations.

#### 6.E. Share Ownership

As of April 30, 2015, SQM had a “controlling group,” as such term is defined in Title XV of Chilean Law N°18,045. SQM has been informed that, as of April 30, 2015, Mr. Julio Ponce Lerou and related persons control 100% of Inversiones SQYA Ltda. (“SQYA”) and 100% of Inversiones SQ Ltda. These two companies control indirectly 29.94% of all shares of SQM (consisting of 71,805,464 Series A shares and 7,007,688 Series B shares), as follows: (i) Inversiones SQ Ltda. controls 0.0258% of Norte Grande S.A. (“Norte Grande”) and SQYA controls 67.53% of Norte Grande, which controls 76.51% of Sociedad de Inversiones Oro Blanco S.A., which controls 88.64% of Sociedad de Inversiones Pampa Calichera S.A. (“Pampa Calichera”), which controls 19.69% of SQM; (ii) Pampa Calichera controls 99.99% of Inversiones Global Mining (Chile) Limitada, which controls 3.34% of SQM and (iii) Norte Grande controls 76.34% of Nitratos de Chile S.A., which controls 98.89% of Potasios de Chile S.A., which controls 10.07% of Pampa Calichera and 6.91% of SQM. Thus, Pampa Calichera and its related companies, Inversiones Global Mining Chile Limitada and Potasios de Chile S.A. (collectively, “Pampa Group”), control 29.94% of SQM. In addition, the Pampa Group has also informed SQM that, as of April 30, 2015, it owns an additional 17,748 shares of SQM, currently held under custody at EuroAmerica Corredores de Bolsa S.A., and an additional 2,000 shares of SQM, currently held under custody at Negocios y Valores Corredores de Bolsa S.A., included in the 29.94%.

Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A., and the Esperanza Delaware Corporation (collectively, “Kowa Group”) are owners of 2.09% of all shares in SQM. On December 21, 2006, the Pampa Group and the Kowa Group entered into a Joint Operation Agreement which, together, allows them to control 32% of all shares in SQM. Therefore, the Pampa Group, together with Kowa Group, indirectly control 32% of all SQM shares, giving them the status of “controlling group” of the Company.

The following table shows the combined stakes that the Controller Group held in SQM as of:

	% Beneficial ownership	
April 30, 2015	32.03	%
December 31, 2014	32.03	%

December 31, 2013	32.00	%
December 31, 2012	34.05	%

Separately from any ownership interest held by the Controller Group, as of April 30, 2015, SQM has been informed that the Canadian company Potash Corporation of Saskatchewan Inc. (“PCS”) indirectly controls 100% of the shares of Inversiones El Boldo Limitada, 100% of the shares of Inversiones RAC Chile Limitada and 100% of the shares of Inversiones PCS Chile Limitada. Through these companies, PCS owns 32% of the total shares of SQM. For additional information regarding share ownership of the Company, see “Item 7. Major Shareholders and Related Party Transactions.”

We do not grant stock options or other arrangements involving the capital of SQM to directors, managers or employees. With respect to the individuals identified in Item 6B. Compensation, for information on Mr. Ponce's share holdings see "Item 7A. Major Shareholders." Mr. Montero beneficially owns less than 1% of the Company's shares as of December 31, 2014, the most recent date such information is available to the Company. For more information on the share holdings of current directors and executive officers, see "Item 6. Directors, Senior Management and Employees—Directors and Senior Management."



## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

## 7.A. Major Shareholders

The following table shows certain information concerning beneficial ownership of the Series A and Series B common shares of SQM as of April 30, 2015 with respect to each shareholder known by us to beneficially own more than 5% of the outstanding Series A or Series B common shares. The following information is derived from our records and reports filed by certain of the persons named below with the SVS and the Santiago Stock Exchange.

Shareholder	Number of series		Number of		
	A shares beneficially owned	% series A shares	series B shares beneficially owned	% series B shares	% total shares
The Bank of New York	—	—	61,851,832	51.38	% 23.50 %
Sociedad de Inversiones Pampa Calichera S.A. (1) (2)	44,827,778	31.39	% 7,007,688	5.82	% 19.69 %
Inversiones El Boldo Ltda. <sup>(3)</sup>	29,330,326	20.54	% 17,963,546	14.92	% 17.97 %
Inversiones RAC Chile Ltda. <sup>(3)</sup>	19,200,242	13.44	% 2,202,773	1.83	% 8.13 %
Potasios de Chile S.A. <sup>(2)</sup>	18,179,147	12.73	% —	—	6.91 %
Inversiones PCS Chile Limitada. <sup>(3)</sup>	15,526,000	10.87	% —	—	5.90 %
Inversiones Global Mining Chile Ltda. <sup>(2)</sup>	8,798,539	6.16	% —	—	3.34 %
Banco de Chile por Cuenta de Terceros No Residentes	—	—	7,625,343	6.33	% 2.90 %

Pampa Calichera is a publicly held corporation whose shares are traded on the Santiago Stock Exchange.

(1) Originally, the shareholders of Pampa Calichera were employees of SQM. Pampa Calichera was formed to hold the capital stock of SQM contributed by such employees or later acquired in the open market.

(2) As of April 30, 2015, SQM had a “controlling group,” as such term is defined in Title XV of Chilean Law N°18,045. SQM has been informed that, as of April 30, 2015, Mr. Julio Ponce Lerou and related persons control 100% of Inversiones SQYA Ltda. (“SQYA”) and 100% of Inversiones SQ Ltda. These two companies control indirectly 29.94% of all shares of SQM (consisting of 71,805,464 Series A shares and 7,007,688 Series B shares), as follows: (i) Inversiones SQ Ltda. controls 0.0258% of Norte Grande S.A. (“Norte Grande”) and SQYA controls 67.53% of Norte Grande, which controls 76.51% of Sociedad de Inversiones Oro Blanco S.A., which controls 88.64% of Sociedad de Inversiones Pampa Calichera S.A. (“Pampa Calichera”), which controls 19.69% of SQM; (ii) Pampa Calichera controls 99.99% of Inversiones Global Mining (Chile) Limitada, which controls 3.34% of SQM and (iii) Norte Grande controls 76.34% of Nitratos de Chile S.A., which controls 98.89% of Potasios de Chile S.A., which controls 10.07% of Pampa Calichera and 6.91% of SQM. Thus, Pampa Calichera and its related companies, Inversiones Global Mining Chile Limitada and Potasios de Chile S.A. (collectively, “Pampa Group”), control 29.94% of SQM. In addition, the Pampa Group has also informed SQM that, as of April 30, 2015, it owns an additional 17,748 shares of SQM, currently held under custody at EuroAmerica Corredores de Bolsa S.A., and an additional

2,000 shares of SQM, currently held under custody at Negocios y Valores Corredores de Bolsa S.A., included in the 29.94%.

Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A., and the Esperanza Delaware Corporation (collectively, “Kowa Group”) are owners of 2.09% of all shares in SQM. On December 21, 2006, the Pampa Group and the Kowa Group entered into a Joint Operation Agreement which, together, allows them to control 32% of all shares in SQM. Therefore, the Pampa Group, together with Kowa Group, indirectly control 32% of all SQM shares, giving them the status of “controlling group” of the Company.

- (3) PCS owns 100% of Inversiones El Boldo Limitada, 100% of Inversiones RAC Chile Ltda., and 100% of Inversiones PCS Chile Limitada, and, accordingly, is the beneficial owner of 84,222,887, or 32.00%, of SQM’s total shares. The stake held by PCS as of December 31, 2013 and 2012 was, respectively, 32.00% and 32.00% of SQM’s total shares.

On December 21, 2006, Pampa Calichera and Kowa executed a joint performance agreement that allows them to become the “controller group” of the Company, as such term is defined under Chilean law. We have been informed that, as of April 30, 2015, Mr. Julio Ponce L. and related persons beneficially owned, through Pampa Calichera and certain other companies, 29.94% of the shares of the Company. As of April 30, 2015, Kowa Group owned, directly and indirectly, 2.09% of the shares of the Company. As of April 30, 2015, pursuant to the joint performance agreement, the “controller group” led by Mr. Julio Ponce L. beneficially owned 32.03% of the total shares of the Company.

Series A and Series B common shares have the same economic rights (i.e., both series are entitled to share equally in any dividends declared on the outstanding stock) and voting rights at any shareholders meeting, whether ordinary or extraordinary, with the exception of the election of the Board, in which the Series A shareholders elect seven members and the Series B shareholders elect one member. Additionally, Series B common shares cannot exceed 50% of SQM’s issued and outstanding stock; shareholders of at least 5% of this Series may call an Ordinary or Extraordinary Shareholders’ Meeting; and the director elected by this Series may request an extraordinary Board meeting without the authorization of the Chairman of the Board. These conditions will remain in effect until 2043. Under our by-laws, the maximum individual voting power personally and/or in representation of other shareholders per Series is limited to 37.5% of the subscribed shares of each Series with voting rights and 32% of the total subscribed shares with voting rights. To calculate these percentages, shares that belong to the voting shareholder’s related persons must be added. In addition, the director elected by the Series B shareholders cannot vote in the election of the Chairman of the Board if a tie vote has occurred in the prior voting process. As of May 11, 2015, there are 142,819,552 Series A common shares and 120,376,972 Series B common shares outstanding.

#### 7.B.Related Party Transactions

Title XVI of the Chilean Corporations Act regulates transactions with related parties for publicly held corporations and its related parties.

Articles 146 to 149 of the Chilean Corporations Act requires that our transactions with related parties (i) have as their purpose to contribute to SQM’s interests (ii) be on price, terms and conditions similar to those customarily prevailing in the market at the time of their approval and (iii) satisfy the requirements and procedures established by the Chilean Corporations Act. Violation of such articles may also result in administrative or criminal sanctions and civil liability may be sought by SQM, shareholders or interested third parties that suffer losses as a result of such violations.

In addition, article 89 of the Chilean Corporations Act requires that transactions between affiliates, subsidiaries or related parties of a closed-stock company, such as some of SQM’s main affiliates and subsidiaries, shall also be on terms similar to those customarily prevailing in the market. Directors and executive officers of companies that violate article 89 are liable for losses resulting from such violations.

With respect to SQM, operations with related parties include negotiations, proceedings, contracts or operations involving SQM and its controller, directors, managers and officers, and their spouses and relatives, and other

companies and persons connected to the abovementioned parties or mentioned in the by-laws or by the Directors' Committee. Such operations may only be carried out if (i) their objective is to contribute to SQM's interests and if their price, terms and conditions conform to prevailing market prices, terms and conditions at the time of their approval and (ii) they satisfy the requirements and procedures established by the Chilean Corporations Act. Such requirements include, among others:

- that the operation be informed to the Directors' Committee and to the Board of Directors prior to its execution; that the Board of Directors, excluding any Directors involved in the operation, approves the operation with an absolute majority of its members, or, if an absolute majority is not feasible, with a unanimous vote by the Directors not involved in the transaction, or, if neither of these options is available, that an Extraordinary Shareholders' Meeting be held and that shareholders representing 2/3 of the outstanding shares with voting rights approve the operation. In the latter case, prior to the meeting, the shareholders must be provided with a report by an independent evaluator and with statements by the directors as to whether or not such operation is in SQM's interest;

that the grounds for the decision and for the exclusion be recorded in the respective minutes of the Board meeting and that the agreement and the names of the directors who approved the same be reported at the next shareholders' meeting. Infractions will not affect the validity of the operation but they will grant SQM or its shareholders the right to demand that the related party committing such infraction refund the amount equivalent to the benefits received by such party in the operation to SQM, and that such party indemnify for any corresponding damages.

However, the Board of Directors may authorize the following operations with related parties to be carried out without following such requirements and procedures, as long as such authorization is obtained in advance: (a) operations wherein the amount of the transaction is not significant or (b) operations that, according to the general policies on customary practices determined by the Board of Directors, are considered normal based on SQM's business activities or (c) operations carried out between legal entities wherein SQM holds at least a 95% ownership interest in the counterpart.

We believe that we have complied with the applicable requirements of the referred articles in all transactions with related parties. Accounts receivable from and payable to related companies are stated in U.S. dollars and accrue no interest. Other than the above, transactions are made under terms and conditions that are similar to those offered to unrelated third parties. We further believe that we could obtain from third parties all raw materials now being provided by related parties that are not our affiliates. The provision of such raw materials by new suppliers could initially entail additional expenses.

In each case, terms and conditions vary depending on the transaction pursuant to which it was generated.

The Company regularly enters into business arrangements with related parties, principally its joint ventures and associates, which are described in Note 9 to the Consolidated Financial Statements.

#### 7.C. Interests of Experts and Counsel

Not applicable.

### ITEM 8. FINANCIAL INFORMATION

#### 8.A. Consolidated Statements and Other Financial Information

8.A.1 See “Item 18. Financial Statements.”

8.A.2 See “Item 18. Financial Statements.”

8.A.3 See “Item 18. Financial Statements—Reports of Independent Registered Public Accounting Firm.”

8.A.4 Not applicable.

8.A.5 Not applicable.

8.A.6 Export Sales

104

We derive most of our revenues from sales outside of Chile. The distribution of sales presented below reflects the location of the Company's subsidiaries making such sales and does not necessarily reflect the final destination of the products sold.

The following is the composition of the consolidated sales for the periods ending on December 31, 2014, 2013 and 2012:

Th. US\$	2014	2013	2012
Foreign sales	1,786,953	1,960,767	2,159,739
Total sales	2,014,214	2,203,140	2,429,160
% of foreign sales	88.72	% 89.00	% 88.91

#### 8.A.7 Legal Proceedings

##### *Chilean Investigations*

The SII has been conducting tax investigations related to the payment of invoices by companies, including SQM, for services that may not have been properly supported. The Chilean Public Prosecutor has been conducting related inquiries to determine whether such payments may be linked with alleged violations of political contribution laws involving a variety of Chilean companies, including SQM, and government officials.

On February 26, 2015, SQM's Board of Directors resolved to establish the ad-hoc Committee authorized to conduct an internal investigation relating to the issues referred to in the above paragraph and to retain such independent external advice as it deemed appropriate. The original members of the ad-hoc Committee were José María Eyzaguirre B., Juan Antonio Guzmán M. and Wolf von Appen B.

The ad-hoc Committee has engaged its own lawyers from Chile and the United States and forensic accountants from the United States to assist as it proceeds with its internal review.

On March 12, 2015, José María Eyzaguirre B. resigned from the ad-hoc Committee and his position was subsequently filled by Hernán Büchi B.

On March 16, 2015, the Board of Directors decided to terminate the employment contract of the Company's former CEO, Patricio Contesse G. This followed his failure to cooperate with the ad-hoc Committee's investigation.

On March 17, 2015, three members of the Board of Directors resigned, all of whom had been nominated by Potash Corp., one of SQM's two principal shareholder groups. Potash Corp. issued a press release stating that the directors resigned because of their concern that they could not ensure that the Company was conducting an appropriate investigation and collaborating effectively with the Public Prosecutor.

On March 20, 2015, the Company identified to the SII approximately US\$11 million in payments of invoices that may not have been properly supported by services rendered and therefore may not qualify as tax expenses under the Chilean tax code. These payments originated from the office of the former CEO during the six-year tax period from 2009 to 2014. The statute of limitations under Chilean law for tax claims is up to six years, during which period the former CEO had an annual discretionary budget covering the Company and its subsidiaries of approximately US\$6 million.



On March 23, 2015, the SII, based on the Income Tax Law filed a criminal claim against the Company's former CEO and current CEO and CFO in their capacities as the Company's tax representatives relating to the US\$11 million in payments referred to above. This and subsequent related claims filed by the SII are subject to review by the Public Prosecutor in order to determine whether to pursue charges against any of the parties in their personal capacities.

On March 30, 2015, the Company submitted amendments to its tax returns for the 2009 to 2014 tax years and has paid taxes and interest relating to such amended returns totaling approximately US\$7 million. The aggregate amount was approximately evenly distributed over the six-year period, but as the amounts were inconsequential in each individual year, the Company recorded a provision for the aggregate amount in the "other expenses" line-item of the income statement for the year ended December 31, 2014.

On March 31, 2015, the SVS filed an administrative claim against five current or former members of the Board of Directors, alleging that they did not release information in a timely manner relating to the payments that are subject to the tax claim referred to above.

On April 24, 2015, the Company announced that it had identified up to an additional US\$2 million in payments by its subsidiaries during the same six-year tax period that were authorized by the former CEO and that also may have been insufficiently supported. On the same date, new members were elected to the Board of Directors at the Annual General Shareholders' Meeting, including three new members that were nominated by Potash Corp., and the ad-hoc Committee was subsequently reconstituted by Board of Directors members Robert A. Kirkpatrick, Wolf von Appen B. and Edward J. Waitzer.

On April 30, 2015, the Public Prosecutor, after reviewing the claims filed by the SII, informed the Company's former CEO that it was formally investigating allegations that he approved the payment of the invoices that were not properly supported by services rendered and in connection therewith made intentionally false or incomplete declarations or used fraudulent procedures designed to conceal or disguise the true amount of transactions or to circumvent taxes. If, as a result of the formal investigation, the former CEO is charged and finally adjudicated responsible, the Company may also be subject to the payment of a fine by the Chilean Criminal Court totaling 50% to 300% of the tax paid. The Company estimates that no provision is needed at this stage. The announcement by the Public Prosecutor of its formal investigation does not constitute a finding of wrongdoing. Under the Chilean legal system, our former CEO has not entered a plea and is not required to enter a plea. It is possible that the Public Prosecutor will conclude its investigation without pursuing formal charges, but if the Public Prosecutor does pursue formal charges, our former CEO may vigorously assert defenses to such charges without entering any plea or otherwise making any statement. Criminal defendants in Chile have a right to remain silent at all times throughout the judicial process.

On May 11, 2015, the SII filed an additional criminal claim against the former CEO and the current CEO and CFO in their capacities as the Company's tax representatives alleging violations of the Chilean Inheritance and Donations Law (*Ley sobre Impuesto a Las Herencias, Asignaciones y Donaciones*). The claim states that the Company paid two

invoices in 2009 and 2010 totaling approximately US\$175,000 that are alleged to have been improperly supported. The claim states that these payments should have been classified as donations, and appropriate taxes should have been paid. These payments were accounted for in the amended tax returns filed with the SII on March 30, 2015. This claim is subject to review by the Public Prosecutor in order to determine whether to pursue charges against any of the parties in their personal capacities.

Class action complaints have been filed in the United States against the Company, our former CEO and current CEO and CFO, alleging violations of U.S. securities laws based on the failure to timely disclose matters related to the subject matter of the various Chilean investigations. For more information, see “—Class Actions.”

The investigation and the inquiries by the Chilean regulatory authorities have not been completed. We cannot predict the outcome or the duration of these investigations. We could be subject to civil, criminal or regulatory proceedings in Chile and we could be subject to civil, criminal or regulatory proceedings outside of Chile, including for violation of U.S. securities or anti-corruption laws. We have been in communications with our regulators in Chile and the United States. At this time, it is difficult to accurately assess the potential impact of these claims or the probability of success. However, the Company’s management, based on its understanding of the investigation to date, does not believe there will be any additional material impact to the Company’s business, financial condition, cash flows or results of operations.

### *Class Actions*

We understand that three complaints have been filed in the United States against us, our former and current CEOs and our CFO. The lawsuits allege violations of U.S. securities laws and purport to be brought on behalf of all purchasers during specified periods when SQM securities were traded on the New York Stock Exchange.

The complaints are based principally on allegations that the Company failed to timely disclose matters related to the subject matter of the various Chilean investigations and that it lacked adequate internal controls. As a result, the lawsuits allege that certain of our financial statements and/or certain U.S. regulatory filings were inaccurate or misleading.

The lawsuits are in the initial stages and to date no lead plaintiff has been appointed. We expect that after the appointment of a lead plaintiff, a consolidated amended complaint will be filed to replace the current complaints. At this time, it is difficult to accurately assess the potential impact of these claims or the probability of success, and we have not recorded any accounting provisions. The Company's insurance carriers have been notified.

### *Corfo Litigation*

Our subsidiary SQM Salar holds exclusive exploitation rights to mineral resources in 81,920 hectares in the Salar de Atacama pursuant to the Lease Agreement. The mining exploitation concessions related to such rights are owned by Corfo and leased to SQM Salar in exchange for quarterly lease payments to Corfo based on specified percentages associated to the value of the products resulting from the minerals extracted from such concessions. For the year ended December 31, 2014, revenue related to products originating from the Salar de Atacama represented 39% of our consolidated revenues, which corresponded to revenues from our potassium product line and our lithium and derivatives product line for the period. All of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement.

In May 2014, Corfo initiated an arbitration proceeding against SQM Salar alleging (i) SQM Salar had incorrectly applied the formulas to determine lease payments resulting in an underpayment to Corfo of at least US\$8.9 million for 2009 through 2013 and (ii) SQM Salar had not complied with its obligation to protect the mining rights of Corfo by failing to place markers to delineate property lines. Based on the alleged breaches of the Lease Agreement, Corfo sought (i) at least US\$8.9 million plus any other amount that may be due in respect of periods after 2013, (ii) early termination of the Lease Agreement, (iii) lease payments that would have been paid through 2030 as compensation for the early termination of the Lease Agreement and (iv) punitive damages (*daño moral*) equal to 30% of the contractual damages awarded. SQM Salar contested the claim, asserting that both parties have applied formulas for the calculation and payment of lease payments for more than 20 years without conflict, in accordance with the terms of the Lease

Agreement and their mutual understanding of the agreements by the parties during the term of the Lease Agreement. SQM Salar also asserted that the alleged breaches would be technical breaches and that Corfo may terminate the Lease Agreement solely for a material breach. SQM Salar in consultation with external counsel believes that it is likely it will prevail in the arbitration proceeding. The parties are currently discussing potential resolutions.

*SQMNA Litigation*

In October 2010, the City of Pomona, California, named Sociedad Química y Minera de Chile S.A. and SQM North America Corporation (“SQMNA”) as defendants in an action filed in the California Superior Court for Los Angeles County. In this matter the plaintiff seeks damages for alleged groundwater contamination from the use of defendant’s fertilizer products. The Court has set a trial date for June 2015. SQM has been dismissed from this action. SQMNA intends to vigorously defend this action.

In October 2010, the City of Lindsay, California, named Sociedad Química y Minera de Chile S.A. and SQMNA as defendants in an action filed in the California Superior Court for Tulare County. In this matter the plaintiff seeks damages for alleged groundwater contamination from the use of defendant's fertilizer products. This case is pending in the trial court. SQMNA and SQM (if it is legally served) intend to vigorously defend this action.

#### *Other Matters*

In addition, various lawsuits, claims and proceedings, other than those specifically disclosed above, have been or may be instituted or asserted against the Company, relating to the conduct of the company's business, including those pertaining to mining, civil, tort, commercial, labor and regulatory matters, among others. Although the outcome of other litigation cannot be predicted with certainty, and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, our management believes the disposition of such other pending matters will not have a material effect on the company's business, financial condition, results of operations or cash flows.

#### 8.A.8. Dividend Policy

As required by Chilean law and regulations, our dividend policy is decided upon from time to time by our Board of Directors and is announced at the Annual Ordinary Shareholders' Meeting, which is generally held in April of each year. Shareholder approval of the dividend policy is not required. However, each year the Board must submit the declaration of the final dividend or dividends in respect of the preceding year, consistent with the then-established dividend policy to the Annual Ordinary Shareholders' Meeting for approval. As required by the Chilean Companies Act, unless otherwise decided by unanimous vote of the holders of issued shares, we must distribute a cash dividend in an amount equal to at least 30% of our consolidated net income for that year (determined in accordance with SVS regulations), unless and to the extent the Company has a deficit in retained earnings.

The dividend policy for 2014 established that SQM must distribute and pay in favor of its shareholders, as a final dividend, the amount in Chilean pesos equivalent to 50% of the distributable income for 2014. For this purpose, distributable net income includes income for the year included in the income statement item "Profit (Loss) Attributable to Owners of the Parent" (determined in accordance with SVS regulations).

On March 3, 2015, the Company filed its Chilean statutory consolidated financial statements with the SVS, an English language copy of which was furnished by the Company on Form 6-K dated April 1, 2015. These Chilean statutory consolidated financial statements were prepared in accordance with the SVS guidelines and instructions, which are composed of IFRS as issued by the IASB and supplemental instructions from the SVS issued in its circular 856 of October 17, 2014 that require that the effects generated from the change in the income tax rate approved by Law 20.780 on deferred tax assets and liabilities be recognized in retained earnings instead of the income statement. The amount charged to retained earnings as a result was US\$52.3 million.

In addition, the Chilean statutory consolidated financial statements do not include a provision of approximately US\$7 million corresponding to payments made in 2015 to the SII for expenses that may not have qualified as tax expenses under the Chilean tax code. Such payments were made after March 3, 2015, the date on which the Company filed the Chilean statutory consolidated financial statements. For more information, see "Item 3D. Risk Factors—Risks Relating to our Business—We could be subject to numerous risks as a result of ongoing investigations by the Chilean Internal Revenue Service and the Chilean Public Prosecutor in relation to certain payments of invoices made by SQM between the tax years 2009 and 2014."

These statutory consolidated financial statements are considered by the U.S. Securities and Exchange Commission (the "Commission") to be unaudited financial statements for Commission purposes and were prepared prior to the termination of the employment contract of SQM's former CEO following his refusal to cooperate with the Company's internal investigation. For information about the ongoing internal investigation into certain payments of services made by SQM, see "Item 3. Risk Factors—Risks Relating to our Business."

At the Annual Shareholders' Meeting held on April 24, 2015, shareholders agreed to pay and distribute a dividend equal to 50% of the distributable income for 2014 (to be determined in accordance with SVS regulations).

The cash dividends for 2014 have been calculated and approved by shareholders based on the profit attributable to owners of parent as presented in the Chilean statutory consolidated financial statements, of US\$296.4 million.

The amount of the final dividend approved by shareholders at the Annual Shareholders' Meeting held on April 24, 2015 was US\$0.56304 per share. This amount was partially paid on December 12, 2014, through an interim dividend of US\$0.41493 per share. The remaining US\$0.14811 was paid on May 8, 2015.

The dividend policy for 2015 that was announced at the Annual Shareholders' Meeting held on April 24, 2015 established that SQM must distribute and pay in favor of its shareholders, as a final dividend, the amount in Chilean pesos equivalent to 50% of the distributable income for 2015, including payment of an interim dividend during the fourth quarter of the year.

At an Extraordinary Shareholders' Meeting held on July 7, 2014, shareholders agreed to pay and distribute an "eventual" dividend (*dividendo eventual*) in the amount of US\$230 million. This dividend was paid in July 2014.

We generally declare dividends in U.S. dollars (but may declare dividends in Chilean pesos) and pay such dividends in Chilean pesos. When a dividend is declared in U.S. dollars, the exchange rate to be used to convert the dividend into Chilean pesos is decided by the shareholders at the meeting that approves the dividend, which has usually been the Observed Exchange Rate on the date the dividend is declared. In the case of interim dividends, the exchange rate to be used is the Observed Exchange Rate published five business days before the payment date.

Although the Board of Directors has no current plan to recommend a change in the dividend policy, the amount and timing for payment of dividends is subject to revision from time to time, depending upon our then current level of sales, costs, cash flow and capital requirements, as well as market conditions. Accordingly, there can be no assurance as to the amount or timing of declaration or payment of dividends in the future. Any change in dividend policy would ordinarily be effective for dividends declared in the year following adoption of the change, and a notice as to any such change of policy must be filed with Chilean regulatory authorities and would be publicly available information.

## Dividends

Each Series A Share and Series B Share is entitled to share equally in any dividends declared on the outstanding capital stock of SQM.

The following table shows the U.S. dollar equivalent of dividends per share and per ADS paid in each of the years indicated, based on the Observed Exchange Rate for the date on which the dividend was declared.

Dividends Declared for the business year	Paid in	Per Share <b>Per ADS</b>	
		Ch\$	US\$
2009 (interim)	2009	191.32	0.37994
2009	2010	126.69	0.24137
2010 (interim)	2010	198.90	0.41794
2010	2011	142.40	0.30798
2011 (interim)	2011	376.99	0.73329
2011	2012	147.66	0.30350
2012(interim)	2012	456.93	0.94986
2012	2013	134.56	0.28337
2013 (interim)	2013	401.60	0.75609
2013	2014	73.48	0.13129
n/a ( <i>eventual</i> )	2014	479.51	0.87387
2014 (interim)	2014	253.80	0.41493
2014	2015	91.55	0.14811



Dividends payable to holders of ADSs will be paid net of conversion expenses of the Depositary and will be subject to Chilean withholding tax, currently imposed at the rate of 35% (subject to credits in certain cases).

As a general requirement, a shareholder who is not a resident of Chile must register as a foreign investor under one of the foreign investment regimes contemplated by Chilean law to have dividends, sale proceeds or other amounts with respect to its shares remitted outside Chile through the Formal Exchange Market. Under the Foreign Investment Contract, the Depositary, on behalf of ADR holders, will be granted access to the Formal Exchange Market to convert cash dividends from Chilean Pesos to U.S. dollars and to pay such U.S. dollars to ADS holders outside Chile net of taxes, and no separate registration of ADS holders is required.

#### 8.B. Significant Changes

No significant change has occurred since the date of the financial statements set forth in Item 18.

### ITEM 9. THE OFFER AND LISTING

#### 9.A. Offer and Listing Details

##### Price History

The table below shows, for the periods indicated, the reported high and low market prices for our shares on the Santiago Stock Exchange and the high and low market prices of the ADSs as reported by the NYSE, as the two main exchanges on which our shares are traded. On March 27, 2008, the Company voluntarily delisted its Series A ADSs from the New York Stock Exchange. The ratio of ordinary shares to Series B ADSs is 1:1.

#### (a) Last 5 years

	Santiago Stock Exchange				NYSE	
	Per Share <sup>(1)</sup>				Per ADS	
	Series A		Series B		Series B <sup>(2)</sup>	
	High	Low	High	Low	High	Low
	Ch\$	Ch\$	Ch\$	Ch\$	US\$	US\$
2010	27,000	21,000	26,600	17,150	59.77	30.98

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

2011	31,400	25,000	31,280	23,000	67.75	43.00
2012	30,100	26,000	30,700	26,000	65.31	50.41
2013	27,350	15,500	27,900	11,956	59.06	22.50
2014	19,071	15,245	19,594	12,883	36.25	21.52

**(b) 2013 to 2015 by quarter**

	<b>Santiago Stock Exchange Per Share <sup>(1)</sup></b>				<b>NYSE Per ADS</b>	
	<b>Series A</b>		<b>Series B</b>		<b>Series B <sup>(2)</sup></b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
	<b>Ch\$</b>	<b>Ch\$</b>	<b>Ch\$</b>	<b>Ch\$</b>	<b>US\$</b>	<b>US\$</b>
<b>2013</b>						
First quarter	27,350	25,500	27,900	25,500	59.06	53.63
Second quarter	25,500	20,600	26,200	19,600	55.60	38.89
Third quarter	21,200	15,500	20,700	12,600	40.78	24.75
Fourth quarter	21,500	17,404	15,450	11,956	30.78	22.50
<b>2014</b>						
First quarter	19,071	17,650	19,594	13,100	36.25	24.24
Second quarter	18,500	16,505	18,300	15,048	32.75	27.01
Third quarter	16,700	15,279	16,807	15,344	30.45	25.64
Fourth quarter	16,600	15,245	16,800	12,883	28.32	21.52
<b>2015</b>						
First quarter	16,300	15,000	16,400	10,100	26.40	15.02

**(c) Last 6 months**

	<b>Santiago Stock Exchange Per Share <sup>(1)</sup></b>				<b>NYSE Per ADS</b>	
	<b>Series A</b>		<b>Series B</b>		<b>Series B <sup>(2)</sup></b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
	<b>Ch\$</b>	<b>Ch\$</b>	<b>Ch\$</b>	<b>Ch\$</b>	<b>US\$</b>	<b>US\$</b>
November 2014	16,600	16,600	16,800	13,400	28.32	23.13
December 2014	16,600	16,000	15,455	13,388	25.20	21.52
January 2015	16,000	16,000	15,805	14,000	25.33	22.56
February 2015	16,000	15,000	16,400	14,999	26.40	23.78
March 2015	16,300	15,498	16,100	10,100	25.91	15.02
April 2015	16,500	15,999	13,644	11,340	22.14	18.25

(1) Pesos per share of Common Stock reflect nominal price at trade date.

(2) Series B shares began trading on the New York Stock Exchange on September 20, 1993.

As of April 30, 2015, there were 61,851,832 Series B ADSs outstanding. As of April 30, 2015, such ADSs represented approximately 23.50% of the total number of issued and outstanding shares of our Company.

*9.B Plan Of Distribution*

Not Applicable.

*9.C Markets*

The Series A shares and the Series B shares are currently traded on the Santiago Stock Exchange, the Bolsa Electrónica de Chile Bolsa de Valores S.A., (the Electronic Stock Exchange) and the Bolsa de Corredores Bolsa de Valores S.A., (the Valparaíso Stock Exchange). As of December 31, 2014, the Series B shares were also traded on the New York Stock Exchange in the form of ADSs at a ratio of 1:1. The ADSs representing Series B shares have traded on the NYSE since September 20, 1993. The depositary bank for these ADSs is the Bank of New York Mellon.

*9.D Selling Shareholders*

Not applicable.

*9.E Dilution*

Not applicable.

*9.F Expenses Of The Issue*

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

*10.A. Share Capital*

Not applicable.

*10.B. Memorandum and Articles of Association*

SQM S.A., headquartered at El Trovador No. 4285, 6th Floor, Santiago, Chile, is an open stock corporation organized under the laws of the Republic of Chile. The Company was constituted by public deed issued on June 17, 1968 by Mr. Sergio Rodríguez Garcés, Notary Public of Santiago. Its existence was approved by Decree No. 1,164 of June 22, 1968, of the Ministry of Finance, and it was registered on June 29, 1968, in the Business Registry of Santiago, on page 4,537 No. 1,992.

**Corporate purposes**

Our main purposes, which appear in article 4 of our By-laws, are to: **(a)** perform all kinds of chemical or mining activities and businesses and, among others, those related to researching, prospecting, extracting, producing, working, processing, purchasing, disposing of, and marketing properties, as applicable, of all metallic and non-metallic and fossil mining substances and elements of any type or nature, to be obtained from them or from one or more concessions or mining deposits, and in their natural or converted state, or transformed into different raw materials or manufactured or partially manufactured products, and of all rights and properties thereon; **(b)** manufacture, produce, work, purchase, transfer ownership, import, export, distribute, transport, and market in any way, all kinds of fertilizers, components, raw materials, chemical, mining, agricultural, and industrial products, and their by-products; **(c)** generate, produce, distribute, purchase, transfer ownership, and market, in any way, all kinds of electrical, thermal, geothermic or other type of power, and hydric resources or water rights in general; **(d)** request, manifest, claim, constitute, explore, work, lease, transfer ownership, and purchase, in any way, all kinds of mining concessions; **(e)** purchase, transfer ownership, and administer, in any way, any kind of telecommunications, railroads, ships, ports, and any means of transport, and represent and manage shipping companies, common carriers by water, airlines, and carries in general; **(f)** manufacture, produce, market, maintain, repair, assemble, construct, disassemble, purchase and transfer ownership, and in any way, any kind of electromechanical structure, and substructure in general, components, parts, spares, or parts of equipment, and machines, and execute, develop, advice, and market, any kind of electromechanical or smelting activities; **(g)** purchase, transfer ownership, lease, and market any kind of agro industrial and farm forestry activities, in any way **(h)** purchase, transfer ownership, lease, and market, in any way, any kind of urban or rural real estate; **(i)** render any kind of health services and manage hospitals, private clinics, or similar facilities; **(j)** construct, maintain, purchase, transfer ownership, and manage, in any way, any kind of roads, tunnels, bridges, water supply systems, and other required infrastructure works, without any limitation, regardless of whether they may be public or private, among others, to participate in bids and enter into any kind of contracts, and to be the legal owner of the applicable concessions; and **(k)** purchase, transfer ownership, and market, in any way, any kind of intangible properties such as stocks, bonds, debentures, financial assets, commercial papers, shares or rights in corporations, and any kind of bearer securities or instruments, and to administer such investments, acting always within the Investment and Financing Policies approved by the applicable General Shareholders Meeting. We may comply with the foregoing by acting ourselves or through or with other different legal entities or natural persons, within the country or abroad, with properties of our own or owned by third parties, and additionally, in the ways and territories, and with the aforementioned properties and purposes, we may also construct and operate industrial or agricultural facilities or installations; constitute, administer, purchase, transfer ownership, dissolve, liquidate, transform, modify, or form part of partnerships, institutions, foundations, corporations, or associations of any kind or nature; perform all actions, enter into all contracts, and incur in all obligations convenient or necessary for the foregoing; perform any business or activity related to our properties, assets, or patrimony, or with that of our affiliates, associated companies, or related companies; and render financial, commercial, technical, legal, auditing, administrative, advisory, and other pertinent services.

## Directors

As stated in article 9 of the Company's By-laws, the Company has 8 Directors. One of the Directors must be "independent" as such term is defined in article 50 bis of Law No. 18,046. Moreover, the possession of shares is not a condition necessary to become a Director of the Company.

As stated in article 10 of the Company's By-laws, the term of the Directors is of three years and they can be reelected indefinitely; thus, there is no age limit for their retirement.

The Company's By-laws, in articles 16 and 16 bis, essentially establish that the transactions in which a Director has a material interest must comply with the provisions set forth in articles 136 and 146 to 149 of Law No. 18,046 and the applicable regulations of such Law.

The Board of Directors duties are remunerated, as stated in article 17 of the Company's By-laws, and the amount of that compensation is fixed yearly by the Ordinary Shareholders' Meeting. Therefore, Directors can neither determine nor modify their compensation.

Directors cannot authorize Company loans on their behalf.

The Board of Directors must provide shareholders and the public with sufficient, reliable and timely information pertaining to the Company's legal, economic and financial situation, as required by the Law or the Chilean Superintendency of Securities and Insurance. The Board of Directors must adopt the appropriate measures in order to avoid the disclosure of such information to persons other than those persons who should possess such information as a result of their title, position or activity within the Company before such information is disclosed to shareholders and the public. The Board of Directors must treat business dealings and other information about the Company as confidential until such information is officially disclosed. No Director may take advantage of the knowledge about commercial opportunities that he has obtained through his position as Director.

## Independent Directors and Directors Committee

According to Chilean Law, SQM must appoint at least one Independent Director and a Directors' Committee, due to the fact that (a) the Company has a market capitalization greater than or equal to UF 1,500,000 and (b) at least 12.5%

of the Company's shares with voting rights are held by shareholders who, on an individual basis, control or possess less than 10% of such shares.



Persons who have not been involved in any of the circumstances described in the Law at any time during the preceding 18 months are considered independent. Candidates for the position of Independent Director must be proposed by shareholders representing 1% or more of the Company's shares, at least 10 days prior to the date of the shareholders' meeting that has been called in order to elect the Directors. No less than two days prior to the respective shareholders' meeting, the candidate must provide the Chief Executive Officer with a sworn statement indicating that he: (a) accepts his candidacy for the position of Independent Director (b) does not meet any of the conditions that would prevent him from being the Independent Director (c) is not related to the Company, the other companies of the group to which the Company belongs, the controller of the Company, or any of the Company's officers in such a way that would deprive a sensible person of a reasonable degree of autonomy, interfere with his ability to perform his duties objectively and effectively, generate a potential conflict of interest, or interfere with his independent judgment, and (d) assumes the commitment to remain independent as long as he holds the position of Director.

The Directors' Committee shall have the following powers and duties: (a) to examine the reports of the external auditors, the balance sheet and other financial statements presented by the Company's managers or liquidators to its shareholders and issue an opinion about the same prior to their submission for the approval of the shareholders (b) to propose to the Board of Directors the external auditors and risk rating agencies to be proposed to the shareholders at the respective shareholders' meeting. In the event that an agreement cannot be reached, the Board of Directors shall formulate its own suggestion, and both options shall be submitted for shareholder consideration at such shareholders' meeting (c) to examine the information relating to operations referred to in articles 146 to 149 of Law No. 18,046 and to prepare a report about such operations. A copy of such report shall be sent to the Board of Directors, and such report must be read at the Board Meeting called for the purpose of approving or rejecting the respective operation or operations (d) to examine the remuneration system and compensation plans for the Company's management, officers and employees (e) to prepare an annual report on its activities, including its main recommendations to the shareholders (f) to inform the Board of Directors about whether or not it is advisable to hire the external audit firm to provide non-audit services where the audit firm is not prohibited from providing such services because the nature of the same could pose a threat to the audit firm's independence, and (g) any other issues indicated in the Company's by-laws or authorized by a shareholders' meeting or the Board of Directors.

The Directors' Committee shall be comprised of three members, with at least one independent member. In the event that more than three Directors have the right to form part of the Committee, these same Directors shall unanimously determine who shall make up the Committee. In the event that an agreement cannot be reached, the Directors who were elected with a greater percentage of votes by shareholders controlling or possessing less than 10% of the Company's shares shall be given priority. If there is only one Independent Director, this Director shall name the other members of the Committee among the other Directors who are not independent. Such other members of the Committee shall have all of the rights associated with such position. The members of the Committee shall be compensated for their role. The amount of their remuneration shall be set annually at the General Shareholders' Meeting, and it may not be less than the remuneration set for the Company Directors, plus an additional 1/3 of that amount. The General Shareholders' Meeting shall determine a budget for the expenses of the Committee and its advisors. Such budget may not be less than the sum of the annual remunerations of the Committee members. The Committee may need to hire professional advisory services in order to carry out its duties in accordance with the abovementioned budget. The proposals made by the Committee to the Board of Directors that are not accepted by the latter must be reported to the shareholders' meeting prior to the vote by shareholders on the corresponding matter or matters. In addition to the responsibilities that are associated with the position of Director, the members of the Committee are jointly and severally liable for any damages they cause in performing their duties as such to the

shareholders and to the Company.

114

## Shares

Dividends are annually distributed to the Series A and Series B shareholders of record on the fifth business day prior to the date for payment of the dividends. The By-laws do not specify a time limit after which dividend entitlement elapses but Chilean regulations establish that after 5 years, unclaimed dividends are to be donated to the Fire Department.

Article 5 of the Company's By-laws establishes that Series B shares may in no case exceed fifty percent of the issued, outstanding and paid shares of SQM Series B. SQM Series B shares have a restricted right to vote as they can only elect one Director of the Company, regardless of their capital stock's share. Series B shares have the right to call for an Ordinary or Extraordinary Shareholders' Meeting when the shareholders of at least 5% of the Series B issued shares request so and for an Extraordinary Board of Directors Meeting without the Chairman's authorization when it is requested by the Director elected by the shareholders of the Series B shares. Series A shares have the option to exclude the Director elected by Series B shareholders from the voting process in which the Chairman of the Board is to be elected, if there is a tie in the first voting process. However, articles 31 and 31 bis of the Company's By-laws establish that in General Shareholders' Meetings each shareholder will have a right to one vote for each share he owns or represents and (a) that no shareholder will have the right to vote for himself or on behalf of other shareholders of the same Series A or Series B shares representing more than 37.5% of the total outstanding shares with right to vote of each Series and (b) that no shareholder will have the right to vote for himself or on behalf of other shareholders representing more than 32% of the total outstanding shares with a right to vote. In calculating a single shareholder's ownership of Series A or B shares, the shareholder's stock and those pertaining to third parties related to them are to be added.

Article 5 bis of the Company's By-laws establishes that no person may directly or by means of related third persons concentrate more than 32% of the Company's total shares with right to vote.

Each Series A share and Series B share is entitled to share equally in the Company's profits, i.e., they have the same rights on any dividends declared on the outstanding shares of SQM.

The Company By-laws do not contain any provision relating to (a) redemption provisions (b) sinking funds or (c) liability to capital calls by the Company.

As established in article 103 of Law No. 18,046, a company subject to the supervision of the Superintendency of Securities and Insurance (SVS) may be liquidated in the following cases:

- (a) Expiration of the duration term, if any, as established in its By-laws;
- (b) All the shares end up in the possession of one individual for more than ten continuous days;
- (c) By agreement of an Extraordinary Shareholders Meeting;
- (d) By abolition, pursuant to applicable laws, of the decree that authorized its existence;
- (e) Any other reason contemplated in its By-laws.

Article 40 of the Company's By-laws states that in the event of liquidation, the shareholders' meeting will appoint a three-member receiver committee that will have the authority to carry out the liquidation process. Any surplus will be distributed equally among the shareholders.

The only way to change the rights of the holders of the SQM shares is by modifying its By-laws, which can only be carried out by an Extraordinary Shareholders' Meeting, as established in article 28 of the Company By-laws.

## Shareholders' Meetings

Article 29 of the Company's By-laws states that the call to a shareholders' meeting, either Ordinary or Extraordinary, will be by means of a highlighted public notice that will be published at least three times, and on different days, in the newspaper of the legal address determined by the shareholders' meeting, and in the way and under the conditions indicated by the regulations. Additionally, a notice will be sent by mail to each shareholder at least fifteen days prior to the date of the Meeting, which shall include a reference of the matters to be addressed at the meeting. However, those meetings with the full attendance of the shares with right to vote may be legally held, even if the foregoing formal notice requirements are not met. Notice of any shareholders' meeting shall be delivered to the SVS at least fifteen days in advance of such meeting.

Any holder of Series A and/or Series B shares registered in the Company's shareholder registry on the fifth business day prior to the date of the meeting will have a right to participate at that meeting

Article 67 of Law No. 18,046 provides that decisions made at Extraordinary Shareholders' Meeting on the following matters require the approval of 2/3 of the outstanding shares with voting rights: (1) transformation or division of the Company and its merger with another company; (2) modification of the Company's term of duration, if any; (3) early dissolution of the Company; (4) change of the corporate domicile; (5) capital decrease; (6) approval of contributions and estimation of non-cash assets; (7) modification of powers reserved for Shareholders Meetings or limitations on powers of the Board of Directors; (8) reduction in the number of members of the Board of Directors; (9) disposal of 50% or more of the Company's assets; formulation or modification of any business plan exceeding the above percentage; disposal of 50% or more of an asset belonging to a subsidiary that represents at least 20% of the Company's assets and disposal of shares of the referred subsidiary such that the parent company would lose its position as controller of the same; (10) method in which profits are distributed; (11) granting of real or personal guarantees as sureties for third-party obligations that exceed 50% of the Company assets, except for subsidiaries, in which case approval of the Board of Directors shall suffice; (12) acquisition of own shares as set forth in articles 27A and 27B of the said law; (13) other matters indicated in the By-laws; (14) amendment of the Company By-laws as a result of errors in the constitution process and amendments in the By-laws involving one or more of the matters stated in the preceding numbers; (15) forced sale of shares carried out by the controller who would acquire more than 95% of the Company's shares in a tender offer, and (16) approval or ratification of proceedings or contracts with related parties in accordance with the provisions of articles 44 and 147 of Law No. 18,046.

Amendments to the By-laws that are intended to create, modify, defer or suspend preferential rights shall be approved by 2/3 of the shares of the affected Series.

The transformation of the Company, the merger of the same, the disposal of assets referred to in number (9) above, the constitution of guarantees set forth in number (11) above, the constitution of preferences or the increase, postponement or decrease of the existing preferences, the reparation of formal nullities incurred in the By-laws and the

possession of more than 95% of the Company's shares and other matters contemplated in the Law or in the By-laws, confer "withdrawal rights."

#### Foreign Shareholders

There exists no restriction on ownership or share concentration, or limiting the exercise of the related right to vote, by local or foreign shareholders other than those discussed under Item 10.B. Memorandum and Articles of Association.

#### Change in Control

The Company By-laws provide that no shareholder may hold more than 32% of the Company's shares, unless the By-laws are modified at an Extraordinary Shareholders' Meeting. Moreover, on December 12, 2000, the Chilean Government published the Ley de Oferta Pública de Acciones ("Public Share Offering Law") or (OPA law) that seeks to protect the interests of minority shareholders of open stock corporations in transactions involving a change in control, by requiring that the potential new controller purchase the shares owned by the remaining shareholders either in total or pro rata. The law applies to those transactions in which the controlling party would receive a material premium price compared with the price that would be received by the minority shareholders.

There are three conditions that would make it mandatory to operate under the OPA law:

- 1) When an investor wants to take control of a company's stock.
- 2) When a controlling shareholder holds two-thirds of the company's stock. If such shareholder buys one more share, it will be mandatory to offer to acquire the rest of the outstanding stock within 30 days of surpassing that threshold.
- 3) When an investor wants to take control of a corporation, which, in turn, controls an open stock corporation that represents 75% or more of the consolidated assets of the former corporation.

Parties interested in taking control of a company must (i) notify the company of such intention in writing, and notify its controllers, the companies controlled by it, the SVS and the markets where its stocks are traded and (ii) publish a highlighted public notice in two newspapers of national circulation at least 10 business days prior to the date of materialization of the OPA.

#### Disclosure of Share Ownership

The Company's By-laws do not provide for a minimum threshold at which share ownership must be disclosed.

#### 10.C. Material Contracts

The following summarizes the terms and conditions of the main contracts to which SQM or any subsidiary is a party:

On February 12, 1999, SQM S.A. entered into an Electrical Energy Supply contract with Electroandina S.A. This contract allowed for two three-year renewal options, at the option of SQM. The two options were exercised. As a result, the contract extends through March 16, 2016. Early termination of the contract is subject to payment of non-amortized investments.

On March 21, 1997, SQM Salar S.A. entered into an Electricity Supply agreement with Norgener S.A. The term of this contract extends through March 20, 2017, and early termination is subject to penalties.

On March 30, 2012, SQM S.A. entered into an Electrical Energy Supply agreement with Norgener S.A. The term of this contract extends through December 31, 2030. Early termination of the contract is subject to an agreement between both parties, or in case of Force-Majeure extended for more than 12 months.

In addition, the Company, during the normal course of business, has entered into different contracts, some of which have been described herein, related to its production, commercial and legal operations. We believe all of these

contracts are standard for this type of industry, and none of them is expected to have a material effect on the Company's results of operations.

#### 10.D.Exchange Controls

The Central Bank of Chile is responsible for, among other things, monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile permits the investor access to the Formal Exchange Market. Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 of 1974 or can be registered with the Central Bank of Chile under the Central Bank Act, Law No 18,840 of October 1989. The Central Bank Act is an organic constitutional law requiring a "special majority" vote of the Chilean Congress to be modified. Effective January 1, 2016, Decree Law No. 600 was repealed by Article 9 of the 2014 Tax Reform. Therefore, foreign investments made on or after January 1, 2016 cannot be registered with the Foreign Investment Committee. According to the Tax Reform, a new law, replacing Decree Law No. 600, must be enacted prior to December 31, 2015. If such new law has not been enacted by December 31, 2015, the repeal of Decree Law No. 600 will be postponed until such new law has been enacted.



Our 1993, 1995 and 1998 capital increases were carried out under and subject to the then current legal regulations, whose summary is hereafter included:

A '*Convención Capítulo XXVI del Título I del Compendio de Normas de Cambios Internacionales*' or Compendium of Foreign Exchange Regulations of the Central Bank of Chile, "Foreign Investment Contract" was entered into and among the Central Bank of Chile, our Company and the Depositary, pursuant to Article 47 of the Central Bank Act and to Chapter XXVI of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile, "Chapter XXVI," which addresses the issuance of ADSs by a Chilean company. Absent the Foreign Investment Contract, under applicable Chilean exchange controls, investors would not be granted access to the Formal Exchange Market for the purposes of converting from Chilean pesos to U.S. dollars and repatriating from Chile amounts received in respect to deposited Series B shares, or Series B shares withdrawn from deposit on surrender of ADSs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying Series B shares and any rights arising therefrom). The following is a summary of the material provisions contained in the Foreign Investment Contract. This summary does not purport to be complete and is qualified in its entirety by reference to Chapter XXVI and the Foreign Investment Contract.

Under Chapter XXVI and the Foreign Investment Contract, the Central Bank of Chile has agreed to grant to the Depositary, on behalf of ADS holders, and to any investor not residing or not domiciled in Chile who withdraws Series B shares upon delivery of ADSs (such Series B shares being referred to herein as "Withdrawn Shares") access to the Formal Exchange Market to convert Chilean pesos to U.S. dollars (and remit such U.S. dollars outside of Chile) in respect of the Withdrawn Shares, including amounts received as (a) cash dividends, (b) proceeds from the sale in Chile of Withdrawn Shares, or from shares distributed because of the liquidation, merger or consolidation of the Company, subject to receipt by the Central Bank of Chile of a certificate from the holder of such shares (or from an institution authorized by the Central Bank of Chile) that such holder's residence and domicile are outside Chile and a certificate from a Chilean stock exchange (or from a brokerage or securities firm established in Chile) that such shares were sold on a Chilean Exchange, (c) proceeds from the sale in Chile of preemptive rights to subscribe for additional Series A and Series B shares, (d) proceeds from the liquidation, merger or consolidation of the Company and (e) other distributions, including without limitation those resulting from any recapitalization, as a result of holding Withdrawn Shares. Transferees of Withdrawn Shares will not be entitled to any of the foregoing rights under Chapter XXVI unless the Withdrawn Shares are redeposited with the Depositary. Investors receiving Withdrawn Shares in exchange for ADSs will have the right to redeposit such shares in exchange for ADSs, provided that the conditions to redeposit described hereunder are satisfied.

Chapter XXVI provided that access to the Formal Exchange Market in connection with dividend payments will be conditioned upon certification by the Company to the Central Bank of Chile that a dividend payment has been made and any applicable tax has been withheld. Chapter XXVI also provided that access to the Formal Exchange Market in connection with the sale of Withdrawn Shares or distributions thereon will be conditioned upon receipt by the Central Bank of Chile of certification by the Depositary that such shares have been withdrawn in exchange for ADSs and receipt of a waiver of the benefit of the Foreign Investment Contract with respect thereto until such Withdrawn Shares are redeposited.



Chapter XXVI and the Foreign Investment Contract provide that a person who brings certain types of foreign currency into Chile, including U.S. dollars, to purchase Series B shares with the benefit of the Foreign Investment Contract must convert it into Chilean pesos on the same date and has 5 banking business days within which to invest in Series B shares in order to receive the benefits of the Foreign Investment Contract. If such person decides within such period not to acquire Series B shares, he can access the Formal Exchange Market to reacquire foreign currency, provided that the applicable request is presented to the Central Bank within 7 banking business days of the initial conversion into Chilean pesos. Series B shares acquired as described above may be deposited for ADSs and receive the benefits of the Foreign Investment Contract, subject to receipt by the Central Bank of Chile of a certificate from the Depositary that such deposit has been effected and that the related ADSs have been issued and receipt by the Custodian of a declaration from the person making such deposit waiving the benefits of the Foreign Investment Contract with respect to the deposited Series B shares.

Access to the Formal Exchange Market under any of the circumstances described above is not automatic. Pursuant to Chapter XXVI, such access requires approval of the Central Bank of Chile based on a request presented through a banking institution established in Chile. The Foreign Investment Contract will provide that if the Central Bank of Chile has not acted on such request within seven banking days, the request will be deemed approved.

Under current Chilean law, foreign investments abiding by the Foreign Investment Contract cannot be changed unilaterally by the Central Bank of Chile. No assurance can be given, however, that additional Chilean restrictions applicable to the holders of ADSs, the disposition of underlying Series B shares or the repatriation of the proceeds from such disposition could not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed.

As of April 19, 2001, Chapter XXVI of Title I of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile was eliminated and new investments in ADSs by non-residents of Chile, are now governed by Chapter XIV of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile. This was made with the purpose of simplifying and facilitating the flow of capital to and from Chile. According to the new regulations, such investments must be carried out through Chile's Formal Exchange Market and only reported to the Central Bank of Chile. Foreign investments may still be registered with the Foreign Investment Committee under Decree Law 600 of 1974, as amended, and obtain the benefits of the contract executed under Decree Law 600. Effective January 1, 2016, Decree Law No. 600 was repealed by Article 9 of the 2014 Tax Reform. Therefore, foreign investments made on or after January 1, 2016 cannot be registered with the Foreign Investment Committee. According to the Tax Reform, a new law, replacing Decree Law No. 600, must be enacted prior to December 31, 2015. If such new law has not been enacted by December 31, 2015, the repeal of Decree Law No. 600 will be postponed until such new law has been enacted.

The Central Bank is also responsible for controlling incurrence of loan obligations to be paid from Chile and by a Chilean borrower to banks and certain other financial institutions outside Chile. Chapter XIV establishes what type of loans, investments, capital increases and foreign currency transactions are subject to the current Chapter XIV framework. Foreign currency transactions related to foreign loans must be performed through the Formal Exchange

Market, and such transactions and the subsequent modifications of original loans must be properly informed to the Central Bank. Transactions prior to April 19, 2001, will continue to be regulated by the previous legal framework, except in cases where an express request has been presented to the Central Bank resigning previous rights to be regulated by the provisions of Chapter XIV. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIV.

As of December 31, 2014, we had bonds issued in the international markets under Rule 144A/Regulation S of US\$200 million, US\$250 million and US\$300 million. Additionally, we had outstanding bilateral loans through wholly owned subsidiaries in the amount of US\$240 million, which were fully guaranteed by us.

Any purchases of U.S. dollars in connection with payments on these loans will occur with the Formal Exchange Market. There can be no assurance, however, that restrictions applicable to payments in respect to the loans could not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed.

#### 10.E. Taxation

##### Chilean Tax Considerations

The following describes the material Chilean income tax consequences of an investment in SQM ADSs by an individual who is not domiciled or resident in Chile or any legal entity that is not organized under the laws of Chile and does not have a permanent establishment located in Chile, a (“foreign holder”). This discussion is based upon Chilean income tax laws presently in force, including Ruling No. 324 (1990) of the Chilean Internal Revenue Service and other applicable regulations and rulings. The discussion is not intended as tax advice to any particular investor, which can be rendered only in light of that investor’s particular tax situation.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign holders, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may only be amended by another statute. In addition, the Chilean tax authorities issue rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations and interpretations, but Chilean tax authorities may change said rulings, regulations and interpretations prospectively.

##### Cash Dividends and Other Distributions

###### *System in Effect Through 2016*

The following taxation of cash dividends and property distributions applies through 2016.

Cash dividends paid by the Company with respect to the shares, including shares represented by ADSs held by a U.S. holder will be subject to a 35% Chilean withholding tax, which is withheld and paid by the Company, the “Withholding Tax.” If the Company has paid corporate income tax, the “First Category Tax,” on the income from which the dividend is paid, a credit for the First Category Tax effectively reduces the rate of Withholding Tax. When a credit is available, the Withholding Tax is computed by applying the 35% rate to the pre-tax amount needed to fund the dividend and

then subtracting from the tentative withholding tax so determined the amount of First Category Tax actually paid on the pre-tax income. Under Chilean income tax law, dividends are assumed to have been paid out of our oldest retained tax profits for purposes of determining the rate at which the First Category Tax was paid.

The effective Withholding Tax rate, after giving effect to the credit for First Category Tax, generally is:

$$\frac{(\text{Withholding Tax rate}) - (\text{First Category Tax effective rate})}{1 - (\text{First Category Tax effective rate})}$$

120

The effective rate of Withholding Tax to be imposed on dividends paid by the Company will vary depending upon the amount of the First Category Tax paid by the Company on the earnings to which the dividends are attributed. The withholding tax rates of the three dividends distributed by the Company during 2014 are as follows:

May 2014	21.68677%
July 2014	19.20579%
December 2014	19.19106%

Dividend distributions made in property (such as distribution of cash equivalents) would be subject to the same Chilean tax rules as cash dividends. Stock dividends are not subject to Chilean taxation.

#### *New System in Effect Starting in 2017*

On September 29, 2014, the Tax Reform was published, introducing significant changes to the Chilean taxation system and strengthening the powers of the SII to control and prevent tax avoidance. The Tax Reform contemplates, among other matters, changes to the corporate tax regime to create two tax regimes. Starting on January 1, 2017, Chilean companies will be able to opt between two tax regimes: (i) the partially integrated shareholder tax regime (*sistema parcialmente integrado*) or (ii) the attributed income shareholder taxation regime (*sistema de renta atribuida*). In both regimes, the corporate tax rate will be increased to 21% in 2014, 22.5% in 2015 and 24% by 2016. On or after January 1, 2017, and depending on the tax regime chosen by the company, tax rates may be increased to a maximum rate of 25% in 2017 for the attributed income shareholder taxation regime or to a rate of 25.5% in 2017 and subsequently to a maximum rate of 27% in 2018 for the partially integrated shareholder tax regime.

As an open stock corporation, the default regime that applies to us is the partially integrated regime, unless at a future shareholders' meeting our shareholders agree to opt for the attributed income shareholder taxation regime. Under the partially integrated shareholder taxation regime, shareholders bear the tax on dividends, when paid, but will be permitted to credit against such shareholder taxes only a portion of the Chilean corporate tax paid by us on our earnings, unless the shareholder is resident in a country with a tax treaty with Chile, in which case 100% of the Chilean corporate tax paid by us may be credited against such shareholder taxes. As a result, foreign shareholders resident in a non-treaty jurisdiction (such as the United States) will be subject to a higher effective tax rate than residents of treaty jurisdictions. Under the attributed income shareholder taxation regime, shareholders bear the Chilean tax on our accrued earnings (whether or not dividends have been distributed), but may credit the full amount of the Chilean corporate tax we pay on such earnings against such shareholder taxes.

#### Capital Gains

Gains from the sale or other disposition by a foreign holder of ADSs outside Chile will not be subject to Chilean taxation. The deposit and withdrawal of the shares in exchange for ADRs will not be subject to any Chilean taxes.

The tax basis of the shares received in exchange for ADSs (repatriation) will be the acquisition value of the shares. The Series B shares exchanged for ADSs are valued at the highest price at which they trade on the Chilean Stock Exchange on the date of the exchange or on either of the two business days preceding the exchange. Consequently, the conversion of ADSs into the shares and the immediate sale of such shares at a price equal to or less than the highest price for Series B shares on the Chilean Stock Exchange on such dates will not generate a gain subject to Chilean taxation.



Gain recognized on a sale or exchange of shares (as distinguished from sales or exchanges of ADSs representing such shares) will be subject to both the First Category Tax and the Withholding Tax if either (i) the foreign holder has held the shares for less than one year since exchanging the ADSs for the shares, (ii) the foreign holder acquired and disposed of the shares in the ordinary course of its business or as a regular trader of shares, or (iii) the foreign holder and the purchaser of the shares are related parties within the meaning of Chilean tax law. The amount of the First Category Tax may be credited against the amount of the Withholding Tax. In all other cases, gain on the disposition of the shares will be subject only to a capital gains tax, which is assessed at the same rate as the First Category Tax. Gain recognized in the transfer of common shares that have significant trading volumes in the stock exchange, however, is not subject to capital gains tax in Chile, provided that the common shares are transferred in a local stock exchange authorized by the SVS, within the process of a public tender of common shares governed by the Chilean Securities Market Act. Law No. 20,448 states that common shares must also have been acquired after April 19, 2001, either on a local stock exchange authorized by the SVS, within the referred process of public tender of a common shares governed by the Chilean Securities Market Act, in an initial public offering of common shares resulting from the formation of a corporation or a capital increase of the same, in an exchange of convertible securities subject to public offer, or in the redemption of mutual funds shares. According to Ruling No. 224 (2008) of the Chilean Internal Revenue Service, common shares received by exchange of ADRs are also considered as “acquired on a stock exchange” if the respective ADRs have been acquired on a foreign stock exchange authorized by the SVS (i.e. London Stock Exchange, New York Stock Exchange and Bolsa de Valores de Madrid). Common shares are considered to have a high presence in the stock exchange when they: (a) are registered in the Securities Registry, (b) are registered in a Chilean Stock Exchange, (c) have an adjusted presence equal to or above 25%.

As of June 19, 2001, capital gains obtained in the sale of common shares that are publicly traded in a stock exchange are also exempt from capital gains tax in Chile when the sale is made by “foreign institutional investors” such as mutual funds and pension funds, provided that the sale is made in a local stock exchange authorized by the SVS, or in accordance with the provisions of the securities market law (Law 18,045). To qualify as foreign institutional investors, the referred entities must be formed outside of Chile, not have a domicile in Chile, and they must be an “investment fund” in accordance with the Chilean tax law.

The exercise of preemptive rights relating to shares will not be subject to Chilean taxation. Any gain on the sale or assignment of preemptive rights relating to shares will be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter).

#### Other Chilean Taxes

No Chilean inheritance, gift or succession taxes apply to the transfer or disposition of the ADSs by a foreign holder, but such taxes generally will apply to the transfer at death or by gift of the shares by a foreign holder. No Chilean stamp, issue, registration or similar taxes or duties apply to foreign holders of ADSs or shares.

Withholding Tax Certificates

Upon request, the Company will provide to foreign holders appropriate documentation evidencing the payment of Chilean withholding taxes.

United States Tax Considerations

The following discussion summarizes the principal U.S. federal income tax consequences to beneficial owners arising from ownership and disposition of the Series A shares and the Series B shares, together the “shares” and the ADSs. The discussion which follows is based on the United States Internal Revenue Code of 1986, as amended, the “Code,” the Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect and available on the date hereof, and is subject to any changes in these or other laws occurring after such date. In addition, the summary assumes that the depositary’s activities are clearly and appropriately defined so as to ensure that the tax treatment of ADSs will be identical to the tax treatment of the underlying shares.

For purposes of this summary, the term “U.S. Holder” means a beneficial owner of shares or ADSs that is, for U.S. federal income tax purposes, (a) an individual who is a United States citizen or resident, (b) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof, (c) an estate, the income of which is subject to U.S. federal income tax regardless of the source, or (d) a trust (i) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (ii)(A) if a court within the U.S. is able to exercise primary supervision over the administration of the trust and (B) one or more U.S. persons have the authority to control all substantial decisions of the trust.

The term “Non-U.S. Holder” means, for purposes of this discussion, a beneficial owner of shares or ADSs that is not a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds shares or ADSs, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to its consequences.

The discussion that follows is not intended as tax advice to any particular investor and is limited to investors who will hold the shares or ADSs as “capital assets” within the meaning of Section 1221 of the Code and whose functional currency is the United States dollar. The summary does not address the tax treatment of U.S. Holders and Non-U.S. Holders that may be subject to special U.S. federal income tax rules, such as insurance companies, tax-exempt organizations, financial institutions, persons who are subject to the alternative minimum tax, or persons who are broker-dealers in securities, who hold the shares or ADSs as a hedge against currency risks, as a position in a “straddle” for tax purposes, or as part of a conversion or other integrated transaction, or who own (directly, indirectly or by attribution) 10% or more of the total combined voting power of all classes of the Company’s capital stock entitled to vote or 10% or more of the value of the outstanding capital stock of the Company.

As of this date, there is currently no applicable income tax treaty in effect between the United States and Chile. However, in 2010, the United States and Chile signed an income tax treaty that will enter into force once the treaty is ratified by both countries. There can be no assurance that the treaty will be ratified by either country. The following summary assumes that there is no applicable income tax treaty in effect between the United States and Chile.

The discussion below does not address the effect of any United States state, local, estate or gift tax law or foreign tax law on a U.S. Holder or Non-U.S. Holder of the shares or ADSs. U.S. HOLDERS AND NON-U.S. HOLDERS OF SHARES OR ADSs SHOULD CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE PARTICULAR CONSEQUENCES UNDER ANY SUCH LAW OF OWNING OR DISPOSING THE SHARES OR ADSs.

For purposes of applying U.S. federal income tax law, any beneficial owner of an ADS generally will be treated as the owner of the underlying shares represented thereby.

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE ADVISED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS FORM 20-F IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH INVESTORS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS INCLUDED BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

#### Cash Dividends and Other Distributions

The U.S. Treasury Department has expressed concern that depositaries for ADSs, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. holders of such receipts or shares. Accordingly, the analysis regarding the availability of a U.S. foreign tax credit for Chilean taxes and sourcing rules described below could be affected by future actions that may be taken by the U.S. Treasury Department.

The following discussion is based on the current regime for taxation of cash dividends and distributions applicable in Chile until 2016. For 2017 and later, the U.S. federal income tax treatment will depend on which of the two shareholder taxation regimes we elect to adopt. See “Item 10. Taxation—Chilean Tax Considerations—Cash Dividends and Other Distributions—New System in Effect Starting 2017” above.

The following discussion of cash dividends and other distributions is subject to the discussion below under “Passive Foreign Investment Company Considerations.” The gross amount of a distribution with respect to shares or ADSs generally will be treated as a taxable dividend to the extent of the Company’s current and accumulated earnings and profits, computed in accordance with U.S. federal income tax principles. A dividend distribution will be so included in gross income when received by (or otherwise made available to) (i) the U.S. Holder in the case of the shares or (ii) the depositary in the case of the ADSs, and in either case will be characterized as ordinary income for U.S. federal income tax purposes. Distributions in excess of the Company’s current and accumulated earnings and profits will be applied against and will reduce the U.S. Holder’s tax basis in the shares or ADRs and, to the extent distributions exceed such tax basis, the excess will be treated as gain from a sale or exchange of such shares or ADSs. U.S. Holders that are corporations will not be allowed a deduction for dividends received in respect of distributions on the shares or the ADSs. For example, if the gross amount of a distribution with respect to the shares or ADSs exceeds the Company’s current and accumulated earnings and profits by US\$10.00, such excess will generally not be subject to a U.S. tax to the extent the U.S. Holder’s tax basis in the shares or ADSs equals or exceeds US\$10.00. The Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles. Accordingly, U.S. Holders should assume that any cash distribution made by us will be treated as a dividend for U.S. federal income tax purposes.

If a dividend distribution is paid in Chilean pesos, the amount includable in income will generally be the U.S. dollar value, on the date of receipt by the U.S. Holder in the case of the shares or by the depositary in the case of the ADSs, of the peso amount distributed, regardless of whether the payment is actually converted into U.S. dollars. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is includable in the income of the U.S. Holder to the date the pesos are converted into U.S. dollars will be treated as ordinary income or loss.

A dividend distribution will be treated as foreign source income and will generally be classified as “passive category income” or in the case of certain U.S. Holders “general category income” for U.S. foreign tax credit purposes. If Chilean withholding taxes are imposed on a dividend, U.S. Holders will be treated as having actually received the amount of such taxes (net of any credit for the First Category Tax) and as having paid such amount to the Chilean taxing authorities. As a result, the amount of dividend income included in gross income by a U.S. Holder will be greater than the amount of cash actually received by the U.S. Holder with respect to such dividend income. A U.S. Holder may be able, subject to certain generally applicable limitations, to claim a foreign tax credit or a deduction for Chilean withholding taxes (net of any credit for the First Category Tax) imposed on dividend payments. The rules relating to the determination of the U.S. foreign tax credit are complex and the calculation of U.S. foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions, involve the application of rules that depend on a U.S. Holder’s particular circumstances. U.S. Holders should, therefore, consult their own tax advisors regarding the application of the U.S. foreign tax credit rules to dividend income on the shares or ADSs.

Subject to the discussion below under “Information Reporting and Backup Withholding,” if you are a Non-U.S. Holder, you generally will not be subject to U.S. federal income or withholding tax on dividends received by you on your shares or ADSs, unless you conduct a trade or business in the United States and such income is effectively connected with that trade or business.

## Capital Gains

A U.S. Holder will generally recognize gain or loss on the sale, redemption or other disposition of the shares or ADRs in an amount equal to the difference between the amount realized on the sale or exchange and the U.S. Holder's adjusted basis in such shares or ADSs. Thus, if the U.S. Holder sells the shares for US\$40.00 and such U.S. Holder's tax basis in such shares is US\$30.00, such U.S. Holder will generally recognize a gain of US\$10.00 for U.S. federal income tax purposes. Subject to the discussion below under "Passive Foreign Investment Company Considerations," gain or loss upon the sale of the shares or ADSs will be capital gain or loss if the shares or ADSs are capital assets in the hands of the U.S. Holder. Capital gains on the sale of capital assets held for one year or less are subject to U.S. federal income tax at ordinary income tax rates. Net capital gains derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. Gain or loss realized by a U.S. Holder on the sale or exchange of shares or ADSs will be U.S. source income. In addition, certain limitations exist on the deductibility of capital losses by both corporate and individual taxpayers. Any tax imposed by Chile directly on the gain from such a sale would generally be eligible for the U.S. foreign tax credit; however, because the gain would generally be U.S. source, a U.S. Holder might not be able to use the credit otherwise available. U.S. Holders should consult their own tax advisors regarding the foreign tax credit implications of the sale, redemption or other disposition of a share or ADS.

Subject to the discussion below under "Information Reporting and Backup Withholding," a Non-U.S. Holder of ADSs or shares will not be subject to United States income or withholding tax on gain from the sale or other disposition of ADSs or shares unless, in general (i) such gain is effectively connected with the conduct of a trade or business within the United States or (ii) the Non-U.S. Holder is an individual who is present in the United States for at least 183 days during the taxable year of the disposition and certain other conditions are met.

## Passive Foreign Investment Company Considerations

A Non-U.S. corporation will be classified as a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from the sale of stock (including gains from the sale of stock of certain subsidiaries), partnership interests, securities or commodities.

Based on certain estimates of our gross income and gross assets and the nature of our business, the Company believes that it was not classified as a PFIC in 2014. The Company's status in future years will depend on its assets and activities in those years. If the Company were a PFIC for 2014 or for any prior or future taxable year during which a U.S. Holder held shares or ADSs, such U.S. Holder of shares or ADSs generally would be subject to additional filing requirements, imputed interest charges and other disadvantageous tax treatment (including the denial of taxation at the lower rates applicable to long-term capital gains with respect to any gain from the sale or exchange of shares or

ADSs).

#### Information Reporting and Backup Withholding

Payments of dividends on the shares or ADSs and the proceeds of sale or other disposition of the shares or ADSs within the United States by holders may be subject to U.S. information reporting and backup withholding. A U.S. Holder generally will be subject to U.S. information reporting and backup withholding (currently at a rate of 28%) unless the recipient of such payment supplies an accurate taxpayer identification number, as well as certain other information, or otherwise establishes an exemption, in the manner prescribed by United States law and applicable regulations. U.S. information reporting and backup withholding of U.S. federal income tax at the same rate may also apply to Non-U.S. Holders that are not “exempt recipients” and that fail to provide certain information as may be required by United States law and applicable regulations. Any amount withheld under U.S. backup withholding is not an additional tax and is generally allowable as a credit against the U.S. Holder’s federal income tax liability upon furnishing the required information to the IRS.

125



In addition, certain U.S. Holders, electing nonresident aliens and residents of a U.S. possession may be required to report information with respect to their investment in shares or, it is assumed, ADSs to the Internal Revenue Service. Investors who fail to report required information could become subject to substantial penalties and/or an extended statute of limitations.

**HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF U.S. INFORMATION REPORTING AND BACKUP WITHHOLDING RULES TO THEIR PARTICULAR CIRCUMSTANCES.**

10.F. Dividends and Paying Agents  
Not applicable.

10.G. Statement by Experts  
Not applicable.

10.H. Documents on Display

Documents referred to in this Form 20-F are available to the public at:

<http://www.sec.gov/edgar/searchedgar/companysearch.html>, CIK: 909037.

10.I. Subsidiary Information  
See "Item 4.C. Organizational Structure."

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As explained elsewhere in this Annual Report, we transact our businesses in more than 110 countries, thereby rendering our market risk dependent upon the fluctuations of foreign currencies and local and international interest rates. These fluctuations may generate losses in the value of financial instruments taken in the normal course of business.

We, from time to time and depending upon then current market conditions, review and re-establish our financial policies to protect our operations. Management is authorized by our Board of Directors to engage in certain derivative contracts such as forwards and swaps to specifically hedge the fluctuations in interest rates and in currencies other than the U.S. dollar.

Derivative instruments used by us are generally transaction-specific so that a specific debt instrument or contract determines the amount, maturity and other terms of the hedge. We do not use derivative instruments for speculative purposes.

Interest Rate Risk. As of December 31, 2014, we had approximately 14% of our financial debt effectively priced at LIBOR, and therefore significant increases in the rate could impact our financial condition.

Interest rate fluctuations, due to the uncertain future behavior of markets, may have a material impact on our financial results.

We have short and long term debt valued at LIBOR plus a spread. We are partially exposed to fluctuations of this rate, as we hold hedging derivative instruments to hedge a portion of our liabilities subject to LIBOR rate fluctuations.

As of December 31, 2014, approximately 66% of our current financial obligations were subject to LIBOR rate fluctuation and therefore, significant increases in the rate may impact our financial position.

In addition, as of December 31, 2014, our total financial debt is primarily long-term, with 11% of maturities less than 12 months, which decreases the exposure to changes in the interest rates.

Exchange Rate Risk. Although the U.S. dollar is the primary currency in which we transact our businesses, our operations throughout the world expose us to exchange rate variations for non-U.S. dollar currencies. Therefore, fluctuations in the exchange rate of such local currencies may affect our financial condition and results of operations. To lessen these effects, we maintain derivative contracts to protect the net difference between our principal assets and liabilities for currencies other than the U.S. dollar. These contracts are renewed periodically depending on the amount covered in each currency. Aside from this, we do not hedge potential future income and expenses in currencies other than the U.S. dollar with the exception of the Euro and Chilean peso. We estimate annual sales in Euros and expenses in Chilean pesos, and depending on the circumstances we secure the exchange difference with derivative contracts.

The following is a summary of the aggregate net monetary assets and liabilities that are denominated in non-U.S. dollar currencies as of December 31, 2014, 2013 and 2012. Figures do not include our financial hedging positions for year-end:

	2014	2013	2012
	Th US\$	Th US\$	Th US\$
Chilean pesos	15,787	(524,530)	(473,976)
Brazilian real	(377 )	(1,211 )	(1,421 )
Euro	37,433	32,776	45,809
Japanese yen	1,497	1,183	954
Mexican pesos	1,111	137	652
South African rand	25,444	29,404	25,565
Dirhams	19,838	24,594	17,044
Other currencies	27,356	22,924	19,443
Total, net	128,089	(414,723)	(365,930)

Also, we had open forward exchange contracts to buy U.S. dollars and sell Chilean pesos to hedge our time deposits in Chilean pesos for approximately US\$274 million (Ch\$166,229 million).

The information contained in Item 11. Quantitative and Qualitative Disclosures About Market Risk, contains statements that may constitute forward-looking statements. See “Cautionary Statement Regarding Forward-Looking Statements” in this Annual Report, for safe harbor provisions.

## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

### ITEM 12.A. DEBT SECURITIES

Not applicable.

127

**ITEM 12.B. WARRANTS AND RIGHTS**

Not applicable.

**ITEM 12.C. OTHER SECURITIES**

Not applicable.

**ITEM 12.D. AMERICAN DEPOSITARY RECEIPTS**

**Depository Fees and Charges**

The Company's American Depositary Shares ("ADS") program is administered by The Bank of New York Mellon (101 Barclay St., 22 Fl. W., New York, NY 10286), as Depository. Under the terms of the Deposit Agreement, an ADS holder may have to pay the following service fees to the Depository:

<b>Service Fees</b>	<b>Fees</b>
Execution and delivery of ADSs and the surrender of ADRs	\$0.05 per share

**Depository Payments Fiscal Year 2014**

The Depository has agreed to reimburse certain expenses related to the Company's ADS program and incurred by the Company in connection with the program. In 2014, the Depository reimbursed expenses related to investor relations for a total amount of US\$263,575.53.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a)

*Disclosure Control and Procedures*

SQM management, with the participation of the Company's current Chief Executive Officer and Chief Financial Officer and other members of the Company's executive management, evaluated the effectiveness of our disclosure controls and procedures, pursuant to Rule 13(a)-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Annual Report. Based upon that evaluation, our current Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective in providing reasonable assurance that material information is made known to management and that financial and non-financial information is properly recorded, processed, summarized and reported due to the material weakness identified in the control environment discussed below in "—Management's Annual Report on Internal Control Over Financial Reporting."

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. However, through the same design and evaluation period of the disclosure controls and procedures, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, recognized that there are inherent limitations to the effectiveness of any control system regardless of how well designed and

operated. In such a way they can provide only reasonable assurance of achieving the desired control objectives, and no evaluation can provide absolute assurance that all control issues or instances of fraud, if any, within the Company have been detected.

***(b) Management's Annual Report on Internal Control Over Financial Reporting***

SQM management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not necessarily prevent or detect some misstatements. It can only provide reasonable assurance regarding financial statement preparation and presentation. Also, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate over time.

Management assessed the effectiveness of its internal control over financial reporting as of December 31, 2014. The assessment was based on criteria established in the framework "Internal Controls — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, SQM management has concluded that as of December 31, 2014, the Company's internal control over financial reporting was not effective as a result of a material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In SQM management's assessment, the Company did not maintain effective controls over payments directed by the office of the former Chief Executive Officer. This deficiency resulted in adjustments to the consolidated financial statements for the year ended December 31, 2014. Additionally, this deficiency could result in misstatements that would result in a material misstatement of the consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

***(c) Remediation Plans***

We reviewed the results of management's assessment, including the identification of the material weakness described above, with the Audit Committee of our Board of Directors.

In an effort to remediate the identified material weakness and enhance our internal controls, management has initiated, or is planning to initiate, the following series of measures:

A review of the processes, procedures and controls over payments from the budget of the office of the Chief Executive Officer; to ensure greater oversight and transparency;

Modifications of the processes, procedures and controls over payments from the budget of the office of the Chief Executive Officer to ensure greater oversight and transparency;

Investment in improved education and training relating to the control environment generally and the modified processes described above once implemented

***(d) Attestation Report of the Registered Public Accounting Firm***

PriceWaterhouseCoopers Consultores, Auditores y Compañía Limitada ("PWC"), the independent registered public accounting firm that has audited our Consolidated Financial Statements, has also issued an attestation report on the Company's internal control over financial reporting as of December 31, 2014. This attestation report appears on pages F-1 and F-2 under Item 18 Financial Statements.



*(e) Changes in Internal Control over Financial Reporting*

There were no changes in the Company's internal control over financial reporting that occurred during 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16. [Reserved]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that the Company does not have an audit committee financial expert within the meaning of the regulations adopted under the Sarbanes-Oxley Act of 2002.

Pursuant to Chilean regulations, the Company has a Directors' Committee whose main duties are similar to those of an audit committee. Each of the members of the Directors' Committee is a member of the audit committee. See "Item 6.C. Board Practices."

Our Board believes that the members of the Directors' Committee have the necessary expertise and experience to perform the functions of the Directors' Committee pursuant to Chilean regulations.

#### ITEM 16B. CODE OF ETHICS

We have adopted a Code of Business Conduct that applies to the Chief Executive Officer, the Chief Financial Officer, the Internal Auditor as well as all our officers and employees. Our Code adheres to the definition set forth in Item 16B. of Form 20-F under the Exchange Act.

No waivers have been granted therefrom to the officers mentioned above.

The full text of the code is available on our website at <http://www.sqm.com> in the Investor Relations section under "Corporate Governance."

Amendments to, or waivers from one or more provisions of the code will be disclosed on our website.

#### ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The table shows the amount of fees billed for each of the last two fiscal years by our independent auditors, PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada ("PwC") for the 2014 and 2013 fiscal year, in relation to audit services, audit-related services, tax and other services provided to us (in thousands of U.S. dollars).

	2014	2013
Audit fees	1,327	1,458
Audit-related fees	-	-
Tax fees	146	445
Other fees	223	78
Total fees	1,696	1,981

Audit fees in the above table are the aggregate fees billed by PwC in 2014 and 2013, in connection with the audit of our annual Consolidated Financial Statements, as well as the review of other statutory filings.

Audit-related fees in the above table are fees billed by PwC in 2014 and 2013 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees.”

Total fees in the above table are fees billed by PwC of US\$1.70 million in 2014 and US\$1.98 million in 2013.

#### Directors’ Committee Pre-Approval Policies and Procedures

Chilean law states that public companies are subject to “pre-approval” requirements under which all audit and non-audit services provided by the independent auditor must be pre-approved by the Directors’ Committee. Our Directors’ Committee approves all audits, audit-related, tax and other services provided by our auditors.

Any services provided by our auditors that are not specifically included within the scope of the audit must be pre-approved by the Directors’ Committee prior to any engagement.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

For a summary of the significant differences between our corporate governance practices and the NYSE corporate governance standards, see "Item 6.C. Board Practices."

ITEM 16H. MINE SAFETY AND DISCLOSURE

Not applicable.

### PART III

#### ITEM 17. FINANCIAL STATEMENTS

See “Item 18. Financial Statements.”

#### ITEM 18. FINANCIAL STATEMENTS

For a list of all financial statements filed as part of this Form 20-F Annual Report, see “Item 19. Exhibits.”

#### ITEM 19. EXHIBITS

##### (a) Index to Financial Statements

<u>Reports of Independent Registered Public Accounting Firms</u>	F-1
<b><u>Consolidated Financial Statements:</u></b>	
<u>Audited Consolidated Statements of Financial Position as of December 31, 2014 and 2013</u>	F-3
<u>Audited Consolidated Statements of Income for each of the three years in the period ended December 31, 2014</u>	F-5
<u>Audited Consolidated Statement of Comprehensive Income for the three years in the period ended December 31, 2014</u>	F-7
<u>Audited Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2014</u>	F-8
<u>Audited Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2014</u>	F-10
<u>Notes to the Audited Consolidated Financial Statements</u>	F-13
Supplementary Schedules*	

\*All other schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

(b) Exhibits

<b>Exhibit No.</b>	<b>Exhibit</b>
1.1	By-laws (Estatutos) of the Company**
8.1	Significant subsidiaries of the Company
12.1	Section 302 Chief Executive Officer Certification
12.2	Section 302 Chief Financial Officer Certification
13.1	Section 906 Chief Executive Officer Certification
13.2	Section 906 Chief Financial Officer Certification
23.1	Consent of Marta Aguilera
23.2	Consent of Orlando Rojas
23.3	Consent of Álvaro Henríquez
99.1	Certificate of qualified competency issued by Chilean Mining Commission
99.2	Certificate of qualified competency issued by Chilean Mining Commission
99.3	Certificate of qualified competency issued by Chilean Mining Commission

\*\*Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2010 filed with the Securities and Exchange Commission on June 30, 2011.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**

**(CHEMICAL AND MINING COMPANY OF CHILE INC.)**

**/s/ Ricardo Ramos**

**Ricardo Ramos R.**

**Chief Financial Officer and**

**Business Development Senior Vice President**

Date: May 18, 2015

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A. AND SUBSIDIARIES**

Index to Consolidated Financial Statements

**Contents**

<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Financial Statements</u>	F-3
<u>Audited Consolidated Statements of Financial Position as of December 31, 2014 and 2013</u>	F-3
<u>Audited Consolidated Statements of Income for each of the three years in the period ended December 31, 2014</u>	F-5
<u>Audited Consolidated Statement of Other Comprehensive Income for each of the three years in the period ended December 31, 2014</u>	F-7
<u>Audited Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2014</u>	F-8
<u>Audited Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2014</u>	F-10
<u>Notes to the Audited Consolidated Financial Statements</u>	F-13

Ch\$ - Chilean pesos

ThCh\$ - Thousands of Chilean pesos

US\$ - United States dollars

ThUS\$ - Thousands of United States dollars

UF - The UF is an inflation-indexed, Chilean peso-denominated monetary unit. The UF rate is set daily in advance, based on the change in the Consumer Price Index of the previous month



## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

Sociedad Química y Minera de Chile S.A.

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income, other comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Sociedad Química y Minera de Chile S.A. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting relating to ineffective controls over payments directed by the office of the former Chief Executive Officer. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Annual Report on Internal Control over Financial Reporting appearing under item 15 of the 2014 Annual Report on Form 20F. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the December 31, 2014 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Report of Independent Registered Public Accounting Firm

Sociedad Química y Minera de Chile S.A.

2

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers

Santiago, Chile

May 18, 2015

F-2

**Sociedad Química y Minera de Chile S.A. and Subsidiaries****Consolidated Statements of Financial Position**

<b>Assets</b>	Note	As of December 31, 2014 <b>ThUS\$</b>	As of December 31, 2013 <b>ThUS\$</b>
<b>Current assets</b>			
Cash and cash equivalents	7.1	354,566	476,622
Other current financial assets	10.1	670,602	460,173
Other current non-financial assets	25	43,736	44,230
Trade and other receivables, current	10.2	340,830	330,992
Trade receivables due from related parties, current	9.5	134,506	128,026
Current inventories	8	919,603	955,530
Current tax assets	28.1	47,975	59,476
<b>Total current assets</b>		<b>2,511,818</b>	<b>2,455,049</b>
<b>Non-current assets</b>			
Other non-current financial assets	10.1	427	95
Other non-current non-financial assets	25	32,171	36,505
Trade receivables, non-current	10.2	2,044	1,282
Investments in associates	11.1	49,723	51,075
Investments in joint ventures	12.3	26,055	25,943
Intangible assets other than goodwill	13.1	114,735	104,363
Goodwill	13.1	38,388	38,388
Property, plant and equipment	14.1	1,887,954	2,054,377
Deferred tax assets	28.4	340	531
<b>Total non-current assets</b>		<b>2,151,837</b>	<b>2,312,559</b>
<b>Total assets</b>		<b>4,663,655</b>	<b>4,767,608</b>

The accompanying notes form an integral part of these consolidated financial statements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-3

**Sociedad Química y Minera de Chile S.A. and Subsidiaries****Consolidated Statements of Financial Position (continued)**

<b>Liabilities and Equity</b>	Note	As of December 31, 2014 <b>ThUS\$</b>	As of December 31, 2013 <b>ThUS\$</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other current financial liabilities	10.4	213,172	401,426
Trade and other payables, current	10.5	145,160	150,960
Trade payables due to related parties, current	9.6	231	-
Other current provisions	18.1	27,747	17,953
Current tax liabilities	28.2	36,171	31,707
Provisions for employee benefits, current	15.1	18,384	25,236
Other current non-financial liabilities	18.3	90,010	95,353
<b>Total current liabilities</b>		<b>530,875</b>	<b>722,635</b>
<b>Non-current liabilities</b>			
Other non-current financial liabilities	10.4	1,574,225	1,417,390
Other non-current provisions	18.1	8,890	8,633
Deferred tax liabilities	28.4	223,349	154,295
Provisions for employee benefits, non-current	15.1	33,801	32,414
<b>Total non-current liabilities</b>		<b>1,840,265</b>	<b>1,612,732</b>
<b>Total liabilities</b>		<b>2,371,140</b>	<b>2,335,367</b>
<b>Equity</b>			
	17		
Share capital		477,386	477,386
Retained earnings		1,768,424	1,909,725
Other reserves		(13,162	) (10,491 )
<b>Equity attributable to owners of the Parent</b>		<b>2,232,648</b>	<b>2,376,620</b>
Non-controlling interests		59,867	55,621
<b>Total equity</b>		<b>2,292,515</b>	<b>2,432,241</b>
<b>Total liabilities and equity</b>		<b>4,663,655</b>	<b>4,767,608</b>

The accompanying notes form an integral part of these consolidated financial statements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-4

**Sociedad Química y Minera de Chile S.A. and Subsidiaries****Consolidated Statements of Income**

		January to December		
	Note	2014	2013	2012
		ThUS\$	ThUS\$	ThUS\$
Revenue	20	2,014,214	2,203,140	2,429,160
Cost of sales	27.2	(1,431,242)	(1,481,690)	(1,400,567)
Gross profit		582,972	721,450	1,028,593
Other income	27.3	24,055	96,716	12,702
Administrative expenses	27.4	(96,532 )	(105,189 )	(106,442 )
Other expenses by function	27.5	(64,295 )	(49,397 )	(34,628 )
Other gains (losses)	27.6	4,424	(11,391 )	683
<b>Profit (loss) from operating activities</b>		<b>450,624</b>	<b>652,189</b>	<b>900,908</b>
Finance income		16,142	12,696	29,068
Finance costs	22	(63,373 )	(58,608 )	(54,095 )
Share of profit of associates and joint ventures accounted for using the equity method		18,116	18,786	24,357
Foreign exchange losses net	23	(16,545 )	(11,954 )	(26,787 )
<b>Profit (loss) before taxes</b>		<b>404,964</b>	<b>613,109</b>	<b>873,451</b>
Income tax expense	28.4	(160,686 )	(138,539 )	(216,082 )
Profit (loss)		244,278	474,570	657,369
Profit for the year		244,278	474,570	657,369
Profit attributable to Owners of the Parent		236,889	467,113	649,167
Non-controlling interests		7,389	7,457	8,202
<b>Profit for the year</b>		<b>244,278</b>	<b>474,570</b>	<b>657,369</b>

The accompanying notes form an integral part of these consolidated financial statements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-5



**Sociedad Química y Minera de Chile S.A. and Subsidiaries**

**Consolidated Statements of Income (continued)**

		January to December		
	Note	2014	2013	2012
		US\$	US\$	US\$
Earnings per share				
Common shares				
Basic earnings per share (US\$ per share)	21	0.90	1.77	2.47
Diluted common shares				
Diluted earnings per share (US\$ per share)	21	0.90	1.77	2.47

The accompanying notes form an integral part of these consolidated financial statements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-6

**Sociedad Química y Minera de Chile S.A. and Subsidiaries****Consolidated Statements of Other Comprehensive Income**

	January to December		
	2014	2013	2012
	ThUS\$	ThUS\$	ThUS\$
Consolidated Statements of comprehensive income			
Profit for the year	244,278	474,570	657,369
Components of other comprehensive income:			
Items that will not to be reclassified to profit or loss			
Actuarial gains/losses from defined benefit plans	(672 )	1,012	711
Items that may be subsequently reclassified to profit or loss			
Gain (loss) from foreign currency translation differences	(4,016 )	(3,559 )	982
Cash flow hedges	2,196	15,779	(7,872 )
Other comprehensive income before taxes	(2,492 )	13,231	(6,179 )
Income taxes associated with cash flow hedges in other comprehensive income	(311 )	(3,023 )	1,580
Other comprehensive income	(2,803 )	10,209	(4,599 )
Total comprehensive income	241,475	484,779	652,770
Comprehensive income attributable to			
Owners of the Parent	234,218	477,394	644,507
Non-controlling interests	7,257	7,385	8,263
Total comprehensive income	241,475	484,779	652,770

The accompanying notes form an integral part of these consolidated financial statements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-7

**Sociedad Química y Minera de Chile S.A. and Subsidiaries****Consolidated Statements of Cash Flows**

Consolidated statements of cash flows	January to December		
	Note 2014 ThUS\$	2013 ThUS\$	2012 ThUS\$
Cash flows from (used in) operating activities			
<b>Types of receipts from operating activities</b>			
Cash receipts from sales of goods and rendering of services	1,944,072	2,392,696	2,387,979
<b>Types of payments</b>			
Cash payments to suppliers for the provision of goods and services	(1,179,413)	(1,496,053)	(1,447,970)
Cash payments to and on behalf of employees	(42,218 )	(48,033 )	(44,429 )
Other payments related to operating activities	(9,770 )	(24,774 )	(8,396 )
Dividends received	11,817	16,423	15,126
Interest paid	(83,592 )	(87,018 )	(59,509 )
Interest received	16,142	12,696	24,368
Reimbursed (paid) income taxes	(76,810 )	(119,107 )	(250,201 )
Other incomes (outflows) of cash	10,816	4,883	33,238
Net cash generated from (used in) operating activities	591,044	651,713	650,206
Cash flows from (used in) investing activities			
Cash receipts from the loss of control of subsidiaries and other businesses	5,000	-	961
Other cash payments made to acquire interest in joint ventures	-	(69 )	(197 )
Income from non-attendance capital increase	4,223	-	-
Proceeds from the sale of property, plant and equipment	156	216	2,050
Proceeds from sales of intangible assets	15,431	86,157	-
Acquisition of intangible assets	-	-	-
Acquisition of property, plant and equipment	(112,143 )	(386,495 )	(449,984 )
Cash advances and loans granted to third parties	(2,470 )	528	(623 )
Other incomes (outflows) of cash (*)	(221,561 )	(187,722 )	(115,092 )
Net cash generated from (used in) investing activities	(311,364 )	(487,385 )	(562,885 )

(\* Includes other cash receipts (payments), investments and redemptions of time deposits and other financial instruments, which do not qualify as cash and cash equivalents in accordance with IAS 7.7 as they record a maturity date from their date of origin greater than 90 days.

The accompanying notes form an integral part of these consolidated financial statements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-8

**Sociedad Química y Minera de Chile S.A. and Subsidiaries****Consolidated Statements of Cash Flows (continued)**

	January to December			
	Note	2014	2013	2012
		ThUS\$	ThUS\$	ThUS\$
Cash flows from (used in) financing activities				
Proceeds from long-term borrowings		250,000	300,000	366,502
Proceeds from short-term borrowings		180,000	160,000	-
Total proceeds from borrowings		430,000	460,000	366,502
Repayment of borrowings		(230,000)	(176,485)	(220,000)
Dividends paid		(379,044)	(279,668)	(334,762)
Other cash receipts (payments) (*)		(208,991)	(6,132 )	(9,437 )
Net cash generated from (used in) financing activities		(388,035)	(2,285 )	(197,697)
Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate		(108,355)	162,043	(110,376)
Effects of exchange rate fluctuations on cash held		(13,701 )	(9,774 )	(10,263 )
Net (decrease) increase in cash and cash equivalents		(122,056)	152,269	(120,639)
Cash and cash equivalents at beginning of period		476,622	324,353	444,992
Cash and cash equivalents at end of period		354,566	476,622	324,353

(\*) It corresponds to the transfer by flow of bonds and cost by bond issuance.

The accompanying notes form an integral part of these consolidated financial statements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-9

## Sociedad Química y Minera de Chile S.A. and Subsidiaries

## Consolidated Statements of Changes in Equity

	Share capital	Other reserves				Total Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Controlling Total
2014		Foreign currency translation differences reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves					
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Equity at beginning of the year	477,386	(3,817)	(3,766)	(1,231)	(1,677)	(10,491)	1,909,725	2,376,620	55,621	2,432,241
Profit for the year	-	-	-	-	-	-	236,889	236,889	7,389	244,278
Other comprehensive income	-	(3,884)	1,885	(672)	-	(2,671)	-	(2,671)	(132)	(2,803)
Comprehensive income	-	(3,884)	1,885	(672)	-	(2,671)	236,889	234,218	7,257	241,475
Dividends	-	-	-	-	-	-	(378,190)	(378,190)	(5,280)	(383,470)
Increase (decrease) due to changes in interests in subsidiaries	-	-	-	-	-	-	-	-	2,269	2,269
Increase (decrease) in equity	-	(3,884)	1,885	(672)	-	(2,671)	(141,301)	(143,972)	4,246	(139,726)
Equity as of December 31, 2014	477,386	(7,701)	(1,881)	(1,903)	(1,677)	(13,162)	1,768,724	2,232,648	59,867	2,292,515

The accompanying notes form an integral part of these consolidated financial statements.



**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-10

## Sociedad Química y Minera de Chile S.A. and Subsidiaries

## Consolidated Statements of Changes in Equity

	Share capital	Other reserves			Total Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total	
		Foreign currency translation differences reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves					
2013	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Equity at beginning of the year	477,386	(330 )	(16,522)	(2,243)	(1,677)	(20,772)	1,676,169	2,132,783	54,663	2,187,446
Profit for the year)	-	-	-	-	-	-	467,113	467,113	7,457	474,570
Other comprehensive income	-	(3,487)	12,756	1,012	-	10,281	-	10,281	(72 )	10,209
Comprehensive income	-	(3,487)	12,756	1,012	-	10,281	467,113	477,394	7,385	484,779
Dividends	-	-	-	-	-	-	(233,557 )	(233,557 )	(6,427 )	(239,984 )
Increase (decrease) in equity	-	(3,487)	12,756	1,012	-	10,281	233,556	243,837	958	244,795
Equity as of December 31, 2013	477,386	(3,817)	(3,766 )	(1,231)	(1,677)	(10,491)	1,909,725	2,376,620	55,621	2,432,241

The accompanying notes form an integral part of these consolidated financial statements.

SQM S.A.

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-11

## Sociedad Química y Minera de Chile S.A. and Subsidiaries

## Consolidated Statements of Changes in Equity

	Share capital	Other reserves			Total Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total	
2012		Foreign currency translation differences reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves					
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Equity at beginning of the year	477,386	(1,251)	(10,230)	(2,954)	(1,677)	(16,112)	1,351,560	1,812,834	51,546	1,864,380
Profit for the year)	-	-	-	-	-	-	649,167	649,167	8,202	657,369
Other comprehensive income	-	921	(6,292)	711	-	(4,660)	-	(4,660)	61	(4,599)
Comprehensive income	-	921	(6,292)	711	-	(4,660)	649,167	644,507	8,263	652,770
Dividends	-	-	-	-	-	-	(324,558)	(324,558)	(5,146)	(329,704)
Increase (decrease) in equity	-	921	(6,292)	711	-	(4,660)	324,609	319,949	3,117	323,066
Equity as of December 31, 2013	477,386	(330)	(16,522)	(2,243)	(1,677)	(20,772)	1,676,169	2,132,783	54,663	2,187,446

The accompanying notes form an integral part of these consolidated financial statements.

SQM S.A.

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-12

Notes to the Consolidated Financial Statements as of December 31, 2014

## Note 1 Identification and activities of the Company and Subsidiaries

### 1.1 Historical background

Sociedad Química y Minera de Chile S.A. "SQM" is an open stock corporation organized under the laws of the Republic of Chile, Tax Identification No. 93.007.000-9.

The Company was incorporated through a public deed dated June 17, 1968 by the notary public of Santiago Mr. Sergio Rodríguez Garcés. Its existence was approved by Decree No. 1,164 of June 22, 1968 of the Ministry of Finance, and it was registered on June 29, 1968 in the Registry of Commerce of Santiago, on page 4,537 No. 1,992. SQM's headquarters are located at El Trovador 4285, Fl. 6, Las Condes, Santiago, Chile. The Company's telephone number is +56 2 2425-2000.

The Company is registered with the Securities Registry of the Chilean Superintendence of Securities and Insurance (*Superintendencia de Valores y Seguros* or "SVS") under No. 0184 dated March 18, 1983 and is subject to the inspection of the SVS.

### 1.2 Main domicile where the Company performs its production activities

The Company's main domiciles are: Calle Dos Sur plot No. 5 - Antofagasta; Arturo Prat 1060 - Tocopilla; Administración Building w/n - Maria Elena; Administración Building w/n Pedro de Valdivia - María Elena, Anibal Pinto 3228 - Antofagasta, Kilometer 1378 Ruta 5 Norte Highway - Antofagasta, Coya Sur Plant w/n - Maria Elena, kilometer 1760 Ruta 5 Norte Highway - Pozo Almonte, Salar de Atacama, potassium chloride plant s/n - San Pedro de Atacama, potassium sulfate plant at Salar de Atacama s/n – San Pedro de Atacama, mining works at Salar de Ascotán Region II of Chile, Minsal Mining Camp s/n CL Plant CL, Potassium– San Pedro de Atacama.

### 1.3 Codes of main activities

The codes of the main activities as established by the Chilean Superintendence of Securities and Insurance are as follows:

-1700 (Mining)

-2200 (Chemical products)

-1300 (Investment)

#### 1.4 Description of the nature of operations and main activities

Our products are mainly derived from mineral deposits found in northern Chile. We mine and process caliche ore and brine deposits. The caliche ore in northern Chile contains the only known nitrate and iodine deposits in the world and is the world's largest commercially exploited source of natural nitrates. The brine deposits of the Salar de Atacama, a salt-encrusted depression within the Atacama Desert in northern Chile, contain high concentrations of lithium and potassium as well as significant concentrations of sulfate and boron.

#### **SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-13

Notes to the Consolidated Financial Statements as of December 31, 2014

## **Note 1 Identification and Activities of the Company and Subsidiaries (continued)**

### **1.4 Description of the nature of operations and main activities, continued**

From our caliche ore deposits located in the north of Chile, we produce a wide range of nitrate-based products used for specialty plant nutrients and industrial applications, as well as iodine and iodine derivatives. At the Salar de Atacama, we extract brines rich in potassium, lithium, sulfate and boron in order to produce potassium chloride, potassium sulfate, lithium solutions, boric acid and bischofite (magnesium chloride). We produce lithium carbonate and lithium hydroxide at our plant near the city of Antofagasta, Chile, from the solutions brought from the Salar de Atacama. We market all of these products through an established worldwide distribution network.

We sell our products in over 100 countries worldwide through our global distribution network and generate our revenue mainly from abroad.

Our products are divided into six categories: specialty plant nutrition, iodine and its derivatives, lithium and its derivatives, industrial chemicals, potassium and other products and services, described as follows:

**Specialty plant nutrition:** SQM produces and sells four types of specialty plant nutrition in this line of business: potassium nitrate, sodium nitrate, sodium potassium nitrate, and specialty blends. This business is characterized by being closely related to its customers for which it has specialized staff who provide expert advisory in best practices for fertilization according to each type of crop, soil and climate. Within this type of business, potassium derivative products and especially potassium nitrate have had a leading role given the contribution they make to develop crops, thereby ensuring longer post-harvest crop duration, in addition to improving fruit quality, flavor and color. Potassium nitrate, which is sold in multiple formats and as a part of other specialty blends, is complemented by sodium nitrate, potassium sodium nitrate, and more than 200 fertilizer blends.

**Iodine:** The Company is a major producer of iodine at worldwide level. Iodine is widely used in the pharmaceutical industry, technology and nutrition. Additionally, iodine is used as X ray contrast media and polarizing film for LCD displays.

**Lithium:** the Company's lithium is mainly used for manufacturing rechargeable batteries for cell phones, cameras and notebooks. Through the manufacturing of lithium-based products, SQM provides significant materials to face great challenges such as the efficient use of energy and raw materials. Lithium is not only used for rechargeable batteries



and in new technologies for vehicles propelled by electricity, but is also used in industrial applications to lower melting temperature and to help saving costs and energy.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-14

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 1 Identification and Activities of the Company and Subsidiaries (continued)**

**1.4 Description of the nature of operations and main activities, continued**

**Industrial Chemicals:** Industrial chemicals are products used as supplies for a number of production processes. SQM has operated in this market for more than 30 years producing sodium nitrate, potassium nitrate, boric acid and potassium chloride. Industrial nitrates have increased their importance over the last few years due to their use as storage means for thermal energy at solar energy plants, which are widely used in countries such as Spain and the United States, which seek to decrease their CO<sub>2</sub> emissions.

**Potassium:** Potassium is one of the three macronutrients that a plant needs to develop. Although potassium does not form part of a plant's structure, it is essential to the development of its basic functions, validating the quality of a crop, increasing post-crop life, improving the crop's flavor, vitamin content and physical appearance. Within this business line, SQM sells potassium chloride and potassium sulfate, both extracted from the Salar de Atacama.

**Other products and services:** This business line includes revenue from commodities, services, interests, royalties and dividends.

**1.5 Other background**

**Staff**

As of December 31, 2014 and December 31, 2013, staff was detailed as follows:

	12/31/2014	<u>12/31/2013</u>
Permanent staff	4,800	4,792

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-15

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 1 Identification and Activities of the Company and subsidiaries (continued)****1.5 Other background, continued****Main shareholders**

The table below establishes certain information about the beneficial property of Series A and Series B shares of SQM as of December 31, 2014 and December 31, 2013. In respect to each shareholder which has interest of more than 5% of outstanding Series A or B shares. The information below is taken from our records and reports controlled in the Central Securities Depository and reported to the SVS and the Chilean Stock Exchange, whose main shareholders are as follows:

Shareholder as of December 31, 2014	No. of Series A shares owned	% of Series A shares	No. of Series B shares owned	% of Series B shares	% of total shares
The Bank of New York Mellon, ADRs	-	-	61,894,725	51.42	% 23,52 %
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,803,531	31.37 %	7,007,688	5.82	% 19,69 %
Inversiones El Boldo Limitada	29,330,326	20.54 %	17,963,546	14.92	% 17,97 %
Inversiones RAC Chile Limitada	19,200,242	13.44 %	2,202,773	1.83	% 8,13 %
Potasios de Chile S.A.(*)	18,179,147	12.73 %	-	-	6,91 %
Inversiones PCS Chile Limitada	15,526,000	10.87 %	-	-	5,90 %
Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16 %	-	-	3,34 %
Banco de Chile on behalf of non-resident third parties	-	-	5,795,818	4.81	% 2,20 %
Banco Itau on behalf of investors	20,950	0.01 %	5,412,076	4.50	% 2,06 %
Inversiones La Esperanza Limitada	3,711,598	2.60 %	-	-	1,41 %

**(\* Total Pampa Group 29.94%**

Shareholder as of December 31, 2013	No. of Series A shares owned	% of Series A shares	No. of Series B shares owned	% of Series B shares	% of total shares
The Bank of New York Mellon, ADRs	-	-	56,302,367	46.77	% 21.39 %
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,758,830	31.34 %	6,971,799	5.79	% 19.65 %
Inversiones El Boldo Limitada	29,225,196	20.46 %	18,028,676	14.98	% 17.95 %
Inversiones RAC Chile Limitada	19,200,242	13.44 %	2,202,773	1.83	% 8.13 %
Potasios de Chile S.A.(*)	18,179,147	12.73 %	-	-	6.91 %
BTG Pactual Chile S.A. C de B	15,593,709	10.92 %	797,393	0.66	% 6.23 %

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16	%	-	-	3.34	%
Banco Itau on behalf of investors	20,950	0.01	%	5,428,234	4.51	%	2.07 %
Banco de Chile on behalf of non-resident third parties	-	-		5,234,823	4.35	%	1.99 %
Inversiones La Esperanza Limitada	3,693,977	2.59	%	-	-	1.40	%

**(\*) Total Pampa Group 29.90 %**

On December 31, 2014 the total number of shareholders was 1,285.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-16

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 2 Basis of presentation for the consolidated financial statements

2.1 Accounting period

These consolidated financial statements cover the following periods:

- Consolidated Statements of Financial Position as of December 31, 2014 and 2013.
- Consolidated Statements of Changes in Equity for the years ended December 31, 2014 and 2013.
- Consolidated Statements of Comprehensive Income for the years ended December 31, 2014 and 2013.
- Consolidated Statements of Cash Flows for the years ended December 31, 2014 and 2013.

2.2 Financial statements

The consolidated financial statements of Sociedad Química y Minera de Chile S.A. and Subsidiaries, have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") and represent the full, explicit and unreserved application of the aforementioned international standards issued by the International Accounting Standards Board (IASB).

These consolidated financial statements reflect fairly the Company's equity and financial position and the results of its operations, changes in the statement of recognized revenue and expenses and cash flows, which have occurred during the periods then ended.

IFRS establish certain alternatives for their application. Those applied by the Company and its subsidiaries are included in detail in this Note.

The accounting policies used in the preparation of these consolidated annual and interim accounts comply with each IFRS in force at their date of presentation. Certain reclassifications have been made for comparative purposes.

The consolidated financial statements of SQM S.A. are for the year ended December 31, 2014, and have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) incorporated therein and with the interpretations issued by the International

Financial Reporting Standards Interpretations Committee (IFRIC).

As explained in note 28.4, on September 29, 2014 Law No. 20,780 was issued, which introduces modifications to the income tax system in Chile and other tax matters. On October 17, 2014 the SVS issued Circular No. 856, which established that the effects of the change in the income tax rates on deferred tax assets and liabilities must be recognized directly within “Retained earnings” instead of the income statement as required by IAS 12.

In order to comply with IAS 12, these financial statements are different to those presented to the SVS as the aforementioned effect has been recognized within the income statement.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-17

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 Basis of presentation for the consolidated financial statements (continued)**

**2.2 Financial statements, continued**

In addition to the adjustment related to IAS 12, net income for the period ended December 31, 2014 includes provisions of approximately US\$7 million corresponding to payments made in 2015 to the Chilean Internal Revenue Service (*Servicio de Impuestos Internos* or “SII”) for expenses that may not have qualified as tax expenses under the Chilean tax code. See Note 31.2. Such payments were made after March 3, 2015, the date on which the Company filed its statutory consolidated financial statements filed with the SVS. Therefore, this provision was not reflected in these statutory consolidated financial statements.

A reconciliation of such differences is presented as follows:

As of December 31, 2014

Equity	Consolidated Financial Statements for SVS Th US\$	Consolidated Financial Statements for SEC Th US\$	Difference Th US\$
Parent’s ownership	2,239,836	2,232,648	(7,188 )
Share capital	477,386	477,386	-
Other reserves	(13,162 )	(13,162 )	-
Retained earnings	1,775,612	1,768,424	(7,188 )
Retained earning for the last period	1,479,231	1,531,535	52,304
Net Income (loss) for the period	296,381	236,889	(59,492 )
Total retained earnings	1,775,612	1,768,424	(7,188 )
Non- controlling	59,867	59,867	-
Retained earnings			-
Retained earning for the last period	55,621	55,621	-
Net Income (loss) for the period	7,389	7,389	-
Other comprehensive income	(132 )	(132 )	-
Dividends	(5,280 )	(5,280 )	-
Increase (decrease) due to changes in interests in subsidiaries	2,269	2,269	-
Total retained earnings	59,867	59,867	-
Total Equity	2,299,703	2,292,515	(7,188 )



Dividends paid and the mandatory minimum dividend provision were determined in accordance with the standards set by the SVS.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-18

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 Basis of presentation for the consolidated financial statements (continued)**

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items:

- Inventories are recorded at the lower of cost and net realizable value.
- Other current and non-current asset and financial liabilities at amortized cost.
- Financial derivatives at fair value; and
- Staff severance indemnities and pension commitments at actuarial value.

2.4 Accounting pronouncements

**New accounting pronouncements**

a) The following standards, interpretations and amendments are mandatory for the first time for annual periods beginning on January 1, 2014:

**Standards and interpretations**

**Mandatory for annual periods beginning on**

*IFRIC 21 "Levies"* - Issued in May 2013. Indicates the accounting treatment for a liability to pay a levy if such levy falls within the scope of IAS 37. It proposes that the liability be recognized when the obligation triggering event occurs and payment cannot be avoided. The obligation triggering event will be established in the related legislation and may occur at a given date or gradually over time. Early adoption is permitted. 01/01/2014

**Amendments**

**Mandatory for annual periods beginning on**

Amendment to IAS 32 “Financial Instruments: Presentation”- On the offsetting of financial assets and financial liabilities. Issued in December 2011. It clarifies the requirements for the offsetting of financial assets and financial liabilities in the Statement of financial position. Early adoption is permitted. 01/01/2014

Amendment to IAS 27 “Separate Financial Statements”, IFRS 10 “Consolidated Financial Statements” and IFRS 12 “Disclosure of Interests in Other Entities”-Issued in October 2012. The amendments include the definition of an investment entity and provide an exception for the consolidation of certain subsidiaries of entities meeting the definition for an “investment entity”. The amendments also introduce new disclosure requirements relative to investment entities in IFRS 12 and IAS 27. 01/01/2014

Amendment to IAS 36 “Impairment of assets”- Issued in May 2013. It amends the disclosure of the recoverable amount of non-financial assets aligning them to the requirements of IFRS 13. Early adoption is permitted. 01/01/2014

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-19

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 Basis of presentation of the consolidated financial statements (continued)**

**2.4**

**Accounting pronouncements, continued**

<b>Amendments</b>	<b>Mandatory for annual periods beginning on</b>
-------------------	--------------------------------------------------

Amendment to IAS 39 “Financial Instruments: Recognition and Measurement” – on the novation of derivatives and hedge accounting – Published in June 2013. It establishes certain conditions that must be met for the novation of derivatives to allow the continuance of hedge accounting; this in order to avoid novations that are the result of laws and regulations affecting the financial statements. Early adoption is permitted. 01/01/2014

The adoption of the standards, amendments and interpretations described above have no significant impact on the Company’s consolidated financial statements.

b) New amendments, interpretations and amendments issued, not effective for 2014, which the Company has not adopted early are as follows:

<b>Standards and interpretations</b>	<b>Mandatory for annual periods beginning on</b>
--------------------------------------	--------------------------------------------------

IFRS 9 “Financial Instruments”- Published in July 2014. The IASB has issued the full version of IFRS 9, which supersedes the application guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and financial liabilities and an expected credit losses model that replaces the incurred loss impairment model used today. The final hedging part of IFRS 9 was issued in November 2013. Early adoption is permitted. 01/01/2018

IFRS 15 “Revenue from Contracts with Customers”-Published in May 2014. This standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. For such purposes, the basic principle is that an entity will recognize revenue representing the transfer of goods or services to customers in an amount that reflects the consideration that the entity expects to receive in exchange for such goods or services. The application of this standard will replace IAS 11 Construction Contracts and IAS 18 Revenue, as well as IFRIC 13 Customer Loyalty Programmes, IFRIC 01/01/2017

15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. Early application is permitted.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-20

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 - Basis of presentation for the consolidated financial statements (continued)**

**2.4 Accounting pronouncements, continued**

<b>Amendments and improvements</b>	<b>Mandatory for annual periods beginning on</b>
Amendment of IAS 19 “Employee Benefits” on defined benefit plans – Issued in November 2013. This amendment applies to employee or third party contributions in defined benefit plans. Amendments are intended to simplify the accounting for contributions that are independent of the number of years of service of employees; e.g., contributions by employees that are calculated in accordance with a fixed percentage of the employee’s salary.	01/07/2014
Amendment to IFRS 11 “Joint Arrangements” – on the acquisition of interest in a joint operation – Issued in May 2014. This amendment includes guidance relates to the method for accounting for an acquisition of an interest in a joint operation in which the activity constitutes a business, specifying the proper treatment for such acquisitions.	01/01/2016
Amendment to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” on depreciation and amortization – Issued in May 2014. The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate because revenue generated by such an activity in general reflects other factors other than the use of the economic benefits embedded in the asset. Likewise, the amendments clarify that a revenue-based amortization method is inappropriate to measure the use of the economic benefits embedded in the intangible asset.	01/01/2016
Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” on bearer plants – Issued in June 2014. These amendments modify the financial information for “bearer plants”, such as vineyards, rubber wood tree and oil palm. The amendments define the concept of “bearer plant” and establish that they should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. Early adoption is permitted.	01/01/2016
Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”- Issued in September 2014. This amendment addresses an inconsistency between the requirements of IFRS 10 and IAS 28 for the treatment of a sale or contribution of assets between an investor and its associate or joint venture. The main consequence of this amendment is the recognition of a full gain or loss when the transaction involves a business (whether or not in a subsidiary) and a partial gain or loss when the transaction involves assets that are not a business, even if such assets are in a subsidiary	01/01/2016

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-21

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 Basis of presentation of the consolidated financial statements (continued)**

**2.4 Accounting pronouncements, continued**

<b>Amendments and improvements</b>	<b>Mandatory for annual periods beginning on</b>
<p>Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Issued in December 2014. The amendment clarifies the application of the exception from consolidation for investment entities and its subsidiaries. The amendment to IFRS 10 clarifies on the exception on consolidation available for entities in group structures that include investment entities. The amendment to IAS 28 allows an entity that is not an investment entity, but has an interest in an associated or joint venture that is an investment entity, an option of accounting policy in the application of the equity method. The entity may opt for maintaining measurement at fair value applied by the associate or joint venture that is an investment entity or, consolidating at investment entity level (associate or joint venture). Early adoption is permitted.</p>	01/01/2016
<p>Amendment to IAS 1 “Presentation of Financial Statements”- Issued in December 2014. This amendment clarifies the application guidance of IAS 1 on materiality and aggregation, presentation of subtotals, structure of the financial statements and disclosure of accounting policies. The amendments are part of the IASB’s Initiative on Disclosures. Early adoption is permitted.</p>	01/01/2016
<p><b><i>Improvements to Information Financial Reporting Standards (2012)</i></b></p> <p><b>Issued in December 2013</b></p>	<b>Mandatory for annual periods beginning on</b>
<p>IFRS 2 “Share-based Payment” – It clarifies the definition of “vesting conditions and “market conditions” and defines separately “performance conditions” and “service conditions.” Such an amendment should be applied prospectively on share-based payment transactions whose grant date is July 1, 2014 or after. Early adoption is permitted.</p>	07/01/2014
<p>IFRS 3, "Business Combinations" – The standard is modified to clarify that the obligation to pay a contingent consideration that meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, "Financial Instruments: Presentation." The standard was additionally amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at its fair value at each reporting date recognizing changes in fair value in profit or loss. Consequently, there are also changes to IFRS 9, IAS 37 and IAS 39. The amendment is applicable prospectively for business combinations the acquisition date of which is July 1, 2014 or after. Early adoption is permitted provided that amendments to IFRS 9 and IAS 37 also issued as part of the 2012 improvements plan are also applied.</p>	



**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-22

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 Basis of presentation for the consolidated financial statements (continued)**

**2.4 Accounting pronouncements, continued**

***Improvements to International Financial Reporting Standards (2012)***  
**Issued in December 2013.**

**Mandatory for annual  
periods beginning on**

IFRS 8 "Operating Segments" – The standard is amended to include the requirement to disclose the judgments made by management in the aggregation of operating segments. The standard was additionally modified to require a reconciliation of assets of the segments to assets of an entity, when assets are reported by segment. Early adoption is permitted.

IFRS 13 "Fair Value Measurement" – IASB has modified the basis for conclusions of IFRS 13 to clarify that it did not intend to eliminate the ability to measure short-term receivables and payables at nominal amounts if the effect of not adjusting is not significant.

07/01/2014

IAS 16 "Property, Plant and Equipment" and IAS 38, "Intangible Assets" – Both standards are amended to clarify the treatment of the gross carrying amount and accumulated depreciation when an entity uses the revaluation model. Early adoption is permitted.

IAS 24 "Related party Disclosures" – The standard is modified to include, as related party, an entity that provides key management personnel services to the reporting entity of the Parent of the reporting entity ("the managing entity"). Early adoption is permitted.

***Improvements to International Financial Reporting Standards (2013)***

**Issued in December 2013**

**Mandatory for  
annual periods  
beginning on**

IFRS 1 "First-time Adoption of International Financial Reporting Standards" – It clarifies that 07/01/2014 when a new version of a standard is not yet mandatory but is available for early adoption, a first-time adopter of IFRS may opt to apply the older or new version of the standard, provided that the same standard is applied to all periods presented.

IFRS 3 “Business Combinations” – The standard is modified to clarify that IFRS 3 is not applicable to the accounting recognition of the formation of a new joint arrangement under IFRS 11. This amendment also clarifies that only the scope exemption is applied to the financial statements of the joint arrangement.

IFRS 13 “Fair Value Measurement” – It clarifies that the portfolio exception in IFRS 13, that allows an entity to measure the fair value of a group of financial assets and financial liabilities as at their net amount, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. An entity must apply the amendments prospectively from the start of the first annual period in which IFRS 13 is applied.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-23

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 Basis of presentation for the consolidated financial statements (continued)**

**2.4 Accounting pronouncements, continued**

***Improvements to International Financial Reporting Standards (2014)***

**Issued in September 2014**

**Mandatory for annual periods beginning on**

IFRS 7 "Financial Instruments: Disclosures-"This includes two amendments of IFRS 7. (1) Service contracts: If an entity transfers a financial asset to a third party in conditions that allow the transferor to derecognize the asset, IFRS 7 requires the disclosure of any type of continuing involvement that the entity may still have in the transferred assets. IFRS 7 provides guidance on what is understood as continuing involvement within this context. The amendment is prospective and can be applied retrospectively. This also affects IFRS 1 to provide the same option to the first-time adopters of IFRS. (2) Interim financial statements. The amendment clarifies that the additional disclosure required by amendments of IFRS 7 "Offsetting of financial assets and financial liabilities" is not specifically required for all interim periods unless required by IAS 34. Such amendment is retrospective.

01/01/2016

IAS 19 "Employee Benefits" – This amendment clarifies that in order to determine the discount rate for post-employment benefit obligations, the important aspect is the currency in which liabilities are denominated, not the country where they generate. The evaluation of whether a deep market exists for high-quality corporate bonds is based on corporate bonds in such currency, not in corporate bonds of a particular country. Likewise, where there is no deep market for high-quality corporate bonuses in such currency, government bonds in the related currency have to be used, Such amendment is retrospective but limited at the beginning of the first period presented.

The Company's management believes that the adoption of standards, amendments and interpretations described above are under evaluation and it is expected that they will not have a significant impact on the Consolidated Financial Statements of the Company.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-24

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 Basis of presentation for the consolidated financial statements (continued)**

## 2.5 Basis of consolidation

**(a) Subsidiaries**

Subsidiaries include all the entities over which Sociedad Química y Minera de Chile S.A. has control, defined as when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those variable returns through its power over the entity. Subsidiaries apply the same accounting policies of their Parent.

To account for acquisitions, the Company uses the acquisition method. Under this method the acquisition cost is the fair value of assets delivered, equity securities issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingencies assumed in a business combination are measured initially at fair value at the acquisition date. For each business combination, the Company will measure non-controlling interest of the acquire either at fair value or as proportional share of net identifiable assets of the acquiree.

**Companies included in consolidation:**

TAX ID No.	Foreign subsidiaries	Country of origin	Functional currency	Ownership interest	
				Direct	Indirect
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US\$	0.0000	100.0000
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US\$	0.0000	100.0000
Foreign	SQM North America Corp.	USA	US\$	40.0000	60.0000
Foreign	SQM Europe N.V.	Belgium	US\$	0.5800	99.4200
Foreign	Soquimich S.R.L. Argentina	Argentina	US\$	0.0000	100.0000
Foreign	Soquimich European Holding B.V.	Netherlands	US\$	0.0000	100.0000
Foreign	SQM Corporation N.V.	Dutch Antilles	US\$	0.0002	99.9998
Foreign	SQI Corporation N.V.	Dutch Antilles	US\$	0.0159	99.9841
Foreign	SQM Comercial De México S.A. de C.V.	Mexico	US\$	0.0013	99.9987
Foreign	North American Trading Company	USA	US\$	0.0000	100.0000
Foreign	Administración Y Servicios Santiago S.A. de C.V.	Mexico	US\$	0.0000	100.0000
Foreign	SQM Peru S.A.	Peru	US\$	0.9800	99.0200
Foreign	SQM Ecuador S.A.	Ecuador	US\$	0.0040	99.9960
Foreign	SQM Nitratos Mexico S.A. de C.V.	Mexico	US\$	0.0000	100.0000
Foreign	SQMC Holding Corporation L.L.P.	USA.	US\$	0.1000	99.9000

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Foreign	SQM Investment Corporation N.V.	Dutch Antilles	US\$	1.0000	99.0000
Foreign	SQM Brasil Limitada	Brazil	US\$	1.0900	98.9100
Foreign	SQM France S.A.	France	US\$	0.0000	100.0000
Foreign	SQM Japan Co. Ltd.	Japan	US\$	1.0000	99.0000
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	US\$	1.6700	98.3300
Foreign	SQM Oceania Pty Limited	Australia	US\$	0.0000	100.0000
Foreign	Rs Agro-Chemical Trading Corporation A.V.V.	Aruba	US\$	98.3333	1.6667
Foreign	SQM Indonesia S.A.	Indonesia	US\$	0.0000	80.0000
Foreign	SQM Virginia L.L.C.	USA	US\$	0.0000	100.0000
Foreign	SQM Italia SRL	Italy	US\$	0.0000	100.0000
Foreign	Comercial Caimán Internacional S.A.	Panama	US\$	0.0000	100.0000
Foreign	SQM Africa Pty.	South Africa	US\$	0.0000	100.0000
Foreign	SQM Lithium Specialties LLC	USA	US\$	0.0000	100.0000
Foreign	SQM Iberian S.A.	Spain	US\$	0.0000	100.0000
Foreign	SQM Agro India Pvt.Ltd.	India	US\$	0.0000	100.0000
Foreign	SQM Beijing Commercial Co. Ltd.	China	US\$	0.0000	100.0000
Foreign	SQM Thailand Limited	Thailand	US\$	0.0000	99.996

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-25

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 Basis of presentation for the consolidated financial statements (continued)****2.5 Basis of consolidation, continued**

TAX ID No.	Domestic subsidiaries	Country of origin	Functional currency	Ownership interest 12/31/2014	
				Direct	Indirect
96.801.610-5	Comercial Hydro S.A.	Chile	US\$	0.0000	60.6383
96.651.060-9	SQM Potasio S.A.	Chile	US\$	99.9999	0.0000
96.592.190-7	SQM Nitratos S.A.	Chile	US\$	99.9999	0.0001
96.592.180-K	Ajay SQM Chile S.A.	Chile	US\$	51.0000	0.0000
86.630.200-6	SQMC Internacional Ltda.	Chile	Ch\$	0.0000	60.6381
79.947.100-0	SQM Industrial S.A.	Chile	US\$	99.0470	0.9530
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Ch\$	1.0000	99.0000
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Ch\$	1.0000	99.0000
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US\$	0.0003	99.9997
79.768.170-9	Soquimich Comercial S.A.	Chile	US\$	0.0000	60.6383
79.626.800-K	SQM Salar S.A.	Chile	US\$	18.1800	81.8200
78.053.910-0	Proinsa Ltda.	Chile	Ch\$	0.0000	60.5800
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Ch\$	0.0000	100.0000
76.425.380-9	Exploraciones Mineras S.A.	Chile	US\$	0.2691	99.7309
76.064.419-6	Comercial Agrorama Ltda.	Chile	Ch\$	0.0000	42.4468
76.145.229-0	Agrorama S.A.	Chile	Ch\$	0.0000	60.6377
76.359.919-1	Orcoma Estudios SPA	Chile	US\$	51.0000	-
76.360.575-2	Orcoma SPA	Chile	US\$	100.0000	-

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-26



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 2 Basis of presentation for the consolidated financial statements (continued)**

**2.5 Basis of consolidation, continued**

Subsidiaries are consolidated using the line-by-line method, adding the items that represent assets, liabilities, revenues, and expenses of similar content, and eliminating those related to intragroup transactions.

Profit or loss of subsidiaries acquired or disposed of during the year are included in profit or loss accounts consolidated from the date control is transferred to the Group, or up to the effective date control is lost, as applicable.

Non-controlling interest represents the equity of a subsidiary not directly or indirectly attributable to the Parent.

**2.6 Significant accounting judgments, estimates and assumptions**

Management of Sociedad Química y Minera de Chile S.A. and its subsidiaries is responsible for the information contained in these consolidated financial statements, which expressly indicate that all the principles and criteria included in IFRSs, as issued by the International Accounting Standards Board (IASB), have been applied in full.

In preparing the consolidated financial statements of Sociedad Química y Minera de Chile S.A. and its subsidiaries, Management has made judgments and estimates to quantify certain assets, liabilities, revenues, expenses and commitments included therein. Basically, these estimates refer to:

- The useful lives of property, plant and equipment, and intangible assets and their residual value;
- Impairment losses of certain assets, including trade receivables;

- Assumptions used in calculating the actuarial amount of pension-related and severance indemnity payment benefit commitments;

- Provisions for commitments assumed with third parties and contingent liabilities;

Provisions on the basis of technical studies that cover the different variables affecting products in stock (density and moist, among others), and allowance for slow-moving spare-parts in stock;

- Future cost for closure of mining sites;
- The determination of the fair value of certain financial assets and derivative instruments;
- The determination and assignment of fair values in business combinations.

Despite the fact that these estimates have been made on the basis of the best information available on the date of preparation of these consolidated financial statements, certain events may occur in the future and oblige their amendment (upwards or downwards) over the next few years, which would be made prospectively, recognizing the effects of the change in estimates in the related future consolidated financial statements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-27

Notes to the Consolidated Financial Statements as of December 31, 2014

### **Note 3 Significant accounting policies**

#### **3.1 Classification of balances as current and non-current**

In the attached consolidated statement of financial position, balances are classified in consideration of their remaining recovery (maturity) dates; i.e., those maturing on a date equal to or lower than twelve months are classified as current and those with maturity dates exceeding the aforementioned period are classified as non-current.

The exception to the foregoing relates to deferred taxes, which are classified as non-current, regardless of the maturity they have.

#### **3.2 Functional and presentation currency**

The Company's consolidated financial statements are presented in United States dollars ("U.S. dollars" or "US\$"), which is the Company's functional and presentation currency and is the currency of the main economic environment in which it operates.

Consequently, the term foreign currency is defined as any currency other than the U.S. dollar.

The consolidated financial statements are presented in thousands of United States dollars without decimals.

#### **3.3 Foreign currency translation**

##### **(a) Domestic entities:**

Assets and liabilities denominated in Chilean pesos and other currencies other than the functional currency (U.S. dollar) as of December 31, 2014 and December 31, 2013 have been translated to U.S. dollars at the exchange rates prevailing at those dates. The corresponding Chilean pesos were converted at Ch\$606.75 per US\$1.00 as of December 31, 2014, and Ch\$524.61 per US\$1.00 as of December 31, 2013.

The values of the UF (a Chilean peso-denominated, inflation-indexed monetary unit) used to convert the UF-denominated assets and liabilities as of December 31, 2014 amounted to Ch\$24,627.1 (US\$40.59), and as of December 31, 2013 amounted to Ch\$23,309.56 (US\$44.43).

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-28

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.3 Foreign currency translation, continued**

**(b) Foreign entities:**

The conversion of the financial statements of foreign companies with functional currency other than U.S. dollars is performed as follows:

- Assets and liabilities using the exchange rate prevailing on the closing date of the consolidated financial statements.
- Statement of income account items using the average exchange rate for the year.
- Equity accounts are stated at the historical exchange rate prevailing at the acquisition date.

Foreign currency translation differences which arise from the conversion of financial statements are recorded in the account "Foreign currency translation differences," within equity.

The exchange rates used to translate the monetary assets and liabilities expressed in foreign currency at the closing date of each period in respect to the U.S. dollar are detailed as follows:

	12/31/2014	12/31/2013
	US\$	US\$
Brazilian real	2.65	2.34
New Peruvian sol	2.97	2.75
Argentine peso	8.45	6.48
Japanese yen	120.55	105.39
Euro	0.82	0.73
Mexican peso	14.74	13.07
Australian dollar	0.82	1.12
Pound Sterling	0.64	0.61
South African rand	11.55	10.56

Ecuadorian dollar	1.00	1.00
Chilean peso	606.75	524.61
UF	40.59	44.43

**(c) Transactions and balances**

Non-monetary transactions in currencies other than the functional currency (U.S. dollar) foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. All differences are recorded in the statement of income except for all monetary items that provide effective hedge for a net investment in a foreign operation. These items are recognized in other comprehensive income on the disposal of the investment; at the time they are recognized in the statement of income. Charges and credits attributable to foreign currency translation differences on those hedge monetary items are also recognized in other comprehensive income.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-29

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.3 Foreign currency translation, continued**

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are retranslated to the functional currency at the historical exchange rate of the transaction. Non-monetary items that are measured based on fair value in a foreign currency are translated using the exchange rate at the date on which the fair value is determined.

**(d) Group entities**

The revenue, expenses, assets and liabilities of all entities that have a functional currency other than the presentation currency are converted to the presentation currency as follows:

- Assets and liabilities are converted at the closing exchange rate prevailing on the reporting date.
- Revenues and expenses of each profit or loss account are converted at monthly average exchange rates.

All resulting foreign currency translation gains and losses are recognized as a separate component in translation reserves.

In consolidation, foreign currency differences arising from the translation of a net investment in foreign entities are recorded in equity (other reserves). At the date of disposal, such foreign currency translation differences are recognized in the statement of income as part of the gain or loss from the sale.

**3.4 Subsidiaries**

SQM S.A. establishes, as basis, the control exercised in subsidiaries, to determine their share in the consolidated financial statements. Control consists of the Company's ability to exercise power in the subsidiary, exposure, or right, to variable performance from its share in the investee and the ability to use its power on the investee to have an influence on the amount of the investor's performance.

The Company prepares the consolidated financial statements using consistent accounting policies for the entire Group, the consolidation of a subsidiary commences when the Company has control over the subsidiary and stops when control ceases.

### 3.5 Consolidated statement of cash flows

Cash equivalents consist of highly-liquid short-term investments that are easily convertible in known amounts of cash. They are subject to insignificant risk of changes in their value and with original maturities of three months or less.

For purposes of the statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above.

The statement of cash flows includes movements in cash occurring during the year, determined using the direct method.

#### **SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-30



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.6 Financial assets**

Management determines the classification of its financial assets at the time of initial recognition, (on the basis of the business model) for the management of financial assets and the characteristics of contractual cash flows from the financial assets.

The Company assesses, at each reporting date, whether there is objective evidence that an asset or group of assets is impaired. An asset or group of financial assets is impaired if and only if there is evidence of impairment as a result of one or more events occurring after the initial recognition of the asset or group of assets. For the recognition of impairment, the loss event has to have an impact on the estimate of future cash flows from the asset or groups of financial assets.

**3.7 Financial liabilities**

Management determines the classification of its financial liabilities at the time of initial recognition. As established in IAS 39, financial liabilities at the time of initial recognition are measured at fair value, less transaction costs that may have been incurred and are directly attributable to the issue of the financial liability. Subsequently, these are measured at amortized cost using the effective interest method. For financial liabilities that have been initially recognized at fair value through profit or loss, these will be measured subsequently at fair value.

**3.8 Financial instruments at fair value through profit or loss**

Management will irrevocably determine, at the time of initial recognition, the designation of a financial instrument at fair value through profit or loss. By doing so, this eliminates and/or significantly reduces measurement or recognition inconsistency that would otherwise have arisen from the measurement of assets or liabilities or from the recognition of gains and losses from them on different bases.

**3.9 Financial instrument offsetting**

The Company offsets an asset and liability if and only if it presently has a legally enforceable right of setting off the amounts recognized and has the intent of settling for the net amount of realizing the asset and settling the liability simultaneously.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-31

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.10 Reclassification of financial instruments**

At the time when the Company changes its business model for managing financial assets, it will reclassify the financial assets affected by the new business model.

For financial liabilities these could not be reclassified.

**3.11 Derivative and hedging financial instruments**

Derivatives are recognized initially at fair value as of the date on which the derivatives contract is signed and, subsequently, are assessed at fair value. The method for recognizing the resulting gain or loss depends on whether the derivative has been designated as an accounting hedge instrument and, if so, it depends on the type of hedging, which may be as follows:

(a) Fair value hedge of assets and liabilities recognized (fair value hedges);

(b) Hedging of a single risk associated with an asset or liability recognized or a highly probable forecast transaction (cash flow hedge).

At the beginning of the transaction, the Company documents the relationship existing between hedging instruments and those items hedged, as well as their objectives for risk management purposes and the strategy to conduct different hedging operations.

The Company also documents its evaluation both at the beginning and at the end of each period if derivatives used in hedging transactions are highly effective to offset changes in the fair value or in cash flows of hedged items.

The fair value of derivative instruments used for hedging purposes is shown in Note 10.3 (hedging assets and liabilities). Changes in the cash flow hedge reserve are classified as a non-current asset or liability if the remaining expiration period of the hedged item is higher than 12 months, and as a current asset or liability if the remaining expiration period of the entry is lower than 12 months.

Investing derivatives are classified as a current asset or liability, and the change in their fair value is recognized directly in profit or loss.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-32

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.11 Derivative and hedging financial instruments, continued**

*(a) Fair value hedge*

The change in the fair value of a derivative is recognized with a debit or credit to profit or loss, as applicable. The change in the fair value of the hedged entry attributable to hedged risk is recognized as part of the carrying value of the hedged entry and is also recognized with a debit or credit to profit or loss.

For fair value hedges related to items recorded at amortized cost, the adjustment of the fair value is amortized against profit or loss during the period, through maturity. Any adjustment to the carrying value of a hedged financial instrument, for which the effective rate is used, is amortized with a debit or credit to profit or loss at its fair value, attributable to the risk being covered.

If the hedged entry is derecognized, the fair value not amortized is immediately recognized with a debit or credit to profit or loss.

*(b) Cash flow hedges*

The effective portion of gains or losses from the hedge instrument is initially recognized with a debit or credit to other comprehensive income, whereas any ineffective portion is immediately recognized with a debit or credit to profit or loss, as applicable.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, as when the hedged interest income or expense is recognized when a projected sale occurs. When the hedged entry is the cost of a non-financial asset or liability, amounts taken to other reserves are transferred to the initial carrying value of the non-financial asset or liability.

Should the expected firm transaction or commitment no longer be expected to occur, the amounts previously recognized in equity are transferred to profit or loss. If a hedge instrument expires, is sold, finished, or exercised

without any replacement, or if a rollover is performed or if its designation as hedging is revoked, the amounts previously recognized in other reserves are maintained in equity until the expected firm transaction or commitment occurs.

### 3.12 Derecognition of financial instruments

In accordance with IAS 39, the Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred; and the control of the financial assets has not been retained.

The Company derecognizes a financial liability when its contractual obligations or a part of these are discharged, paying to the creditor or its legally extinguished entity the primary responsibility for the liability.

### **SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-33

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

3.13 Derivative financial instruments

The Company maintains derivative financial instruments to hedge its exposure to foreign currencies. Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized when incurred. Subsequent to initial recognition, changes in fair value of such derivatives are recognized in profit or loss as part of gains and losses.

The Company permanently assesses the existence of embedded derivatives, both in its contracts and financial instruments. As of December 31, 2014 and 2013, there are no embedded derivatives.

3.14 Fair value measurements

From the initial recognition, the Company measures its assets and liabilities at fair value plus or minus transaction costs incurred that are directly attributable to the acquisition of a financial asset or issuance of a financial liability.

3.15 Leases

*(a) Lease - Finance lease*

Leases are classified as finance leases when the Company holds substantially all the risks and rewards derived from the ownership of the asset. Finance leases are capitalized at the beginning of the lease, at the lower of the fair value of the leased asset or the present value of minimum lease payments.

Each lease payment is distributed between the liability and the interest expenses to obtain ongoing interest on the pending balance of debt. The respective lease obligations, net of interest expense, are included in other non-current liabilities. The interest element of finance cost is debited in the consolidated statement of income during the lease period so that a regular ongoing interest rate is obtained on the remaining balance of the liability for each year.

*(b)Lease – Operating lease*

Leases in which the lesser maintains a significant part of the risks and rewards derived from the ownership are classified as operating leases. Operating lease payments (net of any incentive received from the lesser) are debited to the statement of income or capitalized (as applicable) on a straight-line basis over the lease period.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-34



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

3.16 Deferred acquisition costs from insurance contracts

Acquisition costs from insurance contracts are classified as prepayments and correspond to insurance contracts in force, recognized using the straight-line method and on an accrual basis, and are recognized under other non-financial assets.

These are expensed considering the proportional period of time they cover, regardless of the related payment dates.

3.17 Trade and other receivables

Trade and other receivables relate to non-derivative financial assets with fixed and determinable payments and are not quoted in any active market. These arise from sales operations involving the products and/or services, of which the Company commercializes directly to its customers.

These assets are initially recognized at their fair value and subsequently at amortized cost according to the effective interest rate method, less a provision for impairment loss. An allowance for impairment loss is established for trade receivables when there is objective evidence that the Company will not be able to collect all the amounts which are owed to it, according to the original terms of receivables.

Implicit interest in installment sales is recognized as interest income when interest is accrued over the term of the operation.

3.18

Inventory measurement

The Company states inventories for the lower of cost and net realizable value. The cost price of finished products and products in progress includes the direct cost of materials and, when applicable, labor costs, indirect costs incurred to transform raw materials into finished products, and general expenses incurred in carrying inventories to their current location and conditions. The method used to determine the cost of inventories is weighted average cost.

Commercial discounts, rebates obtained, and other similar entries are deducted in the determination of the acquisition price.

The net realizable value represents the estimate of the sales price, less all finishing estimated costs and costs which will be incurred in commercialization, sales, and distribution processes.

The Company conducts an evaluation of the net realizable value of inventories at the end of each year, recording an estimate with a charge to income when these are overstated. When a situation arises whereby the circumstances, which previously caused the rebate to cease to exist, or when there is clear evidence of an increase in the net realizable value due to a change in the economic circumstances or prices of main raw materials, the estimate made previously is modified.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-35

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.18 Inventory measurement, continued**

The valuation of obsolete, impaired or slow-moving products relates to their net estimated, net realizable value.

Provisions on the Company's inventories have been made based on a technical study which covers the different variables which affect products in stock (density and humidity, among others).

Raw materials, supplies and materials are recorded at the lower of acquisition cost or market value. Acquisition cost is calculated according to the average price method.

**3.19 Investments in associates and joint ventures**

Interests in companies on which joint control is exercised (joint venture) or where an entity has significant influence (associates) are recognized using the equity method of accounting. Significant influence is presumed to exist when interest greater than 20% is held in the capital of an investee.

Under this method, the investment is recognized in the statement of financial position at cost plus changes, subsequent to the acquisition, and considering the proportional share in the equity of the associate. For such purposes, the interest percentage in the ownership of the associate is used. The associated goodwill acquired is included in the carrying amount of the investee and is not amortized. The debit or credit to profit or loss reflects the proportional share in the profit or loss of the associate.

Unrealized gains for transactions with affiliates or associates are eliminated considering the interest percentage the Company has on such entities. Unrealized losses are also eliminated, except if the transaction provides evidence of impairment loss of the transferred asset.

Changes in the equity of associates are recognized considering the proportional amounts with a charge or credit to "Other reserves" and classified considering their origin.

Reporting dates of the associate, the Company and related policies are similar for equivalent transactions and events under similar circumstances.

In the event that the significant influence is lost or the investment is sold or is held as available for sale, the equity method is discontinued, suspending the recognition of proportional share of profit or loss.

If the resulting amount according to the equity method is negative, the share of profit or loss is reflected at zero value in the consolidated financial statements, unless a commitment exists by the Company to reinstate the Company's equity position, in which case the related provision for risks and expenses is recorded.

Dividends received by these companies are recorded by reducing the equity value, and the proportional share of profit or loss recognized in conformity with the share of equity are included in the consolidated profit or loss accounts in the caption "Equity share of profit (loss) of associates and joint ventures that are accounted for using the equity method of accounting".

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-36

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

3.20 Transactions with non-controlling interests

Non-controlling interests are recorded in the consolidated statement of financial position within equity separate from equity attributable to the owners of the Parent.

3.21 Related party transactions

Transactions between the Company and its subsidiaries are part of the Company's normal operations within its scope of business activities. Conditions for such transactions are those normally effective for those types of operations with regard to terms and market prices. Also, these transactions have been eliminated in consolidation. Expiration conditions for each case vary by virtue of the originating transaction.

3.22 Property, plant and equipment

Tangible property, plant and equipment assets are stated at acquisition cost, net of the related accumulated depreciation, amortization and impairment losses that they might have experienced.

In addition to the price paid for the acquisition of tangible property, plant and equipment, the Company has considered the following concepts as part of the acquisition cost, as applicable:

1. Accrued interest expenses during the construction period which are directly attributable to the acquisition, construction or production of qualifying assets, which are those that require a substantial period prior to being ready for use. The interest rate used is that related to the project's specific financing or, should this not exist, the average financing rate of the investor company.

2. The future costs that the Company will have to experience, related to the closure of its facilities at the end of their useful life, are included at the present value of disbursements expected to be required to settle the obligation.

Construction-in-progress is transferred to property, plant and equipment in operation once the assets are available for use and the related depreciation and amortization begins on that date.

Extension, modernization or improvement costs that represent an increase in productivity, ability or efficiency or an extension of the useful lives of property, plant and equipment are capitalized as a higher cost of the related assets. All the remaining maintenance, preservation and repair expenses are charged to expense as incurred.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-37

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.22 Property, plant and equipment, continued**

The replacement of full assets, which increase the asset's useful life or its economic capacity, are recorded as a higher value of property, plant and equipment with the related derecognition of replaced or renewed elements.

Based on the impairment analysis conducted by the Company's management, it has been considered that the carrying value of assets does not exceed therecoverable amount.

Gains or losses which are generated from the sale or disposal of property, plant and equipment are recognized as income (or loss) in the period, and calculated as the difference between the sales proceeds and its net carrying value.

Costs incurred from daily maintenance of property, plant and equipment are expensed in the period incurred. Depreciation of property, plant and equipment

Property, plant and equipment are depreciated through the straight-line distribution of cost over the estimated technical useful life of the asset which is the period in which the Company expects to use the asset. When components of one item of property, plant and equipment have different useful lives, they are recorded as separate assets. Useful lives are reviewed on an annual basis.

The useful lives used for the depreciation and amortization of assets included in property, plant and equipment are presented below.

Types of property, plant and equipment	Minimum life or rate	Maximum life or rate
Buildings	3	60
Plant and equipment	3	35
Information technology equipment	3	10
Fixtures and fittings	3	35

Motor vehicles	5	10
Other property, plant and equipment	2	30

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-38



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

3.23 Goodwill

Goodwill acquired represents the excess in acquisition cost on the fair value of the Company's ownership of the net identifiable assets of the subsidiary on the acquisition date. Goodwill acquired related to the acquisition of subsidiaries is included in goodwill, which is subject to impairment tests. The Company has not identified any indicator of impairment. Nonetheless, this valuation is carried out on yearly basis every time consolidated financial statements are issued, and is stated at cost less accumulated impairment losses. Gains and losses related to the sale of an entity include the carrying value of goodwill related to the entity sold.

This intangible asset is assigned to cash-generating units with the purpose of testing impairment losses. It is allocated based on cash-generating units expected to obtain benefits from the business combination from which the aforementioned goodwill acquired arose.

3.24 Intangible assets other than goodwill

Intangible assets mainly relate to water rights, trademarks, and rights of way related to electric lines, development expenses, and computer software licenses.

*(a) Water rights*

Water rights acquired by the Company relate to water from natural sources and are recorded at acquisition cost. Given that these assets represent legal rights granted in perpetuity to the Company, they are not amortized, but are subject to annual impairment tests.

*(b) Right of way for electric lines*

As required for the operation of industrial plants, the Company has paid rights of way in order to install wires for the different electric lines in third party land. These rights are presented under intangible assets. Amounts paid are capitalized at the date of the agreement and charged to income, according to the life of the right of way.

(c)

*Computer software*

Licenses for IT programs acquired are capitalized based on costs that have been incurred to acquire them and prepare them to use the specific program. These costs are amortized over their estimated useful lives.

Expenses related to the development or maintenance of IT programs are recognized as an expense as and when incurred. Costs directly related to the production of unique and identifiable IT programs controlled by the Group, and which will probably generate economic benefits that are higher than costs during more than a year, are recognized as intangible assets. Direct costs include expenses incurred for employees who develop IT programs and an adequate percentage of general expenses.

The costs of development for IT programs recognized as assets are amortized over their estimated useful lives.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-39

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.24 Intangible assets other than goodwill, continued**

*(d) Mining property and concession rights*

The Company holds mining property and concession rights from the Chilean Government. Property rights are usually obtained with no initial cost (other than the payment of mining patents and minor recording expenses) and upon obtaining rights on these concessions, these are retained by the Company while annual patents are paid. Such patents, which are paid annually, are recorded as prepaid assets and amortized over the following twelve months. Amounts attributable to mining concessions acquired from third parties that are not from the Chilean Government are recorded at acquisition cost within intangible assets.

No impairment of intangible assets exists as of December 31, 2014 and December 31, 2013.

**3.25 Research and development expenses**

Research and development expenses are charged to profit or loss in the period in which the disbursement was made.

**3.26 Prospecting expenses**

The Company has mining property and concession rights from the Chilean Government and acquired from third parties other than the Chilean Government, destined to the exploitation of caliche ore and saltpeter deposits and also the exploration of this type of deposits.

Upon obtaining these rights, the Company initially records disbursements directly associated with the exploration and evaluation of deposits (associated with small deposits with trading feasibility) as asset at cost. Such disbursements include the following concepts:

-Disbursements for geological reconnaissance evaluation

- Disbursements for drilling
  
- Disbursements for drilling work and sampling
  
- Disbursements for activities related to technical assessment and trading feasibility of drilling work
  
- And any disbursement directly related to specific projects where its objective is finding mining resources.

Subsequently, the Company distinguishes exploration and evaluation projects according to the economic feasibility of the mineral extracted in the area or exploration, among those where it is probable that future economic benefits will be generated (profitable projects) and those projects for which it is not probable that economic benefit will flow to the Company in the future (i.e., when the mine site has low ore grade and its exploitation is not economically profitable).

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-40

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.26 Prospecting expenses, continued**

If technical studies determine that the ore grade is not economically suitable for exploitation, the asset is directly expensed. Otherwise, it is held in the caption "other non-current assets", reclassifying the portion related to the area to be exploited in the year in the caption inventories and such amount is amortized as production cost on the basis of estimated tons to be extracted.

The technical reasons for this classification correspond to the fact that this is an identifiable non-monetary asset that is owned to be used in our production of our processes as the main raw material. For this reason and because our disbursements correspond to proven reserves with a trading feasibility and used as main raw material in our production processes, these are presented as inventories that will be exploited within the commercial year and the remainder as development costs for small deposits and prospecting expenses in the caption "other non-current assets".

**3.27 Impairment of non-financial assets**

Assets subject to depreciation and amortization are subject to impairment testing, provided that an event or change in the circumstances indicates that the amounts in the accounting records may not be recoverable. An impairment loss is recognized for the excess of the book value of the asset over its recoverable amount.

The recoverable amount of an asset is the higher between the fair value of an asset or cash generating unit ("CGU") less costs of disposal. For purpose of assessing impairment, assets are grouped at the lowest levels for which they are largely independent cash inflows ("CGU").

When the carrying value of an asset exceeds its recoverable amount, the asset is considered an impaired asset and is reduced to its net recoverable amount.

In evaluating value in use, estimated future cash flows are discounted using a discount rate before taxes which reflects current market evaluation on the time value of money and specific asset risks.

An appropriate valuation model is used to determine the fair value less costs of disposal. These calculations are confirmed by valuation multiples, quoted share prices for subsidiaries quoted publicly or other observable fair value indicators.

Impairment losses from continuing operations are recognized with a debit to profit or loss in the categories of expenses associated with the impaired asset function.

As of December 31, 2014, the Company was unaware of any indication of impairment with respect to its assets.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-41

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.27 Impairment of non-financial assets, continued**

For assets other than acquired goodwill, an annual evaluation i of previously recognized impairments is conducted to determine whether the conditions which caused the previous impairments have been reversed or ceased to exist. The recoverable amount is estimated if such indicators exist. An impairment loss previously recognized is reversed only if there have been changes in estimates used to determine the asset's recoverable amount from the last time in which an impairment loss was recognized. If this is the case, the carrying value of the asset is increased to its recoverable amount. This increased amount cannot exceed the carrying value that would have been determined net of depreciation if an asset impairment loss had not been recognized in prior years. This reversal is recognized with a credit to profit or loss.

3.28

Minimum dividend

As required by the Shareholders' Corporations Act, unless decided otherwise by the unanimous vote by the shareholders of subscribed and paid shares, a public company must distribute dividends as agreed by the shareholders at the General Shareholders' Meeting held each year with a minimum of 30% of its profit for the year ended December 31, 2014, except when the Company records unabsorbed losses from prior years.

However, the Company defines as policy the distribution of 50% of its profit for the year ended December 31, 2014.

3.29 Earnings per share

The net basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the year.

The Company has not conducted any type of operation of potential dilutive effect that assumes diluted earnings per share other than the basic earnings per share.

3.30 Trade and other payables

Trade and other payables are measured at fair value plus all costs associated with the transaction. Subsequently, these are carried at amortized cost using the effective interest rate method.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-42



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

3.31 Interest-bearing borrowings

At initial recognition, interest-bearing borrowings are measured at fair value. Subsequently, they are measured at amortized cost using the effective interest rate method. Amortized cost is calculated considering any premium or discount from the acquisition and includes costs of transactions which are an integral part of the effective interest rate.

These are recorded as non-current when their expiration period exceeds twelve months and as current when the term is lower than such term. Interest expense is calculated in the year in which they are accrued following a financial criterion.

3.32 Other provisions

Provisions are recognized when:

- The Company has a present obligation as the result of a past event.
- It is more likely than not that certain resources must be used, including benefits, to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

In the event that the provision or a portion of it is reimbursed, the reimbursement is recognized as a separate asset solely if there is certainty of income.

In the consolidated statement of income, the expense for any provision is presented net of any reimbursement.

Should the effect of the time value of money be significant, provisions are discounted using a discount rate before tax that reflects the liability's specific risks. When a discount rate is used, the increase in the provision over time is

recognized as a finance cost.

The Company's policy is maintaining provisions to cover risks and expenses based on a better estimate to deal with possible or certain and quantifiable responsibilities from current litigation, compensations or obligations, pending expenses for which the amount has not yet been determined, collaterals and other similar guarantees for which the Company is responsible. These are recorded at the time the responsibility or the obligation that determines the compensation or payment is generated.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-43

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

3.33 Obligations related to employee termination benefits and pension commitments

Obligations with the Company's employees are in accordance with that established in the collective bargaining agreements in force, formalized through collective employment agreements and individual employment contracts, except for the United States that is regulated in accordance with employment plans in force up to 2002.

These obligations are valued using actuarial calculations, according to the projected unit credit method which considers such assumptions as the mortality rate, employee turnover, interest rates, retirement dates, effects related to increases in employees' salaries, as well as the effects on variations in services derived from variations in the inflation rate. This, considering criteria in force contained in the revised IAS 19.

Actuarial gains and losses that may be generated by variations in defined, pre-established obligations are directly recorded in "other comprehensive income, Actuarial gains/losses from defined benefit plans.

Actuarial losses and gains have their origin in departures between the estimate and the actual behavior of actuarial assumptions or in the reformulation of established actuarial assumptions.

The discount rate used by the Company for calculating the obligation was 5.5% for the periods ended December 31, 2014 and December 31, 2013.

The Company's subsidiary SQM North America has established pension plans for its retired employees that are calculated by measuring the projected obligation using a net salary progressive rate net of adjustments for inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 6.5% interest rate for 2014 and 2013. The net balance of this obligation is presented under the non-current provisions for employee benefits.

3.34 Compensation plans

Compensation plans implemented through benefits in share-based payments settled in cash, which have been provided, are recognized in the financial statements at their fair value, and classified in provision for employee benefits ('non-current') in accordance with International Financial Reporting Standards No. 2 "Share-based Payments." Changes in the fair value of options granted are recognized with a charge to compensation expenses on a straight-line basis during the period between the date on which these options are granted and the vesting date (see Note 16).

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-44

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

3.35

Revenue recognition

Revenue includes the fair value of consideration received or receivable for the sale of goods and services during performance of the Company's activities. Revenue is presented net of value added tax, estimated returns, rebates and discounts and after the elimination of sales among subsidiaries.

Revenue is recognized when its amount can be reliably measured. It is probable that the future economic benefits will flow to the entity and the specific conditions for each type of activity related revenue are complied with, as follows:

*(a) Sale of goods*

The sale of goods is recognized when the Company has delivered products to the customer, and there is no obligation pending compliance that could affect the acceptance of products by the customer. The delivery does not occur until products have been shipped to the customer or confirmed as received by customers. When the related risks of obsolescence and loss have been transferred to the customer and the customer has accepted products in accordance with the conditions established in the sale, when the acceptance period has ended, or when there is objective evidence that those criteria required for acceptance have been met.

Sales are recognized in consideration of the price set in the sales agreement, net of volume discounts and estimated returns at the date of the sale. Volume discounts are evaluated in consideration of annual foreseen purchases and in accordance with the criteria defined in agreements.

*(b) Sale of services*

Revenue associated with the rendering of services is recognized considering the degree of completion of the service as of the date of presentation of the consolidated classified statement of financial position, provided that the result from the transaction can be estimated reliably.

*(c) Interest income*

Interest income is recognized when interest is accrued in consideration of the principal pending payment using the effective interest rate method.

*(d) Income from dividends*

Income from dividends is recognized when the right to receive the payment is established.

3.36 Finance income and finance costs

Finance income is mainly composed of interest income in financial instruments such as term deposits and mutual fund deposits. Interest income is recognized in profit or loss at amortized cost, using the effective interest rate method.

Finance costs are mainly composed of interest on bank borrowing expenses, interest on bonds issued and interest capitalized for borrowing costs for the acquisition, construction or production or qualifying assets.

Borrowing costs and bonds issued are recognized in profit or loss using the effective interest rate method.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-45

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

**3.36 Finance income and finance costs, continued**

For finance costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets, the effective interest rate related to the project's specific financing is used. If none exist, the average financing rate of the subsidiary that makes the investment is utilized.

Borrowing and financing costs that are directly attributable to the acquisition, construction or production of an asset are capitalized as part of that asset's cost.

**3.37 Income tax and deferred taxes**

Corporate income tax for the year is determined as the sum of current taxes from the different consolidated companies.

Current taxes are based on the application of the various types of taxes attributable to taxable income for the year.

Differences between the book value of assets and liabilities and their tax basis generate the balance of deferred tax assets or liabilities, which are calculated using the tax rates expected to be applicable when the assets and liabilities are realized.

In conformity with current Chilean tax regulations, the provision for corporate income tax and taxes on mining activity is recognized on an accrual basis, presenting the net balances of accumulated monthly tax provisional payments for the fiscal period and associated credits. The balances of these accounts are presented in current income taxes recoverable or current taxes payable, as applicable.

Tax on companies and variations in deferred tax assets or liabilities that are not the result of business combinations are recorded in statement of income accounts or equity accounts in the consolidated statement of financial position, considering the origin of the gains or losses which have generated them.

At each reporting period, the carrying amount of deferred tax assets has been reviewed and reduced to the extent there will not be sufficient taxable income to allow the recovery of all or a portion of the deferred tax assets. Likewise, as of the date of the consolidated financial statements, deferred tax assets that are not recognized were evaluated and not recognized as it was more likely than not that future taxable income will allow for recovery of the deferred tax asset.

With respect to deductible temporary differences associated with investments in subsidiaries, associated companies and interest in joint ventures, deferred tax assets are recognized solely provided that it is more likely than not that the temporary differences will be reversed in the near future and that there will be taxable income with which they may be used.

The deferred income tax related to entries directly recognized in equity is recognized with an effect on equity and not with an effect on profit or loss.

Deferred tax assets and liabilities are offset if there is a legally receivable right of offsetting tax assets against tax liabilities and the deferred tax is related to the same tax entity and authority.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-46



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 3 Significant accounting policies (continued)**

3.38 Segment reporting

IFRS 8 requires that companies adopt a “management approach” to disclose information on the operations generated by its operating segments. In general, this is the information that management uses internally for the evaluation of segment performance and making the decision on how to allocate resources for this purpose.

An operating segment is a group of assets and operations responsible for providing products or services subject to risks and performance different from those of other business segments. A geographical segment is responsible for providing products or services in a given economic environment subject to risks and performance different from those of other segments that operate in other economic environments.

For assets and liabilities the allocation to each segment is not possible given that these are associated with more than one segment, except for depreciation, amortization and impairment of assets, which are directly allocated to the applicable segments, in accordance with the criteria established in the costing process for product inventories.

The following operating segments have been identified by the Company:

- Specialty plant nutrients
  
- Industrial chemicals
  
- Iodine and derivatives
  
- Lithium and derivatives
  
- Potassium
  
- Other products and services

### 3.39 Environment

In general, the Company follows the criteria of considering amounts used in environmental protection and improvement as environmental expenses. However, the cost of facilities, machinery and equipment used for the same purpose are considered property, plant and equipment, as the case may be.

#### **SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-47

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 4 Financial risk management

4.1 Financial risk management policy

The Company's financial risk management policy is focused on safeguarding the stability and sustainability of Sociedad Química y Minera de Chile S.A. and its subsidiaries with regard to all such relevant financial uncertainty components.

The Company's operations are subject to certain financial risk factors that may affect its financial position or results. The most significant risk exposures are market risk, liquidity risk, currency risk, doubtful accounts risk, and interest rate risk, among others.

Potentially, additional known or unknown risks may exist, of which we currently deem not to be significant, which could also affect the Company's business operations, its business, financial position, or profit or loss.

The financial risk management structure includes identifying, determining, analyzing, quantifying, measuring and controlling these events. Management and, in particular, Finance Management, is responsible for constantly assessing the financial risk. The Company uses derivatives to hedge a significant portion of those risks.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-48

Notes to the Consolidated Financial Statements as of December 31, 2014

#### Note 4 Financial risk management, continued

##### 4.2 Risk factors

###### 4.2.1

###### Market risk

Market risk refers to the uncertainty associated with fluctuations in market variables affecting the Company's assets and liabilities, including:

Country risk: The economic situation of the countries where the Company operates may affect its financial position. For example, sales conducted in emerging markets expose SQM to risks related to economic conditions and trends in those countries. In addition, inventories may also be affected by the economic scenario in such countries and/or the global economy, among other probable economic impacts.

a) Price risk: The Company's product prices are affected by the fluctuations in international prices of fertilizers and chemicals, as well as changes in productive capacities or market demand, all of which might affect the Company's business, financial position and results of operations.

b) Commodity price risk: The Company is exposed to changes in commodity prices and energy which may have an impact on its production costs that may cause unstable results.

c) As of to-date, the SQM Group incurs an annual expenditure of approximately US\$140 million associated with fuel, gas and equivalents, including approximately US\$54 million related to direct electrical supply consumption. A change of 10% in the prices of energy required for the Company's operations may involve costs of approximately US\$14 million in short-term movements.

As stated in the Company's annual report, the markets in which the Company operates are unpredictable, exposed to significant fluctuations in supply and demand, and price volatility. Additionally, the supply of certain fertilizers or chemicals, including certain products which the Company trades, vary mainly depending on the production of top producers and their respective business strategies. Accordingly, the Company cannot forecast with certainty changes in demand, responses from competitors or fluctuations in the final price of its products. These factors can lead to significant impacts on the Company's product sales volumes, financial position and share price.

Quality standards: In the markets in which we operate, customers might impose quality standards on our products and/or governments could enact more stringent standards for the distribution and/or use of our products.

- d) Consequently, we might not be able to sell our products if we are not able to meet those new standards. In addition, our production costs might increase to meet such new standards. Not being able to sell our products in one or more markets or to key customers might significantly affect our business, financial position or the results of our operations.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-49

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 4 Financial risk management, continued**

**4.2.2**

**Doubtful accounts risk**

A contraction of the global economy and the potentially adverse effects in the financial position of our customers may extend the receivables recovery period for SQM, increasing its exposure to doubtful account risk. While measures have been taken to minimize such risk, the global economic situation may result in losses that might have a material adverse effect on the Company's business, financial position or results of operations.

To mitigate these risks, SQM actively controls debt collection and has established certain safeguards which include loan insurance, letters of credit, and prepayments for a portion of receivables.

**4.2.3 Currency risk**

As a result of its influence on price level determination as well as its relationship with cost of sales, and since a significant portion of the Company's business transactions are performed in that foreign currency, the functional currency of SQM is the United States dollar. However, the global business activities of the Company expose it to the foreign exchange fluctuations of several currencies with respect to the value of the U.S. dollar. Accordingly, SQM has entered into hedge contracts to mitigate the exposure generated by its main mismatches (assets, net of liabilities) in currencies other than the U.S. dollar against the foreign exchange fluctuation. These contracts are periodically updated depending on the mismatch amount to be hedged in such currencies. Occasionally, and subject to the Board of Directors' approval, in the short-term the Company insures cash flows from certain specific items in currencies other than the U.S. dollar.

A significant portion of the Company's costs, particularly payroll, is denominated in Chilean pesos. Accordingly, an increase or decrease in the exchange rate against the U.S. dollar would affect the Company's profit for the period. Approximately US\$ 470 million of the Company's costs are denominated in Chilean pesos. A significant portion of the effect of such obligations on the statement of financial position is hedged by derivative instrument transactions on the balance mismatch in such currency.

As of December 31, 2013, the Company recorded derivative instruments classified as currency and interest rate hedges associated with all the bonds payable, denominated both in Chilean pesos and UF, with a fair value of US\$23.6 million in favor of SQM. As of December 31, 2014, this amounts to US\$37 million against SQM.

As of December 31, 2014, the Chilean peso to U.S. dollar exchange rate was Ch\$606.75 per US\$1.00 (Ch\$ 524.61 per US\$ 1.00 as of December 31, 2013).

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-50

Notes to the Consolidated Financial Statements as of December 31, 2014

#### **Note 4 Financial risk management, continued**

##### **4.2.4 Interest rate risk**

Interest rate fluctuations, primarily due to the uncertain future behavior of markets, may have a material impact on the financial results of the Company.

The Company has current and non-current debts valued at LIBOR, plus a spread. The Company is partially exposed to fluctuations in such rate, as SQM currently holds hedging derivative instruments to hedge a portion of its liabilities subject to the LIBOR rate fluctuations.

As of December 31, 2014, approximately 14% of the Company's financial liabilities are measured at LIBOR. Accordingly, any significant increase in this rate may have an impact on the Company's financial position. A 100 basic point variation in this rate may trigger variations in financial expenses of close to US\$ 0.6 million. However, this effect is significantly counterbalanced by the returns of the Company's investments that are also strongly related to LIBOR.

In addition, as of December 31, 2014, the Company's financial liabilities are mainly concentrated in the long-term and approximately 9% have maturities of less than 12 months, decreasing in the process the exposure to changes in interest rates.

##### **4.2.5 Liquidity risk**

Liquidity risk relates to the funds needed to comply with payment obligations. The Company's objective is to maintain financial flexibility through a comfortable balance between fund requirements and cash flows from regular business operations, bank borrowings, bonds, short term investments, and marketable securities, among others.

The Company has an important capital expense program which is subject to change over time.



On the other hand, world financial markets go through periods of contraction and expansion that are unforeseeable in the long-term and may affect SQM's access to financial resources. Such factors may have a material adverse impact on the Company's business, financial position and results of operations.

SQM constantly monitors the matching of its obligations with its investments, taking due care of maturities of both, from a conservative perspective, as part of this financial risk management strategy. As of December 31, 2014, the Company had unused, available revolving credit facilities with banks, for a total of approximately US\$546 million.

The position in other cash and cash equivalents generated by the Company are invested in highly liquid mutual funds with an AAA risk rating.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-51

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 4 Financial risk management, continued**

4.3

Risk measurement

The Company has methods to measure the effectiveness and efficiency of financial risk hedging strategies, both prospectively and retrospectively. These methods are consistent with the risk management profile of the Group.

**Note 5 Changes in accounting estimates and policies (consistent presentation)**

5.1

Changes in accounting estimates

There are no changes in accounting estimates as of the closing date of the consolidated financial statements.

5.2

Changes in accounting policies

As of December 31, 2014, the Company's consolidated financial statements present no changes in accounting policies or estimates compared to the prior period.

The consolidated statements of financial position as of December 31, 2014 and December 31, 2013, and statements of the comprehensive income, changes in equity and cash flows for the periods ended December 31, 2014 and 2013, have been prepared in accordance with International Financial Reporting Standards (IFRS) except for that indicated in Note 2.2. and the principles and criteria have been applied consistently.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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



Notes to the Consolidated Financial Statements as of December 31, 2014

## Note 6 Background of companies included in consolidation

### 6.1 Parent's stand-alone assets and liabilities

	12/31/2014	12/31/2013
	ThUS\$	ThUS\$
Assets	4,305,107	4,269,749
Liabilities	(2,072,459)	(1,893,129)
<b>Equity</b>	<b>2,232,648</b>	<b>2,376,620</b>

### 6.2 Parent entity

As provided in the Company's by-laws, no shareholder can concentrate more than 32% of the Company's voting right shares and therefore there is no controlling entity.

### 6.3 Joint arrangements of controlling interest

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A., and Inversiones Global Mining (Chile) Limitada, collectively the Pampa Group, are the owners of a number of shares that are equivalent to 29.94% as of December 31, 2014 of the current total amount of shares issued, subscribed and fully-paid of the Company. In addition, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation, collectively the Kowa Group, are the owners of a number of shares equivalent to 2.10% of the total amount of issued, subscribed and fully-paid shares of SQM S.A..

The Pampa Group and the Kowa Group have informed SQM S.A., the Chilean SVS and the relevant stock exchanges in Chile and abroad that they are not and have never been related parties between them. In addition, this is regardless of the fact that both Groups on December 21, 2006 have entered into a Joint Action Agreement (JAA) related to those shares. Consequently, the Pampa Group, by itself, does not concentrate more than 32% of the voting right capital of SQM S.A., and the Kowa Group does not concentrate by itself more than 32% of the voting right capital of SQM S.A..

Likewise, the Joint Action Agreement has not transformed the Pampa and Kowa Groups into related parties between them. The Joint Action Agreement has only transformed the current controller of SQM S.A., composed of the Pampa

Group, and the Kowa Group into related parties of SQM S.A..

**Detail of effective concentration**

<b>Tax ID No.</b>	<b>Name</b>	<b>Ownership interest %</b>
96.511.530-7	Sociedad de Inversiones Pampa Calichera S.A.	19.69
96.863.960-9	Inversiones Global Mining (Chile) Limitada	3.34
76.165.311-5	Potasios de Chile S.A.	6.91
<b>Total Pampa Group</b>		<b>29.94</b>
79.798.650-k	Inversiones la Esperanza (Chile) Ltda.	1.41
59.046.730-8	Kowa Co Ltd.	0.30
96.518.570-4	Kochi S.A.	0.30
59.023.690-k	La Esperanza Delaware Corporation	0.09
<b>Total Kowa Group</b>		<b>2.10</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-53

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 6 Background of companies included in consolidation (continued)**

## 6.4 General information on consolidated subsidiaries

As of December 31, 2014 and December 31, 2013, the general information of the companies on which the Company exercises control and significant influence is as follows:

<b>Subsidiary</b>	<b>Tax ID</b>	<b>Address</b>	<b>Country incorporated</b>
SQM Nitratos S.A.	96.592.190-7	El Trovador 4285 Las Condes	Chile
Proinsa Ltda.	78.053.910-0	El Trovador 4285 Las Condes	Chile
SQMC Internacional Ltda.	86.630.200-6	El Trovador 4285 Las Condes	Chile
SQM Potasio S.A.	96.651.060-9	El Trovador 4285 Las Condes	Chile
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Arturo Prat 1060, Tocopilla	Chile
Isapre Norte Grande Ltda.	79.906.120-1	Anibal Pinto 3228, Antofagasta	Chile
Ajay SQM Chile S.A.	96.592.180-K	Av. Pdte. Eduardo Frei 4900, Santiago	Chile
Almacenes y Depósitos Ltda.	79.876.080-7	El Trovador 4285 Las Condes	Chile
SQM Salar S.A.	79.626.800-K	El Trovador 4285 Las Condes	Chile
SQM Industrial S.A.	79.947.100-0	El Trovador 4285 Las Condes	Chile
Exploraciones Mineras S.A.	76.425.380-9	Los Militares 4290 Las Condes	Chile
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	76.534.490-5	Anibal Pinto 3228, Antofagasta	Chile
Soquimich Comercial S.A.	79.768.170-9	El Trovador 4285 Las Condes	Chile
Comercial Agrorama Ltda.	76.064.419-6	El Trovador 4285 Las Condes	Chile
Comercial Hydro S.A.	96.801.610-5	El Trovador 4285 Las Condes	Chile
Agrorama S.A.	76.145.229-0	El Trovador 4285 Las Condes	Chile
Orcoma Estudios SPA	76.359.919-1	Apoquindo 3721 Of.131 Las Condes	Chile
Orcoma SPA	76.360.575-2	Apoquindo 3721 Of.131 Las Condes	Chile
SQM North America Corp.	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA	United States
RS Agro Chemical Trading Corporation A.V.V.	Foreign	Caya Ernesto O. Petronia 17, Oranjestad	Aruba
Nitratos Naturais do Chile Ltda.	Foreign	Al. Tocantis 75, 6º Andar, Conunto 608 Edif. West Gate, Alphaville Barueri, CEP 06455-020, Sao Paulo	Brazil
Nitrate Corporation of Chile Ltd.	Foreign	1 More London Place London SE1 2AF	United Kingdom
SQM Corporation N.V.	Foreign	Pietermaai 123, P.O. Box 897, Willemstad, Curacao	Dutch Antilles
SQM Peru S.A.	Foreign	Avenida Camino Real N° 348 of. 702, San Isidro, Lima	Peru
SQM Ecuador S.A.	Foreign	Av. José Orrantía y Av. Juan Tanca Marengo Edificio Executive Center Piso 2 Oficina 211	Ecuador
SQM Brasil Ltda.	Foreign		Brazil

Al. Tocantins 75, 6º Andar, Conunto 608 Edif. West Gate,  
Alphaville Barueri, CEP 06455-020, Sao Paulo

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-54

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 6 Background of companies included in consolidation (continued)****6.4 General information on consolidated subsidiaries, continued**

Subsidiary	Tax ID	Address	Country of incorporation	Functional currency	Ownership interest		Total
					Direct	Indirect	
SQI Corporation N.V.	Foreign	Pietermaai 123, P.O. Box 897, Willemstad, Curacao	Dutch Antilles	US\$	0.0159	99.9841	100.0000
SQMC Holding Corporation L.L.P.	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta	United States	US\$	0.1000	99.9000	100.0000
SQM Japan Co. Ltd.	Foreign	From 1 <sup>st</sup> Bldg 207, 5-3-10 Minami-Aoyama, Minato-ku, Tokyo	Japan	US\$	1.0000	99.0000	100.0000
SQM Europe N.V.	Foreign	Houtdok-Noordkaai 25a B-2030 Amberes Bélgica	Belgium	US\$	0.5800	99.4200	100.0000
SQM Italia SRL	Foreign	Via A. Meucci, 5 500 15 Grassina Firenze	Italy	US\$	-	100.0000	100.0000
SQM Indonesia S.A.	Foreign	Perumahan Bumi Dirgantara Permai, Jl Suryadarma Blok Aw No 15 Rt 01/09 17436 Jatisari Pondok Gede	Indonesia	US\$	-	80.0000	80.0000
North American Trading Company	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA	United States	US\$	-	100.0000	100.0000
SQM Virginia LLC	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA	United States	US\$	-	100.0000	100.0000
SQM Comercial de México S.A. de C.V.	Foreign	Av. Moctezuma 144-4 Ciudad del Sol. CP 45050, Zapopan, Jalisco México	Mexico	US\$	0.0010	99.9900	100.0000
SQM Investment Corporation N.V.	Foreign	Pietermaai 123, P.O. Box 897, Willemstad, Curacao	Dutch Antilles	US\$	1.0000	99.0000	100.0000
Royal Seed Trading Corporation	Foreign	Caya Ernesto O. Petronia 17, Oranjestad	Aruba	US\$	1.6700	98.3300	100.0000



Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

A.V.V. SQM Lithium Specialties LLP	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA	United States	US\$	-	100.0000	100.0000
Soquimich SRL Argentina Comercial	Foreign	Espejo 65 Oficina 6 – 5500 Mendoza	Argentina	US\$	-	100.0000	100.0000
Caimán Internacional S.A.	Foreign	Edificio Plaza Bancomer Calle 50	Panama	US\$	-	100.0000	100.0000
SQM France S.A. Administración y Servicios	Foreign	ZAC des Pommiers 27930 FAUVILLE	France	US\$	-	100.0000	100.0000
Santiago S.A. de C.V.	Foreign	Av. Moctezuma 144-4 Ciudad del Sol. CP 45050, Zapopan, Jalisco México	Mexico	US\$	-	100.0000	100.0000
SQM Nitratos México S.A. de C.V.	Foreign	Av. Moctezuma 144-4 Ciudad del Sol. CP 45050, Zapopan, Jalisco México	Mexico	US\$	-	100.0000	100.0000

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-55

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 6 Background of companies included in consolidation (continued)****6.4 General information on consolidated subsidiaries, continued**

Subsidiary	Tax ID	Address	Country of incorporation	Functional currency	Ownership interest	Direct	Indirect	Total
Soquimich European Holding B.V.	Foreign	Loacalellikade 1 Parnassustoren 1076 AZ Amsterdam	Netherlands	US\$	-	100.0000		100.0000
SQM Iberian S.A	Foreign	Provenza 251 Principal 1a CP 08008, Barcelona	Spain	US\$	-	100.0000		100.0000
SQM Africa Pty Ltd.	Foreign	Tramore House, 3 Wterford Office Park, Waterford Drive, 2191 Fourways, Johannesburg	South Africa	US\$	-	100.0000		100.0000
SQM Oceania Pty Ltd.	Foreign	Level 9, 50 Park Street, Sydney NSW 2000, Sydney	Australia	US\$	-	100.0000		100.0000
SQM Agro India Pvt. Ltd.	Foreign	C 30 Chiragh Enclave New Dehli, 110048	India	US\$	-	100.0000		100.0000
SQM Beijing Commercial Co. Ltd.	Foreign	Room 1001C, CBD International Mansion N 16 Yong An Dong Li, Jian Wai Ave Beijing 100022, P.R.	China	US\$	-	100.0000		100.0000
SQM Thailand Limited	Foreign	Unit 2962, Level 29, N° 388, Exchange Tower Sukhumvit Road, Klongtoey Bangkok	Thailand	US\$	-	99.996		99.996

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-56

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 6 Background of companies included in consolidation (continued)**

## 6.5 Information attributable to non-controlling interests

Subsidiary	% of interests in the ownership held by non-controlling interests.	Profit (loss) attributable to non-controlling interests		Equity, non-controlling interests		Dividends paid to non-controlling interests	
		12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2014 ThUS\$	12/31/2013 ThUS\$
Proinsa Ltda.	0,1	%	-	-	-	-	-
SQM Potasio S.A.	0,0000001	%	-	-	-	-	-
Ajay SQM Chile S.A.	49	%	(2,595 )	(3,389 )	8,502	8,806	(2,899 ) 4,400
SQM Indonesia S.A.	20	%	-	-	1	16	-
Soquimich Comercial S.A.	39,3616784	%	(4,763 )	(4,051 )	48,757	46,448	(2,381 ) 2,026
Comercial Agrorama Ltda.	30	%	(30 )	(18 )	337	351	-
Agrorama S.A.	0,001	%	-	-	-	-	-
Orcoma Estudios SPA	49	%	(1 )	-	2,270	-	-
SQM (Thailand) Limited.	0.004	%	-	-	-	-	-
<b>Total</b>			<b>(7,389 )</b>	<b>(7,458 )</b>	<b>59,867</b>	<b>55,621</b>	<b>(5,280 ) 6,426</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-57

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 6 Background of companies included in consolidation (continued)**

6.6

Information on consolidated subsidiaries

**12/31/2014**

Subsidiary	Assets		Liabilities		Revenue	Profit (loss)	Comprehensive income (loss)
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Nitratos S.A.	638,071	109,356	679,642	21,285	123,390	(7,109 )	(7,109 )
Proinsa Ltda.	174	1	-	-	-	1	1
SQMC Internacional Ltda.	229	-	-	-	-	(1 )	(1 )
SQM Potasio S.A.	167,134	934,783	3,703	20,847	2,379	165,852	166,198
Serv. Integrales de Tránsito y Transf. S.A.	430,047	82,657	459,844	11,093	48,747	4,550	4,550
Isapre Norte Grande Ltda.	698	767	702	198	4,577	41	-
Ajay SQM Chile S.A.	18,198	1,126	1,135	839	57,305	5,296	5,296
Almacenes y Depósitos Ltda.	311	46	1	-	-	(20 )	(30 )
SQM Salar S.A.	563,756	938,389	353,808	181,732	771,133	133,982	133,829
SQM Industrial S.A.	1,183,420	803,100	987,048	92,923	719,384	66,432	62,259
Exploraciones Mineras S.A.	478	31,713	5,160	-	-	(219 )	(219 )
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	507	506	430	537	2,547	(63 )	(65 )
Soquimich Comercial S.A.	132,805	22,271	30,261	943	199,367	12,100	11,902
Comercial Agrorama Ltda.	12,048	1,815	12,632	106	14,724	102	103
Comercial Hydro S.A.	8,663	105	148	101	61	281	281
Agrorama S.A.	13,577	487	13,990	18	13,404	(103 )	(103 )
Orcoma SpA	3	2,356	4	-	-	(3 )	(3 )
Orcoma Estudio SpA	4,630	1,375	1,372	-	-	2	2
SQM North America Corp.	177,628	16,494	161,988	1,781	322,671	(1,622 )	(2,294 )
RS Agro Chemical Trading Corporation A.V.V.	5,201	-	-	-	-	(3 )	(3 )
Nitratos Naturais do Chile Ltda.	4	233	4,452	-	-	223	223
Nitrate Corporation of Chile Ltd.	5,076	-	-	-	-	-	-
SQM Corporation N.V.	669	116,031	3,722	-	-	25,082	21,908
SQM Peru S.A.	520	1	1,172	-	-	(40 )	(40 )
SQM Ecuador S.A.	11,101	69	10,720	56	16,737	194	194
SQM Brasil Ltda.	724	1	636	-	453	220	220
SQI Corporation N.V.	-	23	89	-	-	5	4

SQMC Holding Corporation L.L.P.	17,552	15,481	1,024	-	-	3,944	3,944
SQM Japan Co. Ltd.	2,472	243	621	449	3,493	163	163

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-58

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 6 Background of companies included in consolidation (continued)****6.6 Information on consolidated subsidiaries, continued****12/31/2014**

Subsidiary	Assets		Liabilities		Revenue	Profit (loss)	Comprehensive income (loss)
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Europe N.V.	313,336	1,265	264,760	-	552,444	12,966	12,966
SQM Italia SRL	1,247	-	16	-	-	-	-
SQM Indonesia S.A.	4	-	1	-	-	-	-
North American Trading Company	159	145	39	-	-	-	-
SQM Virginia LLC	14,821	14,367	14,821	-	-	(7 )	(7 )
SQM Comercial de México S.A. de C.V.	81,196	1,302	53,428	-	178,243	916	916
SQM Investment Corporation N.V.	73,432	265	39,164	856	20	8,552	8,552
Royal Seed Trading Corporation A.V.V.	165,908	162	103,387	80,000	-	(4,941 )	(4,384 )
SQM Lithium Specialties LLP	15,774	3	1,264	-	-	(7 )	(7 )
Soquimich SRL Argentina	396	-	217	-	-	(17 )	(17 )
Comercial Caimán Internacional S.A.	266	-	1,122	-	-	(5 )	(5 )
SQM France S.A. Administración y Servicios Santiago S.A. de C.V.	345	6	114	-	-	-	-
SQM Nitratos México S.A. de C.V.	177	-	689	111	3,562	145	145
Soquimich European Holding B.V.	38	4	29	4	262	6	6
SQM Iberian S.A.	77,712	117,371	89,566	-	-	26,368	23,180
SQM Africa Pty Ltd.	54,332	72	49,004	-	132,270	5,781	5,782
SQM Oceania Pty Ltd.	66,427	752	57,796	-	92,462	952	952
SQM Agro India Pvt. Ltd.	3,257	-	1,149	-	3,550	(1,016 )	(1,016 )
SQM Beijing Commercial Co. Ltd.	4	-	1	-	-	(1 )	(1 )
	5,491	31	3,217	-	7,764	143	143

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

SQM Thailand Limited	15,424	35	12,679	-	11,042	228	228
<b>Total</b>	<b>4,285,442</b>	<b>3,215,209</b>	<b>3,426,767</b>	<b>413,879</b>	<b>3,281,991</b>	<b>459,350</b>	<b>448,643</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-59

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 6 Background of companies included in consolidation (continued)****6.6 Information on consolidated subsidiaries, continued****12/31/2013**

Subsidiary	Assets		Liabilities		Revenue	Profit (loss)	Comprehensive income (loss)
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Nitratos S.A.	490.084	124.966	525.924	15.545	184.487	18.434	18.434
Proinsa Ltda.	200	1	-	-	-	(2)	(2)
SQMC Internacional Ltda.	266	-	-	-	-	(1)	(1)
SQM Potasio S.A.	109.408	1.049.628	3.411	15.749	2.052	184.948	185.458
Serv. Integrales de Tránsito y Transf. S.A.	348.685	86.935	389.980	8.423	50.135	6.149	6.149
Isapre Norte Grande Ltda.	916	829	924	192	4.192	28	334
Ajay SQM Chile S.A.	22.720	1.232	5.226	755	67.413	6.916	6.916
Almacenes y Depósitos Ltda.	362	50	1	-	-	(11)	(40)
SQM Salar S.A.	678.215	1.000.954	453.864	216.110	792.109	206.745	206.679
SQM Industrial S.A.	1.110.303	820.831	872.216	79.021	925.167	64.602	61.547
Exploraciones Mineras S.A.	477	31.537	4.765	-	-	(312)	(312)
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	762	243	322	556	2.276	31	46
Soquimich Comercial S.A.	143.515	22.582	47.121	973	214.350	10.291	10.162
Comercial Agrorama Ltda.	15.450	2.148	16.314	114	16.009	61	62
Comercial Hydro S.A.	8.302	134	124	72	109	370	370
Agrorama S.A.	15.722	568	16.074	36	16.122	37	37
Orcoma SpA	2	2.356	-	-	-	-	-
Orcoma Estudio SpA	2	-	-	-	-	-	-
SQM North America Corp.	214.359	17.058	197.077	1.781	365.691	(4.763)	(3.751)
RS Agro Chemical Trading Corporation A.V.V.	5.204	-	-	-	-	(9)	(9)
Nitratos Naturais do Chile Ltda.	3	254	4.695	-	-	278	278
Nitrate Corporation of Chile Ltd.	5.076	-	-	-	-	-	-
SQM Corporation N.V.	669	93.936	3.725	-	-	10.441	7.377
SQM Peru S.A.	578	1	1.190	-	1	(191)	(191)
SQM Ecuador S.A.	10.644	81	10.533	42	25.475	(1.224)	(1.224)



Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

SQM Brasil Ltda.	680	40	851	-	802	88	88
SQI Corporation N.V.	-	19	62	-	-	(1	) (2
SQMC Holding Corporation L.L.P.	11.978	16.394	1.000	-	-	5.267	5.267
SQM Japan Co. Ltd.	1.948	263	234	494	2.468	(283	) (283

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-60

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 6 Background of companies included in consolidation (continued)****6.6 Information on consolidated subsidiaries, continued****12/31/2013**

Subsidiary	Assets		Liabilities		Revenue	Profit (loss)	Comprehensive income (loss)
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Europe N.V.	316,396	383	280,092	-	677,497	1,608	1,608
SQM Italia SRL	1,421	-	18	-	-	-	-
SQM Indonesia S.A.	4	-	(76)	-	-	-	-
North American Trading Company	160	145	39	-	-	(1)	(1)
SQM Virginia LLC	14,828	14,374	14,828	-	-	(1)	(1)
SQM Comercial de México S.A. de C.V.	88,252	1,427	61,534	-	178,180	4,724	4,724
SQM Investment Corporation N.V.	62,496	282	36,805	851	50	1,097	1,097
Royal Seed Trading Corporation A.V.V.	240,231	442	83,606	170,000	-	(2,537)	(1,904)
SQM Lithium Specialties LLP	15,781	3	1,264	-	-	(1)	(1)
Soquimich SRL Argentina	414	-	218	-	-	(49)	(49)
Comercial Caimán Internacional S.A.	271	-	1,122	-	-	(38)	(38)
SQM France S.A. Administración y Servicios Santiago S.A. de C.V.	345	6	114	-	-	-	-
SQM Nitratos México S.A. de C.V.	153	-	795	127	3,243	(7)	(7)
Soquimich European Holding B.V.	26	4	23	4	186	(7)	(7)
SQM Iberian S.A.	79,966	96,670	93,496	987	-	8,849	5,785
SQM Africa Pty Ltd.	101,299	70	101,757	-	166,087	66	66
SQM Oceania Pty Ltd.	55,635	729	47,932	-	109,968	1,611	1,611
SQM Agro India Pvt. Ltd.	4,251	-	811	-	3,542	51	51
SQM Beijing Commercial Co. Ltd.	7	-	2	-	-	(2)	(2)
	2,415	80	301	-	9,915	(1,164)	(1,164)

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

SQM Thailand Limited	7,052	36	4,510	-	4,379	(787	)	(787	)
<b>Total</b>	<b>4,187,933</b>	<b>3,387,691</b>	<b>3,284,824</b>	<b>511,832</b>	<b>3,821,905</b>	<b>521,301</b>		<b>514,370</b>	

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-61

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 6 Background of companies included in consolidation (continued)**

6.7 Detail of transactions between consolidated companies

**Transactions conducted in 2014** On November 21, 2014, shareholders at the Extraordinary Shareholders' Meeting of the subsidiary Orcoma Estudios SPA approved a capital increase from US\$1,500, divided in 150,000 single series shares, wholly subscribed and paid, to US\$4,631,507, divided in 196,229 single series shares with no par value. SQM S.A. did not subscribe to the capital increase, and as a result its ownership interest in this subsidiary decreased to 51%. SQM S.A. recognized a gain of ThUS\$2,359 for not subscribing to the capital increase.

At the General Shareholders' Meeting of the subsidiary SQM Ecuador S.A., the shareholders agreed to absorb the accumulated losses of the company of ThUS\$ 455.

**Transactions conducted in 2013**

On December 31, 2013, the subsidiary Orcoma Estudios SPA was incorporated where Sociedad Quimica y Minera de Chile S.A. made a capital contribution of US\$ 1,500.

On December 31, 2013, the subsidiary Orcoma SPA was incorporated where Sociedad Quimica y Minera de Chile S.A. made a capital contribution of ThUS\$ 2,358.

On March 25, 2013, SQM Industrial S.A. increased by ThUS\$ 1,500 the capital of its subsidiary SQM Beijing Commercial Co. Ltd.

During the first half of 2013 Iodine Minera was absorbed into Soquimich European Holdings.

During the first half of 2013 Soquimich European Holdings B.V. purchased shares of SQM Thailand Limited, acquiring 99.996% of this company.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-62

Notes to the Consolidated Financial Statements as of December 31, 2014

## Note 7 Cash and cash equivalents

### 7.1 Types of cash and cash equivalents

As of December 31, 2014 and December 31, 2013, cash and cash equivalents are detailed as follows:

a) Cash	12/31/2014 ThUS\$	12/31/2013 ThUS\$
Cash on hand	88	119
Cash in banks	29,404	29,671
Other demand deposits	-	3,625
<b>Total cash</b>	<b>29,492</b>	<b>33,415</b>

b) Cash equivalents	12/31/2014 ThUS\$	12/31/2013 ThUS\$
Short-term deposits, classified as cash equivalents	29,492	158,208
Short-term investments, classified as cash equivalents	295,582	284,999
<b>Total cash equivalents</b>	<b>325,074</b>	<b>443,207</b>
<b>Total cash and cash equivalents</b>	<b>354,566</b>	<b>476,622</b>

### 7.2 Short-term investments, classified as cash equivalents

As of December 31, 2014 and December 31, 2013, short-term investments, classified as cash and cash equivalents relate to mutual funds (investment liquidity funds) for investments in:

Institution	12/31/2014 ThUS\$	12/31/2013 ThUS\$
Legg Mason - Western Asset Institutional Cash Reserves	100,988	95,941
BlackRock - Institutional US Dollar Liquidity Fund	97,351	94,726
JP Morgan US dollar Liquidity Fund Institutional	97,243	94,332
<b>Total</b>	<b>295,582</b>	<b>284,999</b>

Short-term investments are highly liquid fund manager accounts that are basically invested in short-term fixed rate notes in the U.S. market.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-63

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 7 Cash and cash equivalents (continued)**

7.3 Information on cash and cash equivalents by currency

As of December 31, 2014 and December 31, 2013, information on cash and cash equivalents by currency is detailed as follows:

<b>Original currency</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Chilean Peso (*)	6,355	25,391
US Dollar	328,392	430,263
Euro	10,449	9,230
Mexican Peso	736	429
South African Rand	4,046	7,229
Japanese Yen	1,701	1,435
Peruvian Sol	1	2
Brazilian Real	29	73
Chinese Yuan	769	384
Indonesian Rupiah	4	4
Indian Rupee	12	7
Thai Baht	2,055	2,161
Argentine Peso	12	-
Pound Sterling	5	14
<b>Total</b>	<b>354,566</b>	<b>476,622</b>

(\*) The Company maintains financial derivative policies which allow dollarizing these term deposits in Chilean pesos.

7.4 Amount of significant restricted (unavailable) cash balances

Cash on hand and in current bank accounts are available resources, and their carrying value is equal to their fair value.

As of December 31, 2014, the amount ThUS\$ 3,250 can be found in “other current financial assets”. This corresponds to the collateral securities associated to the fair value of the Cross Currency Swap (Margin Call). At December 31, 2013, the Company has no significant cash balances with any type of restriction.



**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-64

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 7 Cash and cash equivalents (continued)**

## 7.5 Short-term deposits, classified as cash equivalents

The detail at the end of each period is as follows:

<b>2014</b>							
<b>Receiver of the deposit</b>	<b>Type of deposit</b>	<b>Original Currency</b>	<b>Interest rate</b>	<b>Placement date</b>	<b>Expiration date</b>	<b>Principal ThUS\$</b>	<b>Interest to-date ThUS\$</b>
Banco Estado	Fixed term	Ch\$	0.24	12/30/2014	01/08/2015	4,121	-
Banco Crédito e Inversiones	Fixed term	Ch\$	0.23	12/30/2014	01/08/2015	824	-
Banco BBVA Chile	Fixed term	US\$	0.45	10/29/2014	01/06/2015	20,000	16
BBVA Banco Francés	Fixed term	US\$	18.5	12/29/2014	01/28/2015	362	-
ABN Amro Bank	Fixed term	Euro	-	12/31/2014	01/31/2015	4,169	-
<b>Total</b>						<b>29,476</b>	<b>16</b>

<b>2013</b>							
<b>Receiver of the deposit</b>	<b>Type of deposit</b>	<b>Original Currency</b>	<b>Interest rate</b>	<b>Placement date</b>	<b>Expiration date</b>	<b>Principal ThUS\$</b>	<b>Interest to-date ThUS\$</b>
Banco BBVA Chile	Fixed term	US\$	0.50	12/20/2013	01/09/2014	10,000	2
Banco BBVA Chile	Fixed term	US\$	0.50	12/20/2013	01/09/2014	10,000	2
Banco BBVA Chile	Fixed term	US\$	0.50	12/20/2013	01/09/2014	10,000	2
Banco Crédito e Inversiones	Fixed term	US\$	0.40	12/16/2013	01/16/2014	20,000	3
Banco Crédito e Inversiones	Fixed term	US\$	0.48	12/16/2013	02/06/2014	20,000	4
Banco Crédito e Inversiones	Fixed term	US\$	0.50	10/17/2013	01/03/2014	10,093	10
Banco Crédito e Inversiones	Fixed term	US\$	0.58	12/16/2013	03/11/2014	20,000	5
Banco Crédito e Inversiones	Fixed term	Ch\$	0.37	12/30/2013	01/13/2014	4,384	-
Banco Crédito e Inversiones	Fixed term	Ch\$	0.38	12/27/2013	01/09/2014	4,193	2
Banco Santander - Santiago	Fixed term	US\$	0.48	12/09/2013	01/23/2014	20,314	6
Banco Santander - Santiago	Fixed term	US\$	0.52	12/04/2013	01/03/2014	10,104	4
Banco Santander - Santiago	Fixed term	Ch\$	0.43	10/21/2013	01/03/2014	14,352	148
IDBI Bank	Fixed term	Indian rupee	-	12/31/2013	6/30/2014	2	-
Citibank New York	Overnight	US\$	0.01	12/31/2013	01/02/2014	444	-
Citibank New York	Overnight	US\$	0.01	12/31/2013	01/02/2014	640	-
Citibank New York	Overnight	US\$	0.01	12/31/2013	01/02/2014	1,301	-
ABN Amro Bank	Fixed term	Euro	-	12/31/2013	01/31/2014	2,193	-
<b>Total</b>						<b>158,020</b>	<b>188</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-65

Notes to the Consolidated Financial Statements as of December 31, 2014

### Note 8 Inventories

The composition of inventory at each period-end is as follows:

Type of inventory	12/31/2014 ThUS\$	12/31/2013 ThUS\$
Raw materials	9,540	8,552
Supplies for production	30,398	42,366
Products-in-progress	453,816	400,824
Finished product	425,849	503,788
<b>Total</b>	<b>919,603</b>	<b>955,530</b>

Inventory provisions recognized as of December 31, 2014 amount to ThUS\$82,966, and ThUS\$97,248 as of December 31, 2013. Inventory provisions have been made based on a technical study that covers the different variables affecting products in stock (density and humidity, among others). Additionally, provisions are recognized if goods are sold cheaper than the related cost, and for differences that arise from inventory counts.

As of December 31, 2014, the sum registered as cost of sale related to inventory in the statement of income amounts to ThUS\$1,259,983 and to ThUS\$1,314,276 as of December 31, 2013.

The breakdown of inventory provisions is detailed as follows:

Type of inventory	12/31/2014 ThUS\$	12/31/2013 ThUS\$
Raw material provisions	93	93
Supplies for production provisions	500	500
Products-in-progress provisions	55,994	65,768
Finished product provisions	26,379	30,887
<b>Total</b>	<b>82,966</b>	<b>97,248</b>

The Company has not delivered inventory as collateral for the periods indicated above.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-66

Notes to the Consolidated Financial Statements as of December 31, 2014

## **Note 9 Related party disclosures**

### 9.1 Related party disclosures

Balances pending at period-end are not guaranteed, accrue no interest and are settled in cash. No guarantees have been delivered or received for trade and other receivables due from related parties or trade and other payables due to related parties. For the period ended December 31, 2014, the Company has not recorded any impairment in accounts receivable related to amounts owed by related parties. This evaluation is conducted every year through an examination of the financial position of the related party in the market in which it operates.

### 9.2 Relationships between the parent and the entity

According to the Company's by-laws, no shareholder can own more than 32% of the Company's voting right shares.

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A., and Inversiones Global Mining (Chile) Ltda., collectively the Pampa Group, are the owners of a number of shares that are equivalent to 29.94% as of December 31, 2014 of the current total amount of shares issued, subscribed and fully-paid of the Company. In addition, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation, collectively the Kowa Group, are the owners of a number of shares equivalent to 2.10% of the total amount of shares of SQM S.A. issued, subscribed and fully-paid.

The Pampa Group and the Kowa Group have informed SQM S.A., the Chilean SVS and the relevant stock exchanges in Chile and abroad that they are not and have never been related parties between them. In addition, this is regardless of the fact that both Groups on December 21, 2006 have entered into a Joint Action Agreement (JAA) related to those shares. Consequently, the Pampa Group, by itself, does not concentrate more than 32% of the voting right capital of SQM S.A., and the Kowa Group does not concentrate by itself more than 32% of the voting right capital of SQM S.A.

Likewise, the Joint Action Agreement has not transformed the Pampa and Kowa Groups into related parties between them. The Joint Action Agreement has only transformed the current controller of SQM S.A., composed of the Pampa Group, and the Kowa Group into related parties of SQM S.A.

## **Detail of effective concentration**

<b>Tax ID No.</b>	<b>Name</b>	<b>Ownership interest %</b>
96.511.530-7	Sociedad de Inversiones Pampa Calichera S.A.	19.69
96.863.960-9	Inversiones Global Mining (Chile) Ltda.	3.34
76.165.311-5	Potasios de Chile S.A.	6.91
<b>Total Pampa Group</b>		<b>29.94</b>
79.798.650-k	Inversiones la Esperanza (Chile) Ltda.	1.41
59.046.730-8	Kowa Co Ltd.	0.30
96.518.570-4	Kochi S.A.	0.30
59.023.690-k	La Esperanza Delaware Corporation	0.09
<b>Total Kowa Group</b>		<b>2.10</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-67

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 9 Related party disclosures (continued)**

## 9.3 Detailed identification of the link between the Parent and subsidiary

As of December 31, 2014 and December 31, 2013, the detail of entities that are related parties of the SQM S.A. Group is as follows:

<b>Tax ID No.</b>	<b>Name</b>	<b>Country of origin</b>	<b>Functional currency</b>	<b>Nature</b>
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US\$	Subsidiary
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US\$	Subsidiary
Foreign	SQM North America Corp.	United States	US\$	Subsidiary
Foreign	SQM Europe N.V.	Belgium	US\$	Subsidiary
Foreign	Soquimich S.R.L. Argentina	Argentina	US\$	Subsidiary
Foreign	Soquimich European Holding B.V.	The Netherlands	US\$	Subsidiary
Foreign	SQM Corporation N.V.	Dutch Antilles	US\$	Subsidiary
Foreign	SQI Corporation N.V.	Dutch Antilles	US\$	Subsidiary
Foreign	SQM Comercial De México S.A. de C.V.	Mexico	US\$	Subsidiary
Foreign	North American Trading Company	United States	US\$	Subsidiary
Foreign	Administración y Servicios Santiago S.A. de C.V.	Mexico	US\$	Subsidiary
Foreign	SQM Peru S.A.	Peru	US\$	Subsidiary
Foreign	SQM Ecuador S.A.	Ecuador	US\$	Subsidiary
Foreign	SQM Nitratos Mexico S.A. de C.V.	Mexico	US\$	Subsidiary
Foreign	SQMC Holding Corporation L.L.P.	United States	US\$	Subsidiary
Foreign	SQM Investment Corporation N.V.	Dutch Antilles	US\$	Subsidiary
Foreign	SQM Brasil Limitada	Brazil	US\$	Subsidiary
Foreign	SQM France S.A.	France	US\$	Subsidiary
Foreign	SQM Japan Co. Ltd.	Japan	US\$	Subsidiary
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	US\$	Subsidiary
Foreign	SQM Oceania Pty Limited	Australia	US\$	Subsidiary
Foreign	Rs Agro-Chemical Trading Corporation A.V.V.	Aruba	US\$	Subsidiary
Foreign	SQM Indonesia S.A.	Indonesia	US\$	Subsidiary
Foreign	SQM Virginia L.L.C.	United States	US\$	Subsidiary
Foreign	SQM Italia SRL	Italy	US\$	Subsidiary
Foreign	Comercial Caiman Internacional S.A.	Panamá	US\$	Subsidiary
Foreign	SQM Africa Pty. Ltd.	South Africa	US\$	Subsidiary
Foreign	SQM Lithium Specialties LLC	United States	US\$	Subsidiary
Foreign	SQM Iberian S.A.	Spain	US\$	Subsidiary
Foreign	SQM Agro India Pvt. Ltd.	India	US\$	Subsidiary
Foreign	SQM Beijing Commercial Co. Ltd.	China	US\$	Subsidiary
Foreign	SQM Thailand Limited	Thailand	US\$	Subsidiary



**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-68

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 9 Related party disclosures (continued)****9.3 Detailed identification of the link between the Parent and subsidiary, continued**

As of December 31, 2014 and December 31, 2013, the detail of entities that are a related parties of the SQM S.A. Group is as follows:

<b>Tax ID No.</b>	<b>Name</b>	<b>Country of origin</b>	<b>Functional currency</b>	<b>Nature</b>
96.801.610-5	Comercial Hydro S.A.	Chile	Chilean peso	Subsidiary
96.651.060-9	SQM Potasio S.A.	Chile	US\$	Subsidiary
96.592.190-7	SQM Nitratos S.A.	Chile	US\$	Subsidiary
96.592.180-K	Ajay SQM Chile S.A.	Chile	US\$	Subsidiary
86.630.200-6	SQMC Internacional Ltda.	Chile	Chilean peso	Subsidiary
79.947.100-0	SQM Industrial S.A.	Chile	US\$	Subsidiary
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Chilean peso	Subsidiary
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Chilean peso	Subsidiary
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US\$	Subsidiary
79.768.170-9	Soquimich Comercial S.A.	Chile	US\$	Subsidiary
79.626.800-K	SQM Salar S.A.	Chile	US\$	Subsidiary
78.053.910-0	Proinsa Ltda.	Chile	Chilean peso	Subsidiary
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Chilean peso	Subsidiary
76.425.380-9	Exploraciones Mineras S.A.	Chile	US\$	Subsidiary
76.064.419-6	Comercial Agrorama Ltda.	Chile	Chilean peso	Subsidiary
76.145.229-0	Agrorama S.A.	Chile	Chilean peso	Subsidiary
76.359.919-1	Orcoma Estudios SPA	Chile	US\$	Subsidiary
76.360.575-2	Orcoma SPA	Chile	US\$	Subsidiary
77.557.430-5	Sales de Magnesio Ltda.	Chile	Chilean peso	Associate
Foreign	Abu Dhabi Fertilizer Industries WWL	United Arab Emirates	Arab Emirates dirham	Associate
Foreign	Doktor Tarsa Tarim Sanayi AS	Turkey	Turkish lira	Associate
Foreign	Ajay North America	United States	US\$	Associate
Foreign	Ajay Europe SARL	France	Euro	Associate
Foreign	SQM Eastmed Turkey	Turkey	Euro	Associate
Foreign	Charlee SQM Thailand Co. Ltd.	Thailand	Thai baht	Associate
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	China	US\$	Joint venture
Foreign	Coromandel SQM	India	Indian rupee	Joint venture
Foreign	SQM Vitas Fzco.	Arab Emirates	Arab Emirates dirham	Joint venture
Foreign	SQM Star Qingdao Corp Nutrition Co., Ltd.	China	US\$	Joint venture
Foreign	SQM Vitas Spain	Spain	Euro	

Foreign	SQM Vitas Holland	Dutch Antilles	Euro	Joint contr significant
Foreign	SQM Vitas Plantacote B.V.	Dutch Antilles	Euro	Joint ventu Joint contr significant
Foreign	Kowa Company Ltd.	Japan	US\$	Joint contr
96.511.530-7	Sociedad de Inversiones Pampa Calichera	Chile	US\$	Joint contr
96.529.340-k	Norte Grande S.A.	Chile	Chilean peso	Other relat
79.049.778-9	Callegari Agricola S.A.	Chile	Chilean peso	Other relat
Foreign	Coromandel Internacional	India	Indian rupee	Other relat
Foreign	Vitas Roullier SAS	France	Euro	Other relat
Foreign	SQM Vitas Brasil Agroindustria	Brazil	US\$	Joint contr significant
Foreign	SQM Vitas Peru S.A.C.	Peru	US\$	Joint contr significant
Foreign	SQM Vitas Southern Africa Pty.	South Africa	US\$	Joint contr significant

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-69

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 9 Related party disclosures (continued)**

9.4 Detail of related parties and related party transactions

Transactions between the Parent and its subsidiaries are part of the Company's common transactions. Their conditions are those customary for this type of transactions in respect of terms and market prices. In addition, these have been eliminated in consolidation and are not detailed in this note.

Maturity terms for each case vary by virtue of the transaction giving rise to them.

As of December 31, 2014 and December 31, 2013, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

As of December 31, 2014, 2013 and 2012, the detail of transactions with related parties is as follows:

<b>Tax ID No.</b>	<b>Company</b>	<b>Nature</b>	<b>Country of origin</b>	<b>Transaction</b>	<b>12/31/ ThUS\$</b>
Foreign	Doktor Tarsa Tarim Sanayi As	Associate	Turkey	Sale of products	26,800
Foreign	Doktor Tarsa Tarim Sanayi As	Associate	Turkey	Other Transactions	-
Foreign	Ajay Europe S.A.R.L.	Associate	France	Sale of products	28,560
Foreign	Ajay Europe S.A.R.L.	Associate	France	Dividends	2,728
Foreign	Ajay North America LLC.	Associate	United States	Sale of products	23,530
Foreign	Ajay North America LLC.	Associate	United States	Dividends	7,139
Foreign	Ajay North America LLC.	Associate	United States	Sale of services	90
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	Sale of products	8,535
Foreign	Charlee SQM Thailand Co. Ltd.	Associate	Thailand	Sale of products	6,852
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Sale of products	1,112
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Dividends	1,245
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Sale of services	35
96.529.340-k	Norte Grande S.A.	Other related parties	Chile	Sale of services	-
79.049.778-9	Callegari Agrícola S.A.	Other related parties	Chile	Other Transactions	47
Foreign	Kowa Company Ltd.	Other related parties	Japan	Sale of products	76,710

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-70

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 9 Related party disclosures (continued)****9.4 Detail of related parties and related party transactions, continued**

<b>Tax ID No.</b>	<b>Company</b>	<b>Nature</b>	<b>Country of origin</b>
Foreign	Kowa Company Ltd.	Other related parties	Japan
Foreign	SQM Vitas Brasil Agroindustria	Joint control or significant influence	Brazil
Foreign	SQM Vitas Peru S.A.C.	Joint control or significant influence	Peru
Foreign	SQM Vitas Southern Africa Pty.	Joint control or significant influence	South Africa
Foreign	SQM Vitas Fzco.	Joint venture	United Arab Emirates
Foreign	SQM Vitas Fzco.	Joint venture	United Arab Emirates
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint venture	China
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint venture	China
Foreign	Coromandel SQM India	Joint venture	India
Foreign	SQM Star Qingdao Corp Nutrition Co., Ltd.	Joint venture	China
Foreign	SQM Vitas Spain	Joint venture	Spain
Foreign	SQM Vitas Plantacote B.V.	Joint venture	Netherlands

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-71

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 9 Related party disclosures (continued)**

9.5 Trade receivables due from related parties, current:

<b>Tax ID N°</b>	<b>Company</b>	<b>Nature</b>	<b>Country of origin</b>	<b>Currency</b>
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Ch\$
Foreign	Charlee SQM Thailand Co. Ltd.	Associate	Thailand	US\$
Foreign	Doktor Tarsa Tarim Sanayi AS	Associate	Turkey	US\$
Foreign	Ajay Europe S.A.R.L.	Associate	France	Euro
Foreign	Ajay North America LLC.	Associate	United States	US\$
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	Arab Emi
Foreign	Kowa Company Ltd.	Jointly controlled entity	Japan	US\$
96.511.530-7	Soc.de Inversiones Pampa Calichera	Jointly controlled entity	Chile	US\$
Foreign	SQM Vitas Brasil Agroindustria	Joint venture	Brazil	US\$
Foreign	SQM Vitas Peru S.A.C.	Joint venture	Peru	US\$
Foreign	SQM Vitas Southern Africa PTY	Joint venture	South Africa	US\$
Foreign	Coromandel SQM India	Joint venture	India	Indian rup
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint venture	China	US\$
79.049.778-9	Callegari Agrícola S.A.	Other related parties	Chile	Ch\$
Foreign	SQM Vitas Fzco.	Joint venture	United Arab Emirates	Arab Emi
Foreign	SQM Vitas Spain	Joint venture	Spain	Euro
Foreign	SQM Vitas Plantacote B.V.	Joint venture	Holland	Euro
Foreign	SQM Star Qingdao Corp Nutrition Co., Ltd.	Joint venture	China	US\$
Foreign	SQM Vitas Holland	Joint venture	Holland	Euro
<b>Total</b>				

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-72

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 9 Related party disclosures (continued)**

9.6 Trade payables due to related parties, current:

<b>Tax ID No.</b>	<b>Company.</b>	<b>Nature</b>	<b>Country of origin</b>	<b>Currency</b>	<b>12/31/2014 ThUS\$</b>	<b>12/31/2013 ThUS\$</b>
Foreign	Doktor Tarsa Tarim Sanayi AS	Associate	Turkey	Turkish lira	71	-
Foreign	SQM Vitas Plantacote B.V.	Joint venture	Holland	Euro	160	-
<b>Total as of to-date</b>					<b>231</b>	<b>-</b>

9.7 Board of Directors and Senior Management

**1) Board of directors**

The Company is managed by a Board of Directors which is composed of eight regular directors who are elected for a three-year period. The present Board of Directors was elected by the shareholders at the Ordinary Shareholders' Meeting of April 25, 2013.

As of December 31, 2014, the Company has an Audit Committee made up of three members of the Board of Directors. This Committee performs those duties provided in Article 50 bis of Law No. 18,046 on Shareholders Company, the Shareholders' Corporations Act.

During the periods covered by these financial statements, there are no pending balances receivable and payable between the Company, its directors or members of Senior Management other than those related to remuneration, fee allowances and profit-sharing. In addition, there were no transactions conducted between the Company, its directors or members of Senior Management.

**2) Directors' Compensation**

**2.1.1 Board of Directors**

Directors' compensation is detailed as follows:



A payment of a monthly fixed gross amount of UF 300 in favor of the Chairman of the Company's Board of Directors and UF 125 in favor of the seven remaining board members regardless of their attendance at Board meetings or the number of meetings attended during the respective month.

A payment in domestic currency in favor of the Chairman of the Company's Board of Directors consisting of a variable and gross amount equivalent to 0.35% of profit for the period effectively earned by the Company during fiscal year 2014.

A payment in domestic currency in favor of each Company's directors excluding the Chairman of the Board, consisting of a variable and gross amount equivalent to 0.05% of profit for the period effectively earned by the Company during fiscal years 2014.

The fixed and variable amounts indicated above will not be subject to any charge between them, and those expressed as a percentage will be paid immediately after the shareholders at the respective Annual General Shareholders' Meeting of the Company approve the statement of financial position (balance sheet), the financial statements, the annual report, the report by the account inspectors and the report of external auditors for the fiscal years ending December 31, 2014.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-73

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 9 Related party disclosures (continued)**

**9.7 Board of Directors and Senior Management, continued**

e) Therefore, the remunerations and profit sharing paid to members of the Board of Directors and Audit Committee during 2014 amount to ThUS\$3,424 (ThUS\$ 4,827 as of December 31, 2013).

**3) Audit Committee**

The remuneration of Directors Committee is composed of:

a) A payment of a monthly, fixed and gross amount of UF 17 in favor of each of the three Directors who are a part of the Company's Audit Committee, regardless of the number of meetings conducted during the respective month.

b) A payment in domestic currency and in favor of each of the three Directors of a variable and gross amount equivalent to 0.013% of the Company's profit for the period effectively earned by the Company during fiscal years 2014 and 2013.

4) No guarantees have been constituted in favor of the directors.

5) Senior management compensation:

As of December 31, 2014, the global compensation paid to the 108 main executives amounts to ThUS\$25,666 (ThUS\$32,888 as of December 31, 2013). This includes monthly fixed salary and variable performance bonuses.

The Company has a bonuses intermediate and bi-intermediate plan for compliance target and level of individual contribution to the Company's profit or loss. These benefits are structured in a minimum and maximum of gross remunerations which are paid once a year or every two years.

6) Additionally, the Company has retention bonuses for the Company's executives. The amount of these bonuses is linked to the price of the Company's share and is payable in cash between 2012 and 2016 (see Note 16).

- 7) No guarantees have been constituted in favor of the Company's management.

8) The Company's Managers and Directors do not receive or have not received any benefit during the period ended December 31, 2014 and the year ended December 31, 2013 or compensation for the concept of pensions, life insurance, paid time off, profit sharing, incentives, or benefits due to disability other than those mentioned in the preceding points.

9) In accordance with IAS 24, we should report that the Company's Director Mr. Wolf Von Appen B. is also a member of the Ultramar Group. As of December 31, 2014, the amount of transactions with this Group is approximately ThUS\$12,287 (ThUS\$16,850 as of December 31, 2013). In addition, Director José María Eyzaguirre is also a partner of Claro y Compañía. As of December 31, 2014, the amount of transactions with this Group is approximately ThUS\$242 (ThUS\$85 as of December 31, 2013).

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-74

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 9 Related party disclosures (continued)**

9.8 Key management personnel compensation

	<b>12/31/2014</b>	<b>12/31/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Salaries	18,778	20,440
Long-Term Bonus	3,917	-
Annual Bonus	2,971	3,710
<b>Key management personnel compensation</b>	<b>25,666</b>	<b>24,150</b>

Management does not receive an end-of-strike Bonus, nor has it received post-employment benefits. Regarding the share-based benefits:

a. There is one in which 10 executives were involved and is triggered if the stock of SQM B exceeds US\$ 50,00, a situation that occurred in 2014.

b. The other shared benefit- in which 26 executives were involved at December 31, 2014- will be determined in December 2015, if payment were to be appropriate.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-75

Notes to the Consolidated Financial Statements as of December 31, 2014

## Note 10 Financial instruments

Financial assets in conformity with IAS 39 are detailed as follows:

10.1	Types of other financial assets	
Description of other financial assets	12/31/2014 ThUS\$	12/31/2013 ThUS\$
Other current financial assets (1)	653,442	431,883
Derivatives (2)	17,160	3,283
Hedging assets, current	-	25,007
Total other current financial assets	670,602	460,173
Other non-current financial assets	427	95
Hedging assets, non-current	-	-
Total other non-current financial assets	427	95

(1) Relates to term deposits with maturities exceeding 90 days and less than 360 days from the investment date.

(2) Relate to forwards and options that were not classified as hedging instruments (see detail in Note 10.3).

### Detail of other current financial assets

Institution	12/31/2014 ThUS\$	12/31/2013 ThUS\$
Banco Santander	141,914	131,534
BBVA	91,718	80,206
Banco de Crédito e Inversiones	140,216	79,530
Banco de Chile	60,153	42,095
Corpbanca	91,372	61,244
Banco Itaú	100,136	30,207
Banco Security	24,683	7,067
Morgan Stanley	3,250	-
<b>Total</b>	<b>653,442</b>	<b>431,883</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-76

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

## 10.2 Trade and other receivables, current and non-current

	12/31/2014			12/31/2013		
	Current ThUS\$	Non-current ThUS\$	Total ThUS\$	Current ThUS\$	Non-current ThUS\$	Total ThUS\$
Trade receivables	322,231	-	322,231	314,151	-	314,151
Prepayments	11,378	-	11,378	12,127	-	12,127
Other receivables	7,221	2,044	9,265	4,714	1,282	5,996
<b>Total trade and other receivables</b>	<b>340,830</b>	<b>2,044</b>	<b>342,874</b>	<b>330,992</b>	<b>1,282</b>	<b>332,274</b>

	12/31/2014			12/31/2013		
	Assets before allowances ThUS\$	Allowance for doubtful trade receivables ThUS\$	Assets for trade receivables, net ThUS\$	Assets before allowances ThUS\$	Allowance for doubtful trade receivables ThUS\$	Assets for trade receivables, net ThUS\$
Receivables related to credit operations, current	337,296	(15,065)	322,231	330,052	(15,901)	314,151
<b>Trade receivables, current</b>	<b>337,296</b>	<b>(15,065)</b>	<b>322,231</b>	<b>330,052</b>	<b>(15,901)</b>	<b>314,151</b>
Prepayments, current	14,178	(2,800)	11,378	14,927	(2,800)	12,127
Other receivables, current	9,184	(1,963)	7,221	6,663	(1,949)	4,714
<b>Current trade and other receivables</b>	<b>360,658</b>	<b>(19,828)</b>	<b>340,830</b>	<b>351,642</b>	<b>(20,650)</b>	<b>330,992</b>
Other receivables, non-current	2,044	-	2,044	1,282	-	1,282
<b>Non-current receivables</b>	<b>2,044</b>	<b>-</b>	<b>2,044</b>	<b>1,282</b>	<b>-</b>	<b>1,282</b>
<b>Total trade and other receivables</b>	<b>362,702</b>	<b>(19,828)</b>	<b>342,874</b>	<b>352,924</b>	<b>(20,650)</b>	<b>332,274</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-77

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)****10.2 Trade and other receivables, continued****Portfolio stratification, continued**

The Company's policy is to require guarantees (such as letters of credit, guarantee clauses and others) and/or maintain insurance policies for certain accounts as deemed necessary by management.

**Unsecuritized portfolio**

As of December 31, 2014 and December 31, 2013, the detail of the unsecuritized portfolio is as follows:

**12/31/2014**

	Not overdue	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 150 days	151 - 180 days	181 - 210 days	211 - 250 days	over 250 days	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Number of customers, portfolio under no renegotiated terms	2,997	574	533	90	305	297	15	269	283	1,779	7,142
Portfolio under no renegotiated terms	243,255	51,738	21,425	5,883	718	1,062	127	520	162	6,659	331,549
Number of customers under renegotiated terms portfolio	49	7	2	2	1	1	1	2	1	81	147
Portfolio under renegotiated terms, gross	1,027	55	20	1,052	412	958	22	6	15	2,180	5,747
	<b>244,282</b>	<b>51,793</b>	<b>21,445</b>	<b>6,935</b>	<b>1,130</b>	<b>2,020</b>	<b>149</b>	<b>526</b>	<b>177</b>	<b>8,839</b>	<b>337,296</b>



**Total gross portfolio**

12/31/2013

	Not overdue - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 150 days	151 - 180 days	181 - 210 days	211 - 250 days	Over 250 days	Total	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Number of customers, portfolio under no renegotiated terms	3,175	1,055	515	395	332	304	303	294	312	1,817	8,502
Portfolio under no renegotiated terms	269,970	29,722	4,144	432	572	210	1,138	118	8,955	8,371	323,632
Number of customers under renegotiated terms portfolio	42	8	2	2	3	1	5	6	12	113	194
Portfolio under renegotiated terms, gross	2,964	79	15	69	42	13	87	85	447	2,619	6,420
<b>Total gross portfolio</b>	<b>272,934</b>	<b>29,801</b>	<b>4,159</b>	<b>501</b>	<b>614</b>	<b>223</b>	<b>1,225</b>	<b>203</b>	<b>9,402</b>	<b>10,990</b>	<b>330,052</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-78

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

**10.2 Trade and other receivables, continued**

The detail of allowances is as follows:

<b>Provision and write-offs</b>	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Allowance for portfolio under no renegotiated terms	16,585	16,711	18,673
Allowance for portfolio with renegotiated terms	3,717	4,459	1,518
Write-offs for the period	(474 )	(520 )	(1,398 )
<b>Total</b>	<b>19,828</b>	<b>20,650</b>	<b>18,793</b>

a) Credit risk concentration

Credit risk concentration with respect to trade receivables is reduced due to the great number of entities included in the Company's client database and their distribution throughout the world.

10.3

Hedging assets and liabilities

The balance represents derivative instruments measured at fair value which have been classified as hedges from exchange and interest rate risks related to the total obligations associated with bonds of the Company in Chilean pesos and UF (and the exchange risk in Chilean pesos of the Company's investment plans). As of December 31, 2014, the face value of cash flows in Cross Currency Swap contracts agreed upon in US dollars amounted to ThUS\$368,017 as of December 31, 2013 such contracts amounted to ThUS\$555,303 and as of December 31, 2012 such contracts amounted to ThUS\$515,156.

<b>Hedging liabilities</b>	<b>Derivative instruments (CCS)</b>	<b>Effect on profit or loss for the period</b>	<b>Hedging reserve in gross equity</b>	<b>Deferred tax hedging reserve in equity</b>	<b>Hedging reserve in equity</b>
	<b>ThUS\$</b>	<b>Derivative instruments</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
		<b>ThUS\$</b>			
<b>December 31, 2014</b>	37,034	(43,236 )	1,638	(311 )	1,327

<b>Hedging assets</b>	<b>Derivative instruments (CCS)</b>	<b>Effect on profit or loss for the period</b>	<b>Hedging reserve in gross equity</b>	<b>Deferred tax hedging reserve in equity</b>	<b>Hedging reserve in equity</b>
	<b>ThUS\$</b>	<b>Derivative instruments</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
		<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
<b>December 31, 2013</b>	23,602	(45,312	) (3,307	) 661	(2,646 )
<b>December 31, 2012</b>	100,647	49,453	(18,419	) 3,684	(14,735 )

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-79

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

**10.3 Hedging assets and liabilities, continued**

<b>Hedging liabilities</b>	<b>Derivative instruments (IRS)</b>	<b>Effect on profit or loss for the period derivative instruments</b>	<b>Hedging reserve in gross equity</b>	<b>Deferred tax hedging reserve in equity</b>	<b>Hedging reserve in equity</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
<b>December 31, 2014</b>	736	(1,050 )	596	-	596
<b>December 31, 2013</b>	1,339	(93 )	(1,153 )	-	(1,153 )
<b>December 31, 2012</b>	1,879	27	(1,786 )	-	(1,786 )

The balances in the “effect on profit or loss” column consider the interim effects of the contracts in force as of December 31, 2014, 2013 and 2012.

Derivative contract maturities are detailed as follows:

<b>Series</b>	<b>Contract amount ThUS\$</b>	<b>Currency</b>	<b>Maturity date</b>
C	73,059	UF	12/01/2026
H	162,353	UF	01/05/2018
M	40,588	UF	02/01/2017
O	60,882	UF	02/01/2017

The Company uses cross currency swap derivative instruments to hedge the possible financial risk associated with the volatility of the exchange rate associated with Chilean pesos and UF. The objective is to hedge the exchange rate financial risks associated with bonds payable. Hedges are documented and tested to measure their effectiveness.

Based on a comparison of critical terms, hedging is highly effective, given that the hedged amount is consistent with obligations maintained for bonds denominated in Chilean pesos and UF. Likewise, hedging contracts are denominated in the same currencies and have the same expiration dates of bond principal and interest payments.

## **Hedge Accounting**

The Company classifies derivative instruments as hedging that may include derivative or embedded derivatives either as fair value hedge derivative instruments, cash flow hedge derivative instruments, or hedge derivative instruments for net investment in a business abroad.

### **a) Fair value hedge**

Changes in fair values of derivative instruments classified as fair value hedge derivative instruments are accounted for in gains and losses immediately along with any change in the fair value of the hedged item that is attributable to the risk being hedged.

The Company documents the relationship between hedge instruments and the hedged item along with the objectives of its risk management and strategy to carry out different hedging transactions. In addition, upon commencement of the period hedged and then on a quarterly basis the Company documents whether hedge instruments have been efficient and met the objective of hedging market fluctuations for the purpose of which we use the effectiveness test. A hedge instrument is deemed effective if the effectiveness test result is between 80% to 120%.

### **SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-80

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)****10.3 Hedging assets and liabilities, continued**

The hedge instruments are classified as effective or not effective on the basis of the effectiveness test results. As of to date, hedges are classified as effective on the basis of the effectiveness tests. This note includes the detail of fair values of derivatives classified as hedging instruments.

**b) Cash flow hedges**

Cash flow hedges cover exposure to the cash flow variations attributable to a risk associated with a specific transaction that is very likely to be executed, that may have material effects on the results of the Company.

**10.4****Financial liabilities****Other current and non-current financial liabilities**

As of December 31, 2014 and December 31, 2013, the detail is as follows:

	<b>12/31/2014</b>			<b>12/31/2013</b>		
	<b>Current ThUS\$</b>	<b>Non-current ThUS\$</b>	<b>Total ThUS\$</b>	<b>Current ThUS\$</b>	<b>Non-current ThUS\$</b>	<b>Total ThUS\$</b>
Bank borrowings	191,116	219,838	410,954	171,347	309,489	480,836
Obligations with the public	19,453	1,317,429	1,336,882	227,652	1,106,496	1,334,148
Derivatives	1,791	-	1,791	1,088	-	1,088
Hedging liabilities	812	36,958	37,770	1,339	1,405	2,744
<b>Total</b>	<b>213,172</b>	<b>1,574,225</b>	<b>1,787,397</b>	<b>401,426</b>	<b>1,417,390</b>	<b>1,818,816</b>

**Current and non-current borrowings**

As of December 31, 2014 and December 31, 2013, the detail is as follows:

	<b>12/31/2014</b>	<b>12/31/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Long-term borrowings	219,838	309,489
Short-term borrowings	100,057	100,135
Current portion of long-term borrowings	91,059	71,212
<b>Short-term loans and current portion of long-term borrowings</b>	<b>191,116</b>	<b>171,347</b>
<b>Total borrowings assumed</b>	<b>410,954</b>	<b>480,836</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-81

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)****10.4 Financial liabilities, continued**

## a) Bank loans, current:

As of December 31, 2014 and December 31, 2013, the detail of this caption is as follows:

Debtor		Creditor			Currency or adjustment	Repayment	Effective	Non	
Tax ID No	Subsidiary	Country	Tax ID No.	Financial institution	Country	Index	Rate	Rate	
93.007.000-9	SQM.S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US\$	Upon maturity	0.59 %	0.59 %
93.007.000-9	SQM.S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US\$	Upon maturity	0.46 %	0.46 %
93.007.000-9	SQM.S.A.	Chile	97.030.000-7	Banco Estado	Chile	US\$	Upon maturity	0.59 %	0.59 %
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US\$	Upon maturity	3.56 %	2.33 %
79.626.800-K	SQM Salar S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US\$	Upon maturity	0.38 %	0.38 %
79.947.100-0	SQM Industrial S.A.	Chile	97.030.000-7	Banco Estado	Chile	US\$	Upon maturity	0.41 %	0.41 %
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US\$	Upon maturity	2.27 %	1.33 %
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US\$	Upon maturity	2.70 %	2.33 %
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	Canada	US\$	Upon maturity	2.45 %	1.29 %
Foreign	Royal Seed Trading Corporation	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Lda. (New	United States	US\$	Upon maturity	2.12 %	0.91 %



A.V.V.

York)

Debtor	Creditor	12/31/2014 Nominal amounts			12/31/2014 Current amounts			Borrowing	
		Up to 90 days	90 days to 1 year	Total	Up to 90 days	90 days to 1 year	Subtotal	costs	Total
Subsidiary	Financial institution	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM.S.A.	Scotiabank Sud Americano	-	20,000	20,000	5	20,000	20,005	-	20,005
SQM.S.A.	Scotiabank Sud Americano	-	20,000	20,000	9	20,000	20,009	-	20,009
SQM.S.A.	Banco Estado	-	20,000	20,000	-	20,026	20,026	-	20,026
SQM S.A.	Banco Estado NY Branch	-	-	-	988	-	988	-	988
SQM Salar S.A.	Scotiabank Sud Americano	-	20,000	20,000	9	20,000	20,009	-	20,009
SQM Industrial S.A.	Banco Estado	20,000	-	20,000	20,008	-	20,008	-	20,008
Royal Seed Trading Corporation A.V.V.	Scotiabank & Trust (Cayman) Ltd.	-	50,000	50,000	-	50,137	50,137	(85 )	50,052
Royal Seed Trading Corporation A.V.V.	Bank of America	-	-	-	-	117	117	(66 )	51
Royal Seed Trading Corporation A.V.V.	Export Development Canada	-	20,000	20,000	-	20,013	20,013	(60 )	19,953
Royal Seed Trading Corporation A.V.V.	The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York)	-	20,000	20,000	-	20,084	20,084	(69 )	20,015
<b>Total</b>		<b>20,000</b>	<b>170,000</b>	<b>190,000</b>	<b>21,019</b>	<b>170,377</b>	<b>191,396</b>	<b>(280 )</b>	<b>191,116</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-82

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)****10.4 Financial liabilities, continued**

Debtor		Creditor		Currency or adjustment		Repayment	Effective	Non	
Tax ID No	Subsidiary	Country	Tax ID No.	Financial institution	Country	index	rate	rate	
93.007.000-9	SQM.S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	USD	Upon maturity	0.65 %	0.6
93.007.000-9	SQM.S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	USD	Upon maturity	0.47 %	0.4
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	USD	Upon maturity	3.10 %	2.3
79.626.800-K	SQM Salar S.A.	Chile	97.030.000-7	Banco Estado	Chile	USD	Upon maturity	0.61 %	0.6
79.626.800-K	SQM Salar S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	USD	Upon maturity	0.59 %	0.5
79.947.100-0	SQM Industrial S.A.	Chile	97.030.000-7	Banco Estado	Chile	USD	Upon maturity	0.75 %	0.7
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	USD	Upon maturity	1.75 %	1.2
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	Canada	USD	Upon maturity	1.69 %	1.3
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	USD	Upon maturity	1.35 %	1.2
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	USD	Upon maturity	1.73 %	1.4
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York)	United States	USD	Upon maturity	1.37 %	1.0

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Debtor	Creditor	12/31//2013			12/31/2013			Subtotal	Borrowing costs	Total
		Nominal amounts	Up to 90 days	90 days to 1 year	Current amounts	Up to 90 days	90 days to 1 year			
Filial	Financial institution	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
SQM.S.A.	Scotiabank Sud Americano	-	20,000	20,000	3	20,000	20,003	-	20,003	
SQM.S.A.	Scotiabank Sud Americano	-	20,000	20,000	7	20,000	20,007	-	20,007	
SQM S.A.	Banco Estado NY Branch	-	-	-	1,012	-	1,012	(26 )	986	
SQM Salar S.A.	Banco Estado	20,000	-	20,000	20,033	-	20,033	-	20,033	
SQM Salar S.A.	Scotiabank Sud Americano	-	20,000	20,000	11	20,000	20,011	-	20,011	
SQM Industrial S.A.	Banco Estado	-	20,000	20,000	-	20,081	20,081	-	20,081	
Royal Seed Trading Corporation A.V.V.	Bank of America	-	-	-	-	120	120	(65 )	55	
Royal Seed Trading Corporation A.V.V.	Export Development Canada	-	10,000	10,000	-	10,014	10,014	(60 )	9,954	
Royal Seed Trading Corporation A.V.V.	Scotiabank & Trust (Cayman) Ltd.	-	50,000	50,000	189	50,000	50,189	(43 )	50,146	
Royal Seed Trading Corporation A.V.V.	Scotiabank & Trust (Cayman) Ltd.	-	-	-	-	139	139	(106 )	33	
Royal Seed Trading Corporation A.V.V.	The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York)	-	10,000	10,000	-	10,108	10,108	(70 )	10,038	
<b>Total</b>		<b>20,000</b>	<b>150,000</b>	<b>170,000</b>	<b>21,255</b>	<b>150,462</b>	<b>171,717</b>	<b>(370 )</b>	<b>171,347</b>	

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-83

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)****10.4 Financial liabilities, continued**

b) Unsecured obligations, current:

As of December 31, 2014 and December 31, 2013, the detail of current unsecured interest-bearing obligations is composed of promissory notes and bonds, as follows:

**Bonds**

Debtor	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Periodicity	Payment of interest	Repayment	Eff. rate
93.007.000-9	SQM S.A.	Chile -	ThUS\$200,000	04/15/2015	US\$	Semiannual	Upon maturity	6.
93.007.000-9	SQM S.A.	Chile -	ThUS\$250,000	04/21/2015	US\$	Semiannual	Upon maturity	5.
93.007.000-9	SQM S.A.	Chile -	ThUS\$250,000	01/28/2015	US\$	Semiannual	Upon maturity	4.
93.007.000-9	SQM S.A.	Chile -	ThUS\$300,000	04/03/2015	US\$	Semiannual	Upon maturity	3.
93.007.000-9	SQM S.A.	Chile 446	C	06/01/2015	UF	Semiannual	Semiannual	6.
93.007.000-9	SQM S.A.	Chile 564	H	01/05/2015	UF	Semiannual	Semiannual	4.
93.007.000-9	SQM S.A.	Chile 700	M	02/01/2015	UF	Semiannual	Upon maturity	3.
93.007.000-9	SQM S.A.	Chile 699	O	02/01/2015	UF	Semiannual	Upon maturity	3.

**12/31/2014**                      **12/31/2014**  
**Nominal maturities**      **Current maturities**

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Subsidiary	Country	Series	Up 91		Total	Up to 91		Subtotal	Bond		Total
			to days to 90	days to 1		90 days to 1	91 days to 1		issuance costs		
			dayyear	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM S.A.	Chile	ThUS\$200,000	-	-	-	-	2.586	2.586	(293 )	2.293	
SQM S.A.	Chile	ThUS\$250,000	-	-	-	-	2.674	2.674	(384 )	2.290	
SQM S.A.	Chile	ThUS\$250,000	-	-	-	1.914	-	1.914	(433 )	1.481	
SQM S.A.	Chile	ThUS\$300,000	-	-	-	-	2.658	2.658	(614 )	2.044	
SQM S.A.	Chile	C	-	6.088	6.088	-	6.329	6.329	-	6.329	
SQM S.A.	Chile	H	-	-	-	3.843	-	3.843	(139 )	3.704	
SQM S.A.	Chile	M	-	-	-	554	-	554	(130 )	424	
SQM S.A.	Chile	O	-	-	-	955	-	955	(67 )	888	
<b>Total</b>			-	<b>6.088</b>	<b>6.088</b>	<b>7.266</b>	<b>14.247</b>	<b>21.513</b>	<b>(2.060 )</b>	<b>19.453</b>	

Effective rates of bonds in Chilean pesos and UF are expressed and calculated in U.S. dollars based on the flows agreed in Cross Currency Swap Agreements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-84

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

			<b>10.4 Financial liabilities, continued</b>						
<b>Debtor</b>			<b>Number of registration or ID of the instrument</b>	<b>Series</b>	<b>Maturity date</b>	<b>Currency or adjustment index</b>	<b>Periodicity</b>	<b>Payment of interest</b>	<b>Repayment</b>
<b>Tax ID No.</b>	<b>Subsidiary</b>	<b>Country</b>							
93.007.000-9	SQM S.A.	Chile	-	ThUS\$200,000	04/15/2014	US\$	Semiannual	Upon maturity	
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	04/21/2014	US\$	Semiannual	Upon maturity	
93.007.000-9	SQM S.A.	Chile	-	ThUS\$300,000	04/03/2014	US\$	Semiannual	Upon maturity	
93.007.000-9	SQM S.A.	Chile	446	C	06/01/2014	UF	Semiannual	Semiann	
93.007.000-9	SQM S.A.	Chile	563	G	01/05/2014	Ch\$	Semiannual	Upon maturity	
93.007.000-9	SQM S.A.	Chile	564	H	01/05/2014	UF	Semiannual	Semiann	
93.007.000-9	SQM S.A.	Chile	563	I	04/01/2014	UF	Semiannual	Upon maturity	
93.007.000-9	SQM S.A.	Chile	563	J	04/01/2014	Ch\$	Semiannual	Upon maturity	
93.007.000-9	SQM S.A.	Chile	700	M	02/01/2014	UF	Semiannual	Upon maturity	
93.007.000-9	SQM S.A.	Chile	699	O	02/01/2014	UF	Semiannual	Upon maturity	

			<b>12/31/2013 Nominal maturities</b>			<b>12/31/2013 Current maturities</b>			<b>Bond</b>	
<b>Subsidiary Country Series</b>			<b>Up to 90 days</b>	<b>91 days to 1 year</b>	<b>Total</b>	<b>Up to 90 days</b>	<b>91 days to 1 year</b>	<b>Subtotal</b>	<b>issuance costs</b>	<b>Total</b>
			<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
SQM S.A.	Chile	ThUS\$200,000	-	-	-	-	2,586	2,586	(293 )	2,293



Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

SQM S.A.	Chile	ThUS\$250,000	-	-	-	-	2,674	2,674	(384 )	2,290
SQM S.A.	Chile	ThUS\$300,000	-	-	-	-	2,658	2,658	(614 )	2,044
SQM S.A.	Chile	C	-	6,665	6,665	-	6,951	6,951	(210 )	6,741
SQM S.A.	Chile	G	40,030	-	40,030	41,377	-	41,377	-	41,377
SQM S.A.	Chile	H	-	-	-	4,207	-	4,207	(139 )	4,068
SQM S.A.	Chile	I	66,648	-	66,648	-	67,144	67,144	(87 )	67,057
SQM S.A.	Chile	J	99,121	-	99,121	-	100,466	100,466	(139 )	100,327
SQM S.A.	Chile	M	-	-	-	606	-	606	(130 )	476
SQM S.A.	Chile	O	-	-	-	1,045	-	1,045	(66 )	979
<b>Total</b>			<b>205,799</b>	<b>6,665</b>	<b>212,464</b>	<b>47,235</b>	<b>182,479</b>	<b>229,714</b>	<b>(2,062)</b>	<b>227,652</b>

Effective rates of bonds in Chilean pesos and UF are expressed and calculated in U.S. dollars based on the flows agreed in Cross Currency Swap Agreements.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-85

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

**10.4 Financial liabilities, continued**

c) Types of interest-bearing borrowings, non-current

Non-current interest-bearing borrowings as of December 31, 2014 and December 31, 2013 are detailed as follows:

Debtor		Creditor		Currency or adjustment			Repayment	Effective	Nomi
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	index	rate	rate	
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US\$	Upon maturity	3.56%	2.33%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Caimán) Ltd.	Cayman Islands	US\$	Upon maturity	2.27%	1.37%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US\$	Upon maturity	2.70%	1.23%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	Canada	US\$	Upon maturity	2.12%	1.27%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Ltd (New York)	United States	US\$	Upon maturity	2.45%	0.97%

Subsidiary	Financial institution	Nominal non-current maturities 31/12/2014		Non-current maturities 31/12/2014			Borrowing costs	Total
		Over 1 years	Over 2 years	Over 1 years	Over 2 years	Over 3 years		

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

		<b>to 2</b>	<b>to 3</b>	<b>to 4</b>	<b>to 2</b>	<b>to 3</b>	<b>to 4</b>		
		<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
SQM S.A.	Banco Estado NY Branch	-	140,000	-	140,000	-	140,000	-	140,000
Royal Seed Trading Corporation A.V.V.	Bank of America	-	40,000	-	40,000	-	40,000	(49 )	39,951
Royal Seed Trading Corporation A.V.V.	Export Development Canada	-	20,000	-	20,000	-	20,000	(59 )	19,941
Royal Seed Trading Corporation A.V.V.	The Bank of Tokyo-Mitsubishi UFJ, Ltd (New York)	-	20,000	-	20,000	-	20,000	(54 )	19,946
<b>Total</b>		-	<b>220,000</b>	-	<b>220,000</b>	-	<b>220,000</b>	<b>(162 )</b>	<b>219,838</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-86

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)****10.4 Financial liabilities, continued**

Debtor		Creditor			Currency or adjustment		Repayment	Effective	Nominal
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	index	rate	rate	rate
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	USD	Upon maturity	3.10%	2.39%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Caimán) Ltd.	Islas Caimán	USD	Upon maturity	1.35%	1.41%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	USD	Upon maturity	1.75%	1.27%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	Canada	USD	Upon maturity	1.69%	1.30%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Ltd (New York)	United States	USD	Upon maturity	1.37%	1.01%

Subsidiary	Financial institution	Nominal non-current maturities 12/31/2013			Total	Non-current maturities 12/31/2013			Subtotal	Borrowing costs
		Over 1 years	Over 2 years	Over 3 years		Over 1 years	Over 2 years	Over 3 years		
SQM S.A.	Banco Estado NY Branch	-	-	140,000	140,000	-	-	140,000	140,000	(70 ) 13
Royal Seed Trading Corporation	Scotiabank & Trust (Caimán) Ltd.	50,000	-	-	50,000	50,000	-	-	50,000	(85 ) 49

A.V.V. Royal Seed Trading Corporation	Bank of America	-	40,000	-	40,000	-	40,000	-	40,000	(114)	3	
A.V.V. Royal Seed Trading Corporation	Export Development Canada	-	40,000	-	40,000	-	-	40,000	40,000	(119)	3	
A.V.V. Royal Seed Trading Corporation	The Bank of Tokyo-Mitsubishi UFJ, Ltd (New York)	-	40,000	-	40,000	-	40,000	-	40,000	(123)	3	
<b>Total</b>			<b>50,000</b>	<b>120,000</b>	<b>140,000</b>	<b>310,000</b>	<b>50,000</b>	<b>80,000</b>	<b>180,000</b>	<b>310,000</b>	<b>(511)</b>	<b>3</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-87

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

**10.4 Financial liabilities, continued**

d) Non-current unsecured interest-bearing bonds

The breakdown of non-current unsecured interest-bearing bonds as of December 31, 2014 and December 31, 2013 is detailed as follows:

Tax ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Periodicity Payment of interest	Rep
93.007.000-9	SQM S.A.	Chile	-	ThUS\$200,000	04/15/2016	US\$	Semiannual	Up mat
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	04/21/2020	US\$	Semiannual	Up mat
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	01/28/2025	US\$	Semiannual	Up mat
93.007.000-9	SQM S.A.	Chile	-	ThUS\$300,000	04/03/2023	US\$	Semiannual	Up mat
93.007.000-9	SQM S.A.	Chile	446	C	12/01/2026	UF	Semiannual	Sen
93.007.000-9	SQM S.A.	Chile	564	H	01/05/2030	UF	Semiannual	Sen
93.007.000-9	SQM S.A.	Chile	700	M	02/01/2017	UF	Semiannual	Up mat
93.007.000-9	SQM S.A.	Chile	699	O	02/01/2033	UF	Semiannual	Up mat

**Nominal non-current maturities**

**12/31/2014**

Series	Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years
--------	------------------	-------------------	-------------------	-------------------	--------------

**Total**

**Non-current maturities**

**12/31/2014**

Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years
------------------	-------------------	-------------------	-------------------	--------------

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
ThUS\$200,000	200,000	-	-	-	-	200,000	200,000	-	-	-	-
ThUS\$250,000	-	-	-	-	250,000	250,000	-	-	-	-	250,000
ThUS\$250,000	-	-	-	-	250,000	250,000	-	-	-	-	250,000
ThUS\$300,000	-	-	-	-	300,000	300,000	-	-	-	-	300,000
C	6,088	6,088	6,088	6,088	42,619	66,971	6,088	6,088	6,088	6,088	42,619
H	-	-	-	-	162,354	162,354	-	-	-	-	162,354
M	-	40,588	-	-	-	40,588	-	40,588	-	-	-
O	-	-	-	-	60,883	60,883	-	-	-	-	60,883
<b>Total</b>	<b>206,088</b>	<b>46,676</b>	<b>6,088</b>	<b>6,088</b>	<b>1,065,856</b>	<b>1,330,796</b>	<b>206,088</b>	<b>46,676</b>	<b>6,088</b>	<b>6,088</b>	<b>1,065,856</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-88

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)****10.4 Financial liabilities, continued**

d) Unsecured interest-bearing liabilities, non-current, continued

As of December 31, 2014 and December 31, 2013, the breakdown of unsecured interest-bearing liabilities, non-current is as follows:

Tax ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Periodicity Payment of interest	Rep
93.007.000-9	SQM S.A.	Chile	-	ThUS\$200,000	04/15/2016	US\$	Semiannual	Up mat
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	04/21/2020	US\$	Semiannual	Up mat
93.007.000-9	SQM S.A.	Chile	-	ThUS\$300,000	04/03/2023	US\$	Semiannual	Up mat
93.007.000-9	SQM S.A.	Chile	446	C	12/01/2026	UF	Semiannual	Sen
93.007.000-9	SQM S.A.	Chile	564	H	01/05/2030	UF	Semiannual	Sen
93.007.000-9	SQM S.A.	Chile	700	M	02/01/2017	UF	Semiannual	Up mat
93.007.000-9	SQM S.A.	Chile	699	O	02/01/2033	UF	Semiannual	Up mat

**Nominal non-current maturities****12/31/2013**

Series	Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years	Total
ThUS\$200,000	-	200,000	-	-	-	200,000

**Non-current maturities****12/31/2013**

Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years	Total
-	200,000	-	-	-	200,000



Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

ThUS\$250,000	-	-	-	-	250,000	250,000	-	-	-	-	250,000
ThUS\$300,000	-	-	-	-	300,000	300,000	-	-	-	-	300,000
C	6,665	6,665	6,665	6,665	53,318	79,978	6,665	6,665	6,665	6,665	53,318
H	-	-	-	-	177,729	177,729	-	-	-	-	177,729
M	-	-	44,432	-	-	44,432	-	-	44,432	-	-
O	-	-	-	-	66,648	66,648	-	-	-	-	66,648
<b>Total</b>	<b>6,665</b>	<b>206,665</b>	<b>51,097</b>	<b>6,665</b>	<b>847,695</b>	<b>1,118,787</b>	<b>6,665</b>	<b>206,665</b>	<b>51,097</b>	<b>6,665</b>	<b>847,695</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-89

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

**10.4 Financial liabilities, continued**

e) Additional information

**Bonds**

As of December 31, 2014 and December 31, 2013, bonds of ThUS\$19,453 and ThUS\$227,652 respectively were classified as short-term, consisting of the current portion due plus accrued interest to date, excluding bond issue costs. The non-current portion consisted of ThUS\$1,317,429 as of December 31, 2014 and ThUS\$1,106,496 as of December 31, 2013, corresponding to the issuance of series C bonds, Single series bonds (ThUS\$200), series H bonds second issue single series bonds (ThUS\$250), series M bonds, series O bonds, third issue single series bonds (ThUS\$300) and fourth issue single series bonds (ThUS\$250) excluding debt issue costs.

As of December 31, 2014 and December 31, 2013, the details of each issuance are as follows:

**Series “C” bonds**

On January 24, 2006, the Company placed Series C bonds for UF 3,000,000 (ThUS\$101,918) at an annual rate of 4.00%.

As of December 31, 2014, 2013 and 2012, the Company has made the following payments with a charge to the Series C bonds:

<b>Payments made</b>	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Principal payment	6,301	6,858	6,858
Interest payment	3,184	4,004	4,004

**Single series first issue ThUS\$200,000**

On April 5, 2006, the Company placed Single Series bonds for ThUS\$200,000 at an annual rate of 6.125% under "Rule 144 and regulation S of the U.S. Securities Act of 1933."

As of December 31, 2014, 2013 and 2012, the Company has made the following payments with a charge to the Single Series bonds:

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
<b>Payments made</b>			
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Payments of interest	12,250	12,250	12,250

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-90

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

**10.4**

**Financial liabilities, continued**

**Series “G” and “H” bonds**

On January 13, 2009, the Company placed two bond series in the domestic market. Series H for UF 4,000,000 (ThUS\$139,216) at an annual interest rate of 4.9% at a term of 21 years with payment of principal beginning in 2019 and Series G for ThCh\$ 21,000,000 (ThUS\$34,146), which was placed at a term of 5 years with a single payment at the maturity of the term and an annual interest rate of 7%.

As of December 31, 2014, 2013 and 2012, the Company has made the following payments with a charge to the Series G and H bonds:

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
<b>Payments made</b>			
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Payment of principal of Series G bonds	39,713	-	-
Payments of interest, Series G bonds	1,366	2,845	2,845
Payments of interest, Series H bonds	8,496	8,565	8,565

**Series “J” and “I” bonds**

On May 8, 2009, the Company placed two bond series in the domestic market. Series J for ThCh\$52,000,000 (ThUS\$92,456) which was placed at a term of 5 years with single payment at the expiration date of the term and annual interest rate of 5.5% and Series I for UF 1,500,000 (ThUS\$56,051) which was placed at a term of 5 years with single payment at the maturity of the term and annual interest rate of 3.00%.

As of December 31, 2014, 2013 and 2012, the Company has made the following payments with a charge to the Series J and I bonds:

	12/31/2014	12/31/2013	12/31/2012
<b>Payments made</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Payments of principal Series J bonds	94,454	-	-
Payment of interest, Series J bonds	2,563	5,879	5,879
Payments of principal Series I bonds	64,083	-	-
Payment of interest, Series I bonds	1,206	2,100	2,100

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-91

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

**10.4**

**Financial liabilities, continued**

**Single series bonds, second issue ThUS\$250,000**

On April 21, 2010, the Company informed the Chilean Superintendence of Securities and Insurance of its placement in international markets of an unsecured bond of ThUS\$250,000 with a maturity of 10 years beginning on the aforementioned date with an annual interest rate of 5.5% and destined to refinance long-term liabilities.

As of December 31, 2014, 2013 and 2012, the detail of payments charged to the line of single series bonds, second issue is as follows:

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
<b>Payments made</b>			
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Interest payment	13,750	13,750	13,750

**Series “M” and “O” bonds**

On April 4, 2012, the Company placed two bond series in the domestic market. Series M for UF 1,000,000 (ThUS\$46,601) was placed at a term of 5 years with a single payment at the maturity of the term and an annual interest rate of 3.3%, and Series O for UF 1,500,000 (ThUS\$69,901) was placed at a term of 21 years with a single payment at the maturity of the term and an annual interest rate of 3.80%

As of December 31, 2014, 2013 and 2012 the Company has made the following payments with a charge to the Series M and O bonds:

<b>Payments made</b>	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
----------------------	-------------------	-------------------	-------------------

	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Payment of interest, Series M bonds	1,380	765	765
Payment of interest, Series O bonds	2,381	1,320	1,320

**Single series bonds, third issue ThUS\$300,000**

On April 3, 2013 in the United States, the Company issued a non-guaranteed bond with a value of US\$ 300 million. The bond is for a 10 year term with an annual coupon rate of 3.625% and an annual yield of 3.716%. This rate equates to a difference of 180 basis points to comparable US Treasury bonds. The funds raised will be used to refinance long term liabilities and finance general corporate objectives.

As of December 31, 2014, 2013 and 2012, the following payments have been made with a debit to the line of single-series bonds, third issue:

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
<b>Payments made</b>			
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Payment of interest	10,875	5,438	-

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-92

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

**10.4**

**Financial liabilities, continued**

**Single series bonds, fourth issuance ThUS\$ 250**

On October 23, 2014, the Company informed the Chilean Superintendence of Securities and Insurance that Sociedad Química y Minera de Chile S.A. agreed to issue and place unsecured bonds of ThUS\$ 250,000 in international markets. This, essentially, maturing in 2025 with a cover annual interest rate of 4.375% equivalent to a spread of 215 basis points on comparable US Treasury bonds, which were offered to the investors at a price of 99.410% with respect to capital. The aforementioned agreement was agreed on October 23, 2014 and the issuance and placement of such bonds was performed in conformity with the provisions of Rule 144A of the US Securities Act of 1933 and these bonds will not be publicly offered in Chile.

As of December 31, 2014, no payments have been made.

**10.5**

**Trade and other payables**

	<b>12/31/2014</b>			<b>12/31/2013</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Accounts payable	144,998	-	144,998	150,322	-	150,322
Retained (or accrued)	162	-	162	638	-	638
<b>Total</b>	<b>145,160</b>	<b>-</b>	<b>145,160</b>	<b>150,960</b>	<b>-</b>	<b>150,960</b>

Purchase commitments held by the Company are recognized as liabilities when the goods and services are received by the Company. As of December 31, 2014, the Company has purchase orders amounting to ThUS\$15,966 (ThUS\$29,395 as of December 31, 2013).

**SQM S.A.**



Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-93

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

## 10.6 Financial liabilities at fair value through profit or loss

This balance relates to derivative instruments measured at their fair value, which has generated balances against the Company. The detail of this type of instrument is as follows:

Financial liabilities at fair value through profit or loss	Effect on profit		Effect on profit		Effect on profit	
	12/31/2014	or loss as of	12/31/2013	or loss as of	12/31/2012	or loss as of
	ThUS\$	12/31/2014 ThUS\$	ThUS\$	12/31/2013 ThUS\$	ThUS\$	12/31/2012 ThUS\$
<b>Current</b>						
Derivative instruments (forward)	457	-	423	5,100	5,612	(4,559 )
Derivative instruments (options)	1,410	-	665	1,827	2,492	(1,456 )
Derivative instruments (IRS)	736	1,637	1,339	251	2,231	(240 )
	<b>2,603</b>	<b>1,637</b>	<b>2,427</b>	<b>7,178</b>	<b>10,335</b>	<b>(6,255 )</b>

Balances in the column effect on profit or loss consider the effects of agreements which were in force as of December 31, 2014, including derivatives, received during the year.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-94

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

10.7

Financial asset and liability categories

a)

Financial Assets

Description of financial assets	12/31/2014			12/31/2013		
	Current Amount	Non-current Amount	Total Amount	Current Amount	Non-current Amount	Total Amount
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Financial assets measured at amortized cost	653,442	-	653,442	431,883	-	431,883
Investments held-to-maturity measured at amortized cost	-	427	427	-	95	95
Loans and receivables measured at amortized cost	340,830	2,044	342,874	330,992	1,282	332,274
<b>Total financial assets measured at amortized cost</b>	<b>994,272</b>	<b>2,471</b>	<b>996,743</b>	<b>762,875</b>	<b>1,377</b>	<b>764,252</b>
Financial assets at fair value through profit or loss	17,160	-	17,160	3,283	-	3,283
Financial assets at fair value through other comprehensive income	-	-	-	25,007	-	25,007
<b>Total financial assets at fair value</b>	<b>17,160</b>	<b>-</b>	<b>17,160</b>	<b>28,290</b>	<b>-</b>	<b>28,290</b>
<b>Total financial assets</b>	<b>1,011,432</b>	<b>2,471</b>	<b>1,013,903</b>	<b>791,165</b>	<b>1,377</b>	<b>792,542</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-95

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)****10.7 Financial asset and liability categories (continued)**

## b) Financial liabilities

Description of financial liabilities	12/31/2014			12/31/2013		
	Current Amount	Non-current Amount	Total Amount	Current Amount	Non-current Amount	Total Amount
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Financial liabilities at fair value through profit or loss	2,603	36,958	39,561	2,427	1,405	3,832
<b>Financial liabilities at fair value through profit or loss</b>	<b>2,603</b>	<b>36,958</b>	<b>39,561</b>	<b>2,427</b>	<b>1,405</b>	<b>3,832</b>
Financial liabilities measured at amortized cost	355,729	1,537,267	1,892,996	549,959	1,415,985	1,965,944
<b>Total financial liabilities measured at amortized cost</b>	<b>355,729</b>	<b>1,537,267</b>	<b>1,892,996</b>	<b>549,959</b>	<b>1,415,985</b>	<b>1,965,944</b>
<b>Total financial liabilities</b>	<b>358,332</b>	<b>1,574,225</b>	<b>1,932,557</b>	<b>552,386</b>	<b>1,417,390</b>	<b>1,969,776</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-96

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

10.8 Fair value measurement of assets and liabilities

Financial assets and liabilities measured at fair value consist of Options and Forwards hedging the mismatch in the balance sheet and cash flows, Cross Currency Swaps (CCS) to hedge bonds issued in local currency (\$/UF), and Interest Rate Swaps (IRS) to hedge LIBOR rate debt issued.

The value of the Company's assets and liabilities recognized by CCS contracts is calculated as the difference between the present value of discounted cash flows of the asset (pesos/UF) and liability (US\$) parts of the derivative. In the case of the IRS, the asset value recognized is calculated as the difference between the discounted cash flows of the asset (variable rate) and liability (fixed rate) parts of the derivative. Forwards: Are calculated as the difference between the strike price of the contract and the spot price plus the forwards points at the date of the contract. Options: The value recognized is calculated using the Black-Scholes method.

In the case of CCS, the entry data used for the valuation models are UF, peso, and basis swap rates. In the case of fair value calculations for IRS, the FRA (Forward Rate Agreement) rate and ICVS 23 Curve (Bloomberg: cash/deposits rates, futures, swaps). In the case of forwards, the forwards curve for the currency in question is used. Finally, with options, the spot price, risk-free rate and volatility of exchange rate are used, all in accordance with the currencies used in each valuation. The financial information used as entry data for the Company's valuation models is obtained from Bloomberg, the well-known financial software company. Conversely, the fair value provided by the counterparties of derivatives contracts is used only as a control and not for valuation.

The effects on profit or loss of movements in these amounts may be recognized in the caption Finance costs, foreign currency translation gain (loss) or cash flow hedges in the statement of comprehensive income, depending on each particular case.

The fair value measurement of debt is only performed to determine the actual market value of guaranteed and non-guaranteed long-term obligations; bonds denominated in local currency (\$/UF) and foreign currency (US\$), credits denominated in foreign currency (US\$).

The value of the Company's reported liabilities is calculated as the present value of discounted cash flows at market rates at the time of valuation, taking into account the maturity date and exchange rate. The entry data used for the model includes the UF and peso rates, which are obtained using Bloomberg, the well-known financial software company and the 'Asociación de Bancos e Instituciones Financieras' (ABIF) (Association of Banks and Financial Institutions').

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-97

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

10.9 Financial assets pledged as guarantee

On November 4, 2004, Isapre Norte Grande maintains a guarantee equivalent to the total amount owed to its members and healthcare providers, which is managed and maintained by Banco de Chile.

As of December 31, 2014 and December 31, 2013, assets pledged as guarantees are as follows:

	<b>12/31/2014</b>	<b>12/31/2013</b>
<b>Restricted cash</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Isapre Norte Grande Ltda.	682	708
<b>Total</b>	<b>682</b>	<b>708</b>

10.10 Estimated fair value of financial instruments and financial derivatives

As required by IFRS 7, the following information is presented for the disclosure of the estimated fair value of financial assets and liabilities.

Although inputs represent Management's best estimate, they are subjective and involve significant estimates related to the current economic and market conditions, as well as risk features.

Methodologies and assumptions used depend on the risk terms and characteristics of instruments and include the following as a summary:

- Cash equivalent approximates fair value due to the short-term maturities of these instruments.
- Other current financial liabilities are considered at fair value equal to their carrying values.

For interest-bearing liabilities with original maturity of more than a year, fair values are calculated at discounting contractual cash flows at their original current market with similar terms.

For forward and swap contracts, fair value is determined using quoted market prices of financial instruments with similar characteristics.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-98



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)****10.10 Estimated fair value of financial instruments and financial derivatives, continued**

The detail of the Company's instruments at carrying value and estimated fair value is as follows:

	<b>12/31/2014</b>		<b>12/31/2013</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Cash and cash equivalents	354,566	354,566	476,622	476,622
Current trade and other receivables	340,830	340,830	330,992	330,992
Other financial assets, current:				
- Time deposits	653,442	653,442	431,883	431,883
- Derivative instruments	17,160	17,160	3,283	3,283
- Current hedging assets	-	-	25,007	25,007
<b>Total other current financial assets</b>	<b>670,602</b>	<b>670,602</b>	<b>460,173</b>	<b>460,173</b>
Non-Current Trade Receivables	2,044	2,044	1,282	1,282
Other non-current financial assets:	427	427	95	95
<b>Other non-current financial assets:</b>	<b>427</b>	<b>427</b>	<b>95</b>	<b>95</b>
Other financial liabilities, current:				
- Bank loans	191,116	191,116	171,347	171,347
- Derivative instruments	1,791	1,791	1,088	1,088
- Hedging liabilities	812	812	1,339	1,339
- Unsecured obligations	19,453	19,453	227,652	227,652
<b>Other financial liabilities, current</b>	<b>213,172</b>	<b>213,172</b>	<b>401,426</b>	<b>401,426</b>
Current and non-current accounts payable	145,160	145,160	150,960	150,960
Other non-current financial liabilities:				
- Bank loans	219,838	180,756	309,489	324,246
- Unsecured obligations	1,317,429	1,584,237	1,106,496	1,077,049
- Non-current hedging liabilities	36,958	36,958	1,405	1,405
<b>Other non-current financial liabilities:</b>	<b>1,574,225</b>	<b>1,801,951</b>	<b>1,417,390</b>	<b>1,402,700</b>

**Fair value hierarchy**

Fair value hierarchies are as follows:

a) Level 1: When only quoted (unadjusted) prices have been used in active markets.

b) Level 2: When in a phase in the valuation process variable other than prices quoted in Level 1 have been used which are directly observable in markets.

c) Level 3: When in a phase in the valuation process variable which are not based in observable market data have been used.

The valuation techniques used to determine the fair value of our hedging instruments, bank loans, and unsecurable obligations are level 2 fair value instruments, based on discounted cash flows using market based rates as of year-end.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-99

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 10 Financial instruments (continued)**

10.11 Nature and scope of risks arising from financing instruments

As indicated in paragraphs 33 to 42 of IFRS 7 the disclosure of information associated with the nature and scope of risks arising from financial instruments is presented in Note 4 - Financial Risk Management.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-100

Notes to the Consolidated Financial Statements as of December 31, 2014

## Note 11 Equity-accounted investees

## 11.1 Investments in associates recognized according to the equity method of accounting

As of December 31, 2014 and December 31, 2013, in accordance with criteria established in Note 3.19, investment in associates recognized according to the equity method of accounting and joint ventures are as follows:

Associates	Equity-accounted investees	Share on profit (loss) of associates and joint ventures accounted for using the equity method			Share on other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax		Share on total other comprehensive income of associates and joint ventures accounted for using the equity method				
		12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2012 ThUS\$	
Sales de Magnesio Ltda.		1,159	1,649	942	1,005	1,088	-	-	942	1,005	1,088
Abu Dhabi Fertilizer Industries WWL		10,269	11,453	1,783	1,596	1,628	-	-	1,783	1,596	1,628
Doktor Tarsa Tarim Sanayi AS		14,869	15,193	4,138	2,192	4,134	-	-	4,138	2,192	4,134
Ajay North America		13,530	13,125	6,188	7,919	10,927	-	-	6,188	7,919	10,927
Ajay Europe SARL		8,004	7,924	2,570	3,825	6,295	(30 )	-	2,540	3,825	6,295
SQM Eastmed Turkey		88	142	(21 )	132	-	-	-	(21 )	132	-

Charlee SQM Thailand Co. Ltd.	1,804	1,589	158	237	32	-	-	158	237	32
<b>Total</b>	<b>49,723</b>	<b>51,075</b>	<b>15,758</b>	<b>16,906</b>	<b>24,104</b>	<b>(30 )</b>	<b>-</b>	<b>15,728</b>	<b>16,906</b>	<b>24,104</b>

Associate	Description of the nature of the relationship	Domicile	Country of incorporation	Share of ownership in associates		Dividends received	
						12/31/2012 ThUS\$	12/31/2013 ThUS\$
Sales de Magnesio Ltda.	Commercialization of magnesium salts.	El Trovador 4285, Las Condes	Chile	50	%	1,245	892
Abu Dhabi Fertilizer Industries WWL	Distribution and commercialization of specialty plant nutrients in the Middle East.	PO Box 71871, Abu Dhabi	United Arab Emirates	37	%	-	-
Doktor Tarsa Tarim Sanayi AS	Distribution and commercialization of specialty plant nutrients in Turkey.	Organize Sanayi Bolgesi, Ikinci Kisim, 22 cadde TR07100 Antalya 1400 Industry	Turkey	50	%	-	-
Ajay North America	Production and commercialization of iodine derivatives.	RD Power Springs GA 30129	United States	49	%	7,139	10,437
Ajay Europe SARL	Production and commercialization of iodine derivatives.	Z.I. du Grand Verger BP 227 53602 Evron Cedex	France	50	%	2,728	5,093
SQM Eastmed Turkey	Production and commercialization of specialty products.	Organize Sanayi Bolgesi, Ikinci Kisim, 22 cadde TR07100 Antalya	Turkey	50	%	-	-
Charlee SQM Thailand Co. Ltd.	Distribution and commercialization of specialty plant nutrients.	31 Soi 138 (Meesuk) LLapdrawrd, Bangkapi, 10240 Bangkok	Thailand	40	%	-	-

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-101

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 11 Equity-accounted investees (continued)**

11.2 Assets, liabilities, revenue and expenses of associates

**12/31/2014**

					Revenue	Gain (loss) from continuing operations	Other comprehensive income	Comprehensive income
	Assets		Liabilities		ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sales de Magnesio Ltda.	3,957	481	2,099	22	12,750	1,883	-	1,883
Abu Dhabi Fertilizer Industries WWL	31,010	2,795	6,048	-	53,186	4,819	-	4,819
Doktor Tarsa Tarim Sanayi AS	75,497	10,099	39,515	16,344	83,397	8,275	-	8,275
Ajay North America	20,912	10,269	3,568	-	60,101	12,628	-	12,628
Ajay Europe SARL	21,929	2,103	8,023	-	51,687	5,142	(59 )	5,083
SQM Eastmed Turkey	10	228	62	-	-	(42 )	-	(42 )
Charlee SQM Thailand Co. Ltd.	8,279	669	4,435	-	12,968	394	-	394
<b>Total</b>	<b>161,594</b>	<b>26,644</b>	<b>63,750</b>	<b>16,366</b>	<b>274,089</b>	<b>33,099</b>	<b>(59 )</b>	<b>33,040</b>

**12/31/2013**

					Revenue	Gain (loss) from continuing operations	Other comprehensive income	Comprehensive income
	Assets		Liabilities		ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sales de Magnesio Ltda.	4,519	309	1,512	18	14,370	2,009	-	2,009
Abu Dhabi Fertilizer Industries WWL	26,645	2,321	6,059	-	44,689	3,192	-	3,192
Doktor Tarsa Tarim Sanayi AS	67,603	6,563	37,696	6,082	73,905	4,385	-	4,385
Ajay North America	23,728	9,289	6,230	-	72,297	16,161	-	16,161
Ajay Europe SARL	22,247	2,370	8,770	-	67,361	7,649	-	7,649
SQM Eastmed Turkey	149	305	169	-	139	265	-	265
Charlee SQM Thailand Co. Ltd.	6,104	572	2,706	-	19,179	593	-	593
<b>Total</b>	<b>150,995</b>	<b>21,729</b>	<b>63,142</b>	<b>6,100</b>	<b>291,940</b>	<b>34,254</b>	<b>-</b>	<b>34,254</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-102



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 11 Equity-accounted investees (continued)****11.2 Assets, liabilities, revenue and expenses of associates, continued****12/31/2012**

	<b>Assets</b>		<b>Liabilities</b>		<b>Revenue</b>	<b>Gain (loss) from continuing operations</b>	<b>Other comprehensive income</b>	<b>Comprehensive income</b>
	<b>Current ThUS\$</b>	<b>Non-current ThUS\$</b>	<b>Current ThUS\$</b>	<b>Non-current ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Sales de Magnesio Ltda.	4,662	364	1,713	-	14,259	2,177	-	2,177
Abu Dhabi Fertilizer Industries WWL	21,885	2,187	4,291	-	42,899	3,255	-	3,255
Doktor Tarsa Tarim Sanayi AS	67,345	7,982	36,332	8,304	77,839	8,267	-	8,267
Ajay North America	28,914	8,719	6,292	-	83,340	22,300	-	22,300
Ajay Europe SARL	27,587	2,091	12,688	-	84,203	12,591	-	12,591
SQM Eastmed Turkey	16	412	258	-	-	-	-	-
Charlee SQM Thailand Co. Ltd.	12,898	462	13,048	-	13,536	81	-	81
<b>Total</b>	<b>163,307</b>	<b>22,217</b>	<b>74,622</b>	<b>8,304</b>	<b>316,076</b>	<b>48,671</b>	<b>-</b>	<b>48,671</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-103

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 11 Investment in Associates (continued)**

11.3

Other information

The Company has no participation in unrecognized losses in investments in associates.

The Company presents no investments unaccounted for according to the equity method of accounting.

The equity method was applied to the Statement of Financial Position as of December 31, 2014 and December 31, 2013.

The basis of preparation of the financial information of associates corresponds to the amounts included in the financial statements in conformity with the entity's IFRS.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-104

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 12 Joint Ventures

12.1 Policy for the accounting of equity accounted investment in joint ventures

The method for the recognition of joint ventures is that in which participation is initially recorded at cost, and subsequently adjusted, considering changes after the acquisition in the portion of the entity's net assets of the entity which correspond to the investor. Profit or loss for the period of the investor will collect the portion which belongs to it in the results of the controlled entity as a whole.

12.2 Disclosures of interest in joint ventures

a) Operations conducted in 2014

During the second quarter of 2014, SQM Industrial S.A. received a reimbursement of capital amounting to ThUS\$2,011 from SQM Vitas Fzco., resulting in a decrease capital, and maintaining the interest in this Company.

b) Operations conducted in 2013

As of December 31, there are no changes in the breakdown of interests in joint ventures.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-105

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 12 Joint Ventures (continued)**

12.3 Investment in joint ventures accounted for under the equity method of accounting

Joint venture	Description of the nature of the relationship	Domicile	Country of incorporation	Share of interest in ownership		Dividends received	
				12/31/2014	12/31/2013	ThUS\$	US\$
Sichuan SQM Migao Chemical Fertilizers Co. Ltda.	Production and distribution of soluble fertilizers.	Huangjing Road, Dawan Town, Qingbaijiang District, Chengdu Municipality, Sichuan Province	China	50	%	-	-
Coromandel SQM India	Production and distribution of potassium nitrate.	1-2-10, Sardar Patel Road, Secunderabad – 500003 Andhra Pradesh	India	50	%	-	-
SQM Vitas Fzco.	Production and commercialization of specialty plant and animal nutrition and industrial hygiene.	Jebel ALI Free Zone P.O. Box 18222, Dubai	United Arab Emirates	50	%	-	-
SQM Star Qingdao Corp Nutrition. Co. Ltd.	Production and distribution of nutrient plant solutions with specialties NPK soluble	Longquan Town, Jimo City, Qingdao Municipality, Shangdong Province	China	50	%	-	-
SQM Vitas Brazil Agroindustria	Production and commercialization of specialty plant and animal nutrition and industrial hygiene.	Via Cndeias, Km. 01 Sem Numero, Lote 4, Bairro Cia Norte, Candeias, Bahia.	Brazil	49.99	%	-	-
SQM Vitas Peru S.A.C.	Production and commercialization of specialty plant and animal nutrition and industrial	Av. Juan de Arona 187,	Peru	50	%	-	-

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

	hygiene	Torre B, Oficina 301-II, San Isidro, Lima 33 Waterford Office Park Waterford Drive Fourways, 2055 South Africa	South Africa	50	%	-	-
SQM Vitas Southern Africa Pty.	Production and commercialization of specialty plant and animal nutrition and industrial hygiene						
SQM Vitas Spain	Production and commercialization of specialty plant nutrition	Manzana 2 Muelle de la Cab ( Puerto Real ) Herikerbergweg 238, 1101 CM Amsterdam Zuidoost	Spain	50	%	-	-
SQM Vitas Holland	Without information		Holland	50	%	-	-
SQM Vitas Plantacote B.V.	Production and commercialization of controlled-released fertilizers	Herikerbergweg 238, 1101 CM Amsterdam Zuidoost	Holland	50	%	-	-

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-106

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 12 Joint Ventures (continued)****12.3 Investment in joint ventures accounted for under the equity method of accounting, continued:**

Joint Venture	Equity-accounted investees			Share on profit (loss) of associates and joint ventures accounted for using the equity method		
	12/31/2014	12/31/2013	12/31/2012	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co. Ltd.	12,819	11,504	10,428	(414 )	255	287
Coromandel SQM India	754	801	683	128	90	184
SQM Vitas Fzco.	9,189	12,762	7,153	2,049	1,807	(266 )
SQM Star Qingdao Corp. Nutrition Co. Ltd.	1,969	1,475	1,079	494	396	48
SQM Vitas Holland	1,324	(599 )	-	101	-	-
<b>Total</b>	<b>26,055</b>	<b>25,943</b>	<b>19,343</b>	<b>2,358</b>	<b>2,548</b>	<b>253</b>
Joint Venture	Share on other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax			Share on total other comprehensive income of associates and joint ventures accounted for using the equity method		
	12/31/2014	12/31/2013	12/31/2012	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co. Ltd.	(1 )	13	-	(415 )	267	287
Coromandel SQM India	-	-	(87 )	128	89	98
SQM Vitas Fzco.	(457 )	(339 )	(159 )	1,592	1,467	(425 )
SQM Star Qingdao Corp. Nutrition Co. Ltd.	-	-	-	494	395	48
SQM Vitas Holland	-	-	-	101	(667 )	-

<b>Total</b>	<b>(458 )</b>	<b>(326 )</b>	<b>(246 )</b>	<b>1,900</b>	<b>1,551</b>	<b>8</b>
--------------	---------------	---------------	---------------	--------------	--------------	----------

The following companies are investments in joint ventures of

- (1) SQM Vitas Fzco.
- (2) SQM Vitas Holland

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-107

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 12 Joint Ventures (continued)****12.3 Investment in joint ventures accounted for under the equity method of accounting, continued:**

Joint Venture	Equity-accounted investees			Share on profit (loss) of associates and joint ventures accounted for using the equity method		
	12/31/2014	12/31/2013	12/31/2012	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Vitas Brazil (1)	5,670	4,747	2,799	1,045	2,538	(621 )
SQM Vitas Peru (1)	4,993	4,314	2,525	948	(224 )	(28 )
SQM Vitas Southern Africa (1)	180	1,096	506	(907 )	55	(238 )
SQM Vitas Spain (2)	1,023	-	248	291	-	
SQM Vitas Plantacote B.V. (2)	1,135	-	-	1	-	
<b>Total</b>	<b>13,001</b>	<b>10,157</b>	<b>6,078</b>	<b>1,378</b>	<b>2,369</b>	<b>(887 )</b>

  

Joint Venture	Share on other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax			Share on total other comprehensive income of associates and joint ventures accounted for using the equity method		
	12/31/2014	12/31/2013	12/31/2012	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Vitas Brazil (1)	-	-	(306 )	522	1,152	(927 )
SQM Vitas Peru (1)	-	-	(26 )	474	93	(54 )
SQM Vitas Southern Africa (1)	-	-	14	(453 )	102	(224 )
SQM Vitas Spain (2)	-	-	-	145	(177 )	-
SQM Vitas Plantacote B.V. (2)	-	-	-	-	(385 )	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(318 )</b>	<b>688</b>	<b>785</b>	<b>(1,205 )</b>



**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-108

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 12 Joint Ventures (continued)**

12.4 Assets, liabilities, revenue and expenses from joint ventures:

Joint Venture	12/31/2014				Revenue ThUS\$	Gain (loss) from continuing operations ThUS\$	Other comprehensive income ThUS\$	Comprehensive income ThUS\$
	Assets		Liabilities					
	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$				
Sichuan SQM Migao Chemical Fertilizers Co. Ltda.	61,381	8,734	44,478	-	95,292	(829 )	(2 )	(831 )
Coromandel SQM India	4,820	1,043	4,294	63	6,723	256	-	256
SQM Vitas Fzco.	6,366	13,611	1,600	-	25,485	4,098	(913 )	3,185
SQM Star Qingdao Corp. Nutrition Co. Ltd.	4,363	229	634	20	9,496	988	-	988
SQM Vitas Brazil	39,006	8,644	41,980	-	83,022	1,046	-	1,046
SQM Vitas Peru	25,346	3,146	23,463	35	39,321	949	-	949
SQM Vitas Southern Africa	3,703	720	4,243	-	17,117	(907 )	-	(907 )
SQM Vitas Spain	2,066	808	1,851	-	10,969	252	-	252
SQM Vitas Holland	512	2,158	19	-	-	204	-	204
SQM Vitas Plantacote B.V.	1,529	6	401	-	4,010	1	-	1
<b>Total</b>	<b>149,092</b>	<b>39,099</b>	<b>122,963</b>	<b>118</b>	<b>291,435</b>	<b>6,058</b>	<b>(915 )</b>	<b>5,143</b>

Joint Venture	12/31/2013				Revenue ThUS\$	Gain (loss) from continuing operations ThUS\$	Other comprehensive income ThUS\$	Comprehensive income ThUS\$
	Assets		Liabilities					
	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$				
	68,241	9,414	54,650	-	41,744	509	26	535

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Sichuan SQM Migao  
Chemical Fertilizers Co.  
Ltda.

Coromandel SQM India	4,545	1,158	4,037	63	7,842	179	-	179
SQM Vitas Fzco.	12,790	13,772	1,039	-	18,779	3,614	(679 )	2,935
SQM Star Qingdao Corp. Nutrition Co. Ltd.	3,570	228	838	10	7,649	791	-	791
SQM Vitas Brazil	31,243	7,158	25,615	8,039	87,927	2,305	-	2,305
SQM Vitas Peru	21,481	1,722	18,890	-	35,267	185	-	185
SQM Vitas Southern Africa	5,164	829	4,896	-	21,234	204	-	204
SQM Vitas Spain	1,318	949	2,492	-	1,854	(355 )	-	(355 )
SQM Vitas Holland	95	-	316	977	-	(1,335 )	-	(1,335 )
SQM Vitas Plantacote B.V.	1,323	6,548	8,623	-	2,157	(770 )	-	(770 )
<b>Total</b>	<b>149,770</b>	<b>41,778</b>	<b>121,396</b>	<b>9,089</b>	<b>224,453</b>	<b>5,327</b>	<b>(653 )</b>	<b>4,674</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-109

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 12 Joint Ventures (continued)****12.4 Assets, liabilities, revenue and expenses from joint ventures, continued:**

Joint Venture	12/31/2012					Revenue ThUS\$	Gain (loss) from continuing operations ThUS\$	Other income ThUS\$	Comprehensive income ThUS\$
	Assets		Liabilities		Revenue ThUS\$				
	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$					
Sichuan SQM Migao Chemical Fertilizers Co. Ltda.	21,843	9,984	6,899	4,072	29,980	573	-	573	
Coromandel SQM India	4,388	1,397	4,419	-	5,633	369	(174)	195	
SQM Vitas Fzco.	4,568	10,522	785	-	19,643	(532)	(318)	(850)	
SQM Star Qingdao Corp. Nutrition Co. Ltd.	1,986	304	132	-	5,028	95	-	95	
SQM Vitas Brazil	36,874	6,865	32,331	8,609	53,955	(621)	(306)	(927)	
SQM Vitas Peru	23,308	1,512	20,149	2,145	32,376	(28)	(26)	(54)	
SQM Vitas Southern Africa	2,730	101	2,325	-	12,850	(238)	14	(224)	
<b>Total</b>	<b>95,697</b>	<b>30,6858</b>	<b>67,040</b>	<b>14,826</b>	<b>159,465</b>	<b>(382)</b>	<b>(810)</b>	<b>(1,192)</b>	

## 12.5

## Other Joint Venture disclosures:

	Cash and cash equivalents		Other current financial liabilities		Other non-current financial liabilities	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co. Ltda.	234	8,049	-	7,660	-	-
Coromandel SQM India	69	197	158	880	-	-
SQM Vitas Fzco.	12,043	10,605	-	-	-	-
	2,487	1,988	-	-	-	-

SQM Star Qingdao Corp. Nutrition  
Co. Ltd.

SQM Vitas Brazil	1,312	854	8,488	-	-	8,600
SQM Vitas Peru	605	1,166	-	-	-	-
SQM Vitas Southern Africa	448	351	-	-	-	-
SQM Vitas Spain	34	310	-	-	-	-
SQM Vitas Holland	149	26	-	-	-	-
SQM Vitas Plantacote B.V.	458	109	-	5,567	-	-
<b>Total</b>	<b>17,839</b>	<b>23,655</b>	<b>8,646</b>	<b>14,107</b>	-	<b>8,600</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-110

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 12 Joint Ventures (continued)****12.5 Other Joint Venture disclosures, continued:**

	Depreciation and amortization expense			Interest expense			Income tax expense, continuing operations		
	12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2012 ThUS\$	12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2012 ThUS\$	12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2012 ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co. Ltda.	(680 )	(549 )	(702 )	(831 )	(813 )	-	212	(12 )	(97 )
Coromandel SQM India	(70 )	(2 )	(91 )	(47 )	(87 )	(75 )	(122 )	(92 )	(56 )
SQM Vitas Fzco.	(1,032 )	(1,001 )	(982 )	(38 )	(16 )	(15 )	-	-	-
SQM Star Qingdao Corp. Nutrition Co. Ltd.	(60 )	(71 )	(74 )	(1 )	-	-	(331 )	(242 )	(27 )
SQM Vitas Brazil	(405 )	(328 )	(247 )	(1,310)	(931 )	(463 )	220	-	-
SQM Vitas Peru	(136 )	(82 )	(32 )	(15 )	(445 )	(102 )	(243 )	91	-
SQM Vitas Southern Africa	(82 )	(67 )	(29 )	(44 )	(104 )	(37 )	(156 )	-	-
SQM Vitas Spain	(113 )	-	-	(17 )	(14 )	-	-	-	-
SQM Vitas Holland	-	-	-	(6 )	(2 )	-	-	-	-
SQM Vitas Plantacote B.V.	(2 )	-	-	(181 )	(176 )	-	-	-	-
Total	(2,580 )	(2,100 )	(2,157 )	(2,490)	(2,588 )	(692 )	(420 )	(255 )	(180 )

The basis of preparation of the financial information of joint ventures corresponds to the amounts included in the financial statements in conformity with the entity's IFRS.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-111

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 13 Intangible assets and goodwill

13.1 Balances

	<b>12/31/2014</b>	<b>12/31/2013</b>
	ThUS\$	ThUS\$
Intangible assets other than goodwill	114,735	104,363
Goodwill	38,388	38,388
Total	153,123	142,751

13.2 Disclosures on intangible assets and goodwill

Intangible assets relate to goodwill, water rights, trademarks, industrial patents, rights of way, software, and mining claims which correspond to exploitation rights acquired from third-parties.

Balances and movements in the main classes of intangible assets as of December 31, 2014 and December 31, 2013 are detailed as follows:

Intangible assets and goodwill	Useful life	<b>12/31/2014</b>		Net Value ThUS\$
		<b>Gross amount ThUS\$</b>	<b>Accumulated Amortization ThUS\$</b>	
Trademarks	Finite	3,821	(3,821 )	-
Software	Finite	23,062	(9,996 )	13,066
Intellectual property rights, patents and other industrial property rights, service and exploitation rights	Finite	1,524	(939 )	585
Intellectual property rights, patents and other industrial property rights, service and exploitation rights	Indefinite	97,386	-	97,386
Other intangible assets	Indefinite	3,698	-	3,698
Intangible assets other than goodwill		129,491	(14,756 )	114,735
Goodwill	Indefinite	38,388	-	38,388
Total intangible assets and goodwill		167,879	(14,756 )	153,123



**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-112

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 13 Intangible assets and goodwill (continued)****13.2 Disclosures on intangible assets and goodwill, continued**

Intangible assets and goodwill	Useful life	12/31/2013		Net Value ThUS\$
		Gross amount	Accumulated Amortization	
		ThUS\$	ThUS\$	
Trademarks	Finite	3,821	(3,821 )	-
Software	Finite	5,342	(3,146 )	2,196
Intellectual property rights, patents and other industrial property rights, service and exploitation rights	Finite	1,576	(882 )	694
Intellectual property rights, patents and other industrial property rights, service and exploitation rights	Indefinite	97,392	-	97,392
Other intangible assets	Indefinite	4,081	-	4,081
Intangible assets other than goodwill		112,212	(7,849 )	104,363
Goodwill	Indefinite	38,388	-	38,388
Total intangible assets and goodwill		150,600	(7,849 )	142,751

**a) Estimated useful lives or amortization rates used for finite identifiable intangible assets**

Finite useful life measures the lifetime or the number of productive units or other similar variables which constitute its useful life.

The estimated useful life for software is 3 years, for other finite useful life assets the period in which they are amortized relates to periods defined by contracts or rights which generate them.

Intellectual property rights, patents and other industrial property rights, service and exploitation rights, mainly relate to water rights and are obtained as indefinite.

**b) Method used to express the amortization of identifiable intangible assets (life or rate)**

The method used to express the amortization is useful life, and estimated tons to be extracted in the case of mining claims.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-113

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 13 Intangible assets and goodwill (continued)**

**13.2 Disclosures on intangible assets and goodwill, continued**

**c) Minimum and maximum amortization lives or rates of intangible assets:**

Estimated useful lives or amortization rate	Minimum life or rate	Maximum life or rate
Intellectual property rights, patents and other industrial property rights, service and exploitation rights	Indefinite	Indefinite
Intangible assets other than goodwill	Indefinite	Indefinite
Intellectual property rights, patents and other industrial property rights, service and exploitation rights	1 year	16 years
Trademarks	1 year	5 years
Software	2 years	3 years

**d) Information to be disclosed on assets generated internally**

The Company has no intangible assets generated internally.

**e) Other information to disclose on intangible assets**

SQM has property rights and mining concessions of the Chilean Government, intended for the exploration and exploitation of saltpeter and brine. Such rights, have had no initial cost over registration costs, which are insignificant.

Also, SQM has acquired from third-parties other than the Chilean Government, mining concessions, which have been recognized at acquisition cost, which are amortized as the corresponding area is exploited based on the tons estimated to be extracted.

Expenses prior to obtaining the mining concessions are recognized in profit or loss for the year as incurred.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-114

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 13 Intangible assets and goodwill (continued)****13.2 Disclosures on intangible assets and goodwill, continued****f) Movements in identifiable intangible assets as of December 31, 2014:**

Movements in identifiable intangible assets, net	Trademarks	Software	Intellectual property rights, patents and industrial property rights, exploitation way	Intellectual property rights, patents and industrial property rights, exploitation way	Property rights, rights of	Property rights, rights of	Goodwill	Identifiable intangible assets
			ThUS\$	ThUS\$	ThUS\$	ThUS\$		
Opening balance	-	2,196	694	97,392	4,081	38,388		142,751
Additions	-	14,462	-	-	-	-		14,462
Amortization	-	(3,547)	(58)	-	-	-		(3,605)
Other increases (decreases)	-	(45)	(51)	(6)	(383)	-		(485)
Final balance	-	13,066	585	97,386	3,698	38,388		153,123

**g) Movements in identifiable intangible assets as of December 31, 2013:**

Movements in identifiable intangible assets, net	Trademarks	Software	Intellectual property rights, patents and industrial property rights, exploitation way	Intellectual property rights, patents and industrial property rights, exploitation way	Property rights, rights of	Property rights, rights of	Goodwill	Identifiable intangible assets
			ThUS\$	ThUS\$	ThUS\$	ThUS\$		
Opening balance	-	2,196	694	97,392	4,081	38,388		142,751
Additions	-	764	-	-	-	-		764
Amortization	-	(1,019)	(61)	-	-	-		(1,080)
Other increases (decreases)	-	41	(32)	(6)	-	-		3
Final balance	-	1,982	601	97,386	4,081	38,388		142,438

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-115

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 13 Intangible assets and goodwill (continued)****13.2 Disclosures on intangible assets and goodwill, continued****h) Movements in identifiable intangible assets as of December 31, 2012:**

Movements in identifiable intangible assets, net	Trade names	Software	Intellectual property rights, patents and industrial exploitation	Intellectual property rights, patents and industrial exploitation	Other industrial intangible assets	Goodwill	Identifiable intangible assets
			way	way	rights of		
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance	-	1,938	440	77,282	396	38,605	118,661
Additions	-	501	-	19,080	964	-	20,545
Amortization	-	(789 )	(62 )	-	-	-	(851 )
Other increases (decreases)	-	-	-	4	-	(217 )	(213 )
Final balance	-	1,650	378	96,366	1,360	38,388	138,142

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-116



Notes to the Consolidated Financial Statements as of December 31, 2014

Note 14 Property, plant and equipment

As of December 31, 2014 and December 31, 2013, the detail of property, plant and equipment is as follows:

14.1 Types of property, plant and equipment

Description of types of property, plant and equipment	12/31/2014	12/31/2013
	ThUS\$	ThUS\$
Property, plant and equipment, net		
Land	34,622	33,812
Buildings	233,175	190,529
Machinery	361,882	465,327
Transport equipment	81,673	105,979
Furniture and fixtures	9,016	9,534
Office equipment	6,365	6,062
Constructions in progress	237,321	415,740
Other property, plant and equipment (1)	923,900	827,394
Total	1,887,954	2,054,377
Property, plant and equipment, gross		
Land	34,622	33,812
Buildings	411,633	364,695
Machinery	1,168,018	1,179,860
Transport equipment	261,394	263,268
Furniture and fixtures	32,082	27,575
Office equipment	35,512	39,142
Constructions in progress	237,321	415,740
Other property, plant and equipment	1,731,599	1,506,708
Total	3,912,181	3,830,800
Accumulated depreciation and value impairment of property, plant and equipment, total		
Accumulated depreciation and value impairment of buildings	178,458	174,166
Accumulated depreciation and value impairment of machinery	806,136	714,533
Accumulated depreciation and value impairment of transport equipment	179,721	157,289
Accumulated depreciation and value impairment of furniture and fixtures	23,066	18,041
Accumulated depreciation and value impairment of office equipment	29,147	33,080
Accumulated depreciation and value impairment of other property, plant and equipment	807,699	679,314
Total	2,024,227	1,776,423

(1) The detail of other property, plant and equipment is as follows:

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Other property, plant and equipment, net		
Conveyor belt	53,648	53,783
Tank (TK)	36,236	25,781
Geomembrane/liner	158,839	169,255
Electric facilities	61,795	21,889
Lights	3,648	28,748
Other constructions	122,287	62,390
Piping	27,637	22,499
Pool	168,469	181,844
Well (water)	49,818	39,963
Pipes/HD lines	148,590	101,886
Railroad track	25,314	21,628
Other property, plant and equipment	65,619	97,728
Total	923,900	827,394

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-117

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 14 Property, plant and equipment (continued)**

## 14.2 Reconciliation of changes in property, plant and equipment by type:

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2014, gross	Land	Buildings	Machinery	Transport equipment	Furniture and fixtures	Office equipment	Construction in progress	Other property, plant and equipment
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance	33.812	364.695	1.179.860	263.268	27.575	39.142	415.740	1.500
Changes								
Additions	-	72	370	-	71	1.514	134.663	287
Divestitures	-	-	(93)	(85)	(86)	(58)	(2.235)	(1)
Increase(decrease) in foreign currency exchange	(87)	(6)	(56)	(33)	-	(65)	4	(193)
Reclassification	812	46.872	(12.083)	(1.742)	4.522	(4.983)	(256.528)	223
Other increases (decreases) (*)	85	-	20	(14)	-	(38)	(54.323)	1.66
Total changes	810	46.938	(11.842)	(1.874)	4.507	(3.630)	(178.419)	224
Final balance	34.622	411.633	1.168.018	261.394	32.082	35.512	237.321	1.73

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2014, Accumulated depreciation	Land	Buildings	Machinery	Transport equipment	Furniture and fixtures	Office equipment	Construction in progress and equipment	Other property, plant and equipment
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance	-	(174.166)	(714.533)	(157.289)	(18.041)	(33.080)	-	(679.314)
Changes								
Additions	-	-	-	-	-	-	-	-
Divestitures	-	-	11	54	16	125	-	206
Depreciation expense	-	(19.669)	(88.242)	(29.417)	(2.772)	(2.811)	-	(108.380)
Increase(decrease) in foreign currency exchange	-	1	40	17	-	25	-	104
Reclassification	-	15.375	(3.414)	6.899	(2.269)	6.561	-	(23.152)
Other increases (decreases) (*)	-	1	2	15	-	33	-	3.126
Total changes	-	(4.292)	(91.603)	(22.432)	(5.025)	3.933	-	(128.385)
Final balance	-	(178.458)	(806.136)	(179.721)	(23.066)	(29.147)	-	(807.699)

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-118

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 14 Property, plant and equipment (continued)****14.2 Reconciliation of changes in property, plant and equipment by type, continued:**

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2014, net	Land	Buildings	Machinery	Transport equipment	Furniture and fixtures	Office equipment	Construction in progress	Other property, plant and equipment
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance	33.812	190.529	465.327	105.979	9.534	6.062	415.740	827....
Changes								
Additions	-	72	370	-	71	1.514	134.663	287
Divestitures	-	-	(82 )	(31 )	(70 )	67	(2.235 )	(1
Depreciation expense	-	(19.669 )	(88.242 )	(29.417 )	(2.772 )	(2.811 )	-	(108
Increase(decrease) in foreign currency exchange	(87 )	(5 )	(17 )	(16 )	-	(40 )	4	(172
Reclassification	812	62.248	(15.496 )	5.158	2.253	1.577	(256.528 )	199.9
Other increases (decreases) (*)	85	-	22	-	-	(4 )	(54.323 )	4.79
Total changes	810	42.646	(103.445 )	(24.306 )	(518 )	303	(178.419 )	96.5
Final balance	34.622	233.175	361.882	81.673	9.016	6.365	237.321	923.9

(\*) The net balance of other increases (decreases) corresponds to: 1) investment plan expenses which are expensed to profit or loss (forming part of cost of sales and other expenses per function, as appropriate), 2) the variation representing the purchase and use of materials and spare parts and 3) projects corresponding mainly to exploration expenditures and stain development.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-119

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 14 Property, plant and equipment (continued)****14.2 Reconciliation of changes in property, plant and equipment by type, continued:**

Reconciliation entries of changes in property, plant and equipment by type as of December 31 2013, gross	Land	Buildings	Machinery	Transport equipment	Furniture and fixtures	Office equipment	Construction in progress	Other property, plant and equipment
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance	33.320	329.397	1.065.641	224.462	22.665	36.215	423.184	1.33
Changes								
Additions	778	47	2.100	3	60	835	416.471	3.32
Divestitures	-	(38)	(521)	(35)	-	(2)	(5.045)	(24)
Increase(decrease) in foreign currency exchange	(36)	(8)	(39)	(24)	-	(43)	-	(98)
Reclassification	-	35.700	115.281	38.847	4.874	2.154	(366.516)	169
Other increases (decreases) (*)	(250)	(403)	(2.602)	15	(24)	(17)	(52.354)	(3.1)
Total changes	492	35.298	114.219	38.806	4.910	2.927	(7.444)	169
Final balance	33.812	364.695	1.179.860	263.268	27.575	39.142	415.740	1.50

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2013, Accumulated depreciation	Land	Buildings	Machinery	Transport equipment	Furniture and fixtures	Office equipment	Construction in progress	Other property, plant and equipment
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance	-	(159.666)	(627.310)	(135.508)	(15.929)	(30.966)	-	(589.947)
Changes								
Additions	-	-	-	-	-	10	-	10
Divestitures	-	24	472	-	-	2	-	498
Depreciation expense	-	(14.520)	(77,904)	(21.787)	(2.112)	(2.055)	-	(88.358)
Impairment	-	-	(10,085)	-	-	-	-	(10)
Increase(decrease) in foreign currency exchange	-	(4)	27	9	-	7	-	51
Reclassification	-	-	-	(2)	-	2	-	-
Other increases (decreases) (*)	-	-	267	(1)	-	(80)	-	(83)
Total changes	-	(14.500)	(87.223)	(21.781)	(2.112)	(2.114)	-	(89.367)
Final balance	-	(174.166)	(714.533)	(157.289)	(18.041)	(33.080)	-	(679.314)

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-120

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 14 Property, plant and equipment (continued)****14.3 Reconciliation of changes in property, plant and equipment by type, continued:**

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2013, net	Land	Buildings	Machinery	Transport equipment	Furniture and fixtures	Office equipment	Construction in progress	Other property, plant and equipment
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance	33.320	169.731	438.331	88.954	6.736	5.249	423.184	747.0
Changes								
Additions	778	47	2.100	3	60	845	416.471	3.327
Divestitures	-	(14 )	(49 )	(35 )	-	-	(5.045 )	(24
Depreciation expense	-	(14.520 )	(87.989 )	(21.787 )	(2.112)	(2.055)	-	(88.3
Increase(decrease) in foreign currency exchange	(36 )	(12 )	(12 )	(15 )	-	(36 )	-	(86
Reclassification	-	35.700	115.281	38.845	4.874	2.156	(366.516)	169.6
Other increases (decreases) (*)	(250 )	(403 )	(2.335 )	14	(24 )	(97 )	(52.354 )	(4.16
Total changes	492	20.798	26.996	17.025	2.798	813	(7.444 )	80.35
Final balance	33.812	190.529	465.327	105.979	9.534	6.062	415.740	827.3

(\*) The net balance of other increases (decreases) corresponds to: 1) investment plan expenses which are expensed to profit or loss (forming part of cost of sales and other expenses per function, as appropriate), 2) the variation representing the purchase and use of materials and spare parts and 3) projects corresponding mainly to exploration expenditures and stain development.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-121



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 14 Property, plant and equipment (continued)**

14.3 Detail of property, plant and equipment pledged as guarantee

There are no restrictions in title or guarantees for the compliance with obligations which affect property, plant and equipment.

14.4 Additional information

Interest capitalized in construction-in-progress:

The amount capitalized for this concept amounted to ThUS\$7,732 as of December 31, 2014 and ThUS\$ 17,232 as of December 31, 2013.

Financing costs are not capitalized for periods which exceed the normal term of acquisition, construction or installation of the asset, such as the case of delays, interruptions or temporary suspension of the project due to technical, financial or other issues, which prevent that the asset is maintained in good conditions for its use.

14.5 Impairment of assets

As stated in Note 3.28, the recoverable amount of property, plant and equipment is measured whenever there is an indication that the asset may be impaired. As of December 31, 2013, certain assets have suffered impairment for an amount of ThUS\$10,085, when taken directly against the asset balance. As of December 31, 2014, no impairment adjustments were generated.

Note 15 Employee benefits

15.1 Provisions for employee benefits

Classes of employee benefits and expenses	<b>12/31/2014</b>	<b>12/31/2013</b>
	ThUS\$	ThUS\$
Current		
Profit sharing and bonuses	18.384	25.236
Total	18.384	25.236
Non-current		
Profit sharing and bonuses	2.849	277
Severance indemnity payments	30.952	32.137
Total	33.801	32.414

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-122

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 15 Employee benefits (continued)**

15.2 Policies on defined benefit plan

This policy is applied to all benefits received for services provided by the Company's employees.

Short-term benefits for active employees are represented by salaries, social welfare benefits, paid time-off, sickness leaves and other leaves, profit sharing and incentives and non-monetary benefits; e.g., healthcare service, housing, subsidized or free goods or services. These will be paid in a term which does not exceed twelve months.

The Company only provides compensation and benefits to active employees, with the exemption of SQM North America which applies the definitions under 15.4 below.

SQM maintains incentive programs for its employees based on the personal performance, the Company's performance and other short-term, mid-term and long-term indicators.

For each incentive bonus delivered to the Company's employees, there will be a disbursement in the first quarter of the following year and this will be calculated based on profit for the period at the end of each period applying a factor obtained subsequent to the employee appraisal process.

Employee benefits include retention bonuses for the Company's executives, which are linked to the Company's share price and it is paid in cash. The short-term portion is presented as provision for current employee benefits and the long-term portion as non-current.

The bonus provided to the Company's directors is calculated based on Profit for the period at each year-end and will consider the application of a percentage factor.

The benefit related to vacations (short-term benefits to employees, current), which is provided in the Labor Code which indicates that employees with more than a year of service will be entitled to annual holidays for a period not

lower than fifteen paid business days. The Company provides the benefit of two additional vacation days.

Staff severance indemnities are agreed and payable based on the last salary for each year of service for the Company or with certain maximum limits in respect to the number of years to be considered or in respect to monetary terms. In general, this benefit is payable when the employee or worker ceases to provide his/her services to the Company and the right for its collection can be acquired because of different causes, as indicated in the respective agreements; e.g., retirement, dismissal, voluntary retirement, incapacity or disability, death, etc..

Law No. 19,728 published on May 14, 2001 which became effective on October 1, 2002 required “Compulsory Unemployment Insurance” in favor of all depending employees regulated by the Chilean Labor Code. Article 5 of this law provided the financing of this insurance through monthly contribution payments by both the employee and the employer.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-123

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 15 Employee benefits (continued)**

15.3 Other long-term benefits

The other long-term benefits relate to staff severance indemnities and are recorded at their actuarial value.

Staff severance indemnities at actuarial value	<b>12/31/2014</b>	<b>12/31/2013</b>
	ThUS\$	ThUS\$
Staff severance indemnities, Chile	30.336	31.470
Other obligations in companies elsewhere	616	667
Total other non-current liabilities	30.952	32.137

Staff severance indemnities have been calculated under the actuarial assessment method of the Company's obligations with respect to staff severance indemnities, which relate to defined benefit plans which consist of days of remuneration per year served at the time of retirement under conditions agreed in the respective agreements established between the Company and its employees.

Under this benefit plan, the Company retains the obligation for the payment of staff severance indemnities related to retirements, without establishing a separate fund with specific assets, which is referred to as not funded. The discount interest rate of expected flows to be used was 5.5%.

*Benefit payment conditions*

The staff severance indemnity benefit relates to remuneration days for year worked for the Company with no limit of salary or years of services for the Company, when employees cease to work for the Company due to turnover or death. In this case, the maximum age for men is 65 years and 60 years old for women, which are the usual ages for retirement due to achieving the senior citizen age according to the Chilean pensions system provided in Decree Law 3.500 of 1980.

*Methodology*

The determination of the obligation for benefits under IAS 19 Projected Benefit Obligation (PBO) is described as follows:

To determine the Company's total liability, we used a mathematical simulation model which was programmed using a computer and which processed the situation of each employee on an individual basis.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-124

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 15 Employee benefits (continued)**

**15.3 Other long-term benefits, continued**

This model considered months as discrete time; i.e. the Company determined the age of each person and his/her salary on a monthly basis according to the growth rate. Thus, information on each person was simulated from the beginning of the life of his/her employment contract or when he/she started earning benefits up to the month in which it reaches the normal retirement age, generating in each period the possible retirement according to the Company's turnover rate and the mortality rate according to the age reached. When he/she reaches the retirement age, the employee finishes his/her service for the Company and receives indemnity related to retirement due to old age.

The methodology followed to determine the accrual for all the employees adhered to agreements has considered turnover rates and the mortality rate RV-2010 established by the Chilean Superintendence of Securities and Insurance to calculate pension-related life insurance reserves in Chile according to the Accumulated Benefit Valuation or Accrued Cost of Benefit Method. This methodology is established in IAS 19 on Retirement Benefit Costs.

**15.4 Post-employment benefit obligations**

Our subsidiary SQM North America, has established with its employees, a pension plan until 2002 called "SQM North America Retirement Income Plan", whereby obligation is calculated measuring the expected future forecasted staff severance indemnity obligation using a net salary gradual rate of restatements for inflation, mortality and turnover assumptions discounting the resulting amounts at present value using the interest rate defined by the authorities.

Since 2003, SQM North America offers to its employee benefits related to pension plans based on the 401-K system, which do not generate obligations for the Company.

The table below shows the plan financing status and the amounts recognized in the consolidated Statement of Financial Position.

Reconciliation table	12/31/2014	12/31/2013	12/31/2012
Variation in the benefit obligation	ThUS\$	ThUS\$	ThUS\$
Benefit obligation at January 1	6,922	6,482	6,620

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Service cost	2	2	1
Interest cost	403	412	406
Actuarial gain (loss)	361	386	(236 )
Benefits paid	(364 )	(360 )	(309 )
Benefit obligation at December 31	7,324	6,922	6,482

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-125



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 15 Employee benefits (continued)****15.4 Post-employment benefit obligations, continued**

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	ThUS\$	ThUS\$	ThUS\$
Variation in plan assets:			
Fair value of plan assets as of January 1	7,909	6,073	5,206
Employer contributions	173	453	436
Actual return (loss) on plan assets	249	1,743	740
Benefits paid	(364 )	(360 )	(309 )
Fair value of plan assets as of December 31	7,967	7,909	6,073
Financing status	643	987	(409 )
Items not yet recognized as net periodical pension and healthcare cost elements:			
Net actuarial loss at the beginning of the period	(1,231 )	(2,243 )	(2,954 )
Amortization during the period	30	109	131
Net profit or loss expected to occur during the period	(702 )	903	580
Adjustment to recognize a minimum pension and healthcare obligation	(1,903 )	(1,231 )	(2,243 )

As of December 31, 2014, 2013 and 2014, the net periodical pension and healthcare expense comprised the following elements.

Reconciliation	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	ThUS\$	ThUS\$	ThUS\$
Cost of benefits from services obtained during the period	2	2	2
Interest cost on benefit obligation	403	412	406
Actual return on plan assets	249	1,743	739
Amortization for prior period losses	30	109	131
Net loss during the period	340	(1,290 )	(344 )
Net periodic provisional expense	(155 )	69	142

**15.5 Staff severance indemnities**

As of December 31, 2014, 2013 and 2014, severance indemnities calculated at the actuarial value are as follows:

<b>2014</b>	<b>2013</b>	<b>2012</b>
-------------	-------------	-------------

	ThUS\$	ThUS\$	ThUS\$
Opening balance	(32,137)	(34,431)	(28,188)
Current cost of service	(1,294 )	(107 )	(8,087 )
Interest cost	(2,020 )	(2,248 )	(1,037 )
Actuarial gain/loss	(665 )	(127 )	40
Exchange rate difference	4,450	2,946	(2,237 )
Benefits paid during the year	714	1,830	(5,078 )
Balance	(30,952)	(32,137)	(34,431)

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-126

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 15 Employee benefits (continued)**

**15.5 Staff severance indemnities, continued**

*a) Actuarial assumptions*

The liability recorded for staff severance indemnity is valued at the actuarial value method, using the following actuarial assumptions:

	<b>12/31/2014</b>		<b>12/31/2013</b>		<b>12/31/2012</b>	
Mortality rate	RV - 2009		RV - 2009		RV - 2009	
Actual annual interest rate	5.5	%	6	%	6	%
Voluntary retirement rotation rate:						
Men	1.71	%	0.9	%	0.9	% annual
Women	1.96	%	1.53	%	1.53	% annual
Salary increase	3.0	%	3.0	%	3.0	% annual
Retirement age:						
Men	65		65		65	years
Women	60		60		60	years

*b) Sensitivity analysis of assumptions*

As of December 31, 2014, the sensitivity analysis of the main assumptions is as follows:

	<b>Effect + 100 basis points</b>		<b>Effect - 100 basis points</b>	
Sensitivity analysis				
	<b>ThUS\$</b>		<b>ThUS\$</b>	
Discount rate	(1,960	)	(2,181	)
Employee turnover rate	(112	)	(130	)

Sensitivity relates to an increase/decrease of 100 basis points.

Note 16 Executive compensation plan

The Company has established two compensation plans to motivate the Company's executives and encourage them to stay in the Company, by granting payments based on the change in price of SQM's shares.

### **1)Shares**

Liquidated in cash, executives are able to exercise their rights until 2016.

### **Characteristics of the plan**

This compensation plan is related with the company performance through the price of the Series B SQM share (Santiago Stock Exchange).

### **SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-127

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 16 Executive compensation plan (continued)**

**Participants in this plan**

This compensation plan includes 10 executives of the Company, who are entitled to this benefit, provided they stay with the Company during the dates these options are exercised. The dates for exercising the options will be the first 7 calendar days of May of the year in which the options are exercised.

**Compensation**

The compensation for each executive is the differential between the average prices of the share during April of each year compared to the base price established by Company's management. The base price fixed by the Company for this compensation plan amounts to US\$50 per share. The Company reserves the right to exchange that benefit by shares or share options.

The movement of the options in effect for the period, the average prices for the fiscal year of the options and the average contractual life of the options in effect as of December 31, 2014 and December 31, 2013 are the following:

Movement for the period	2014	2013
In effect as of January 1	1.536.000	2.200.500
Granted during the fiscal year	-	45.000
Redundant workers	-	(187.500 )
Exercised during the fiscal year		
Changes in benefit plan	-	(522.000 )
In circulation	1.536.000	1.536.000
Average contractual life	16 months	25 months
Executives	10	10

The amounts accrued by the plan, as of December 31, 2014 and December 31, 2013, amount to:

Effect on profit or loss **12/31/2014** **12/31/2013**

	<b>ThUS\$</b>	<b>ThUS\$</b>
Effect on profit or loss	(553 )	8.200

## **2) Average Share Price Spread**

### **Plan characteristics**

This compensation plan is also related to the Company's performance through the SQM Series B share price (Santiago Stock Exchange).

### **Plan participants**

This compensation plan includes 30 of the Company's executives, who obtain this benefit, provided they remain in the Company at the payment dates. The payments dates, if any, will be the first week of January 2016, 2017 and 2018.

### **SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-128

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 16 Executive compensation plan (continued)**

**Compensation**

The compensation for each executive is the differential between the average share price during each of the months of December 2015, December 2016 and December 2017, respectively, in its equivalent in US dollars and the reference prices. The latter represents the value between US\$23.48 and the average weighted price of the trading of SQM Series B shares in the Santiago Stock Exchange during December 2014. The differential cannot exceed US\$15.00 and will be multiplied by 5,000. If the amount calculated is negative or zero, no bond will be paid during that period, but in such case, the bond of benefit payable in the following period to the employee will be equal to the product of multiplying the difference by 10,000. If the value was negative or zero in December 2015 and also in December 2016, for calculating the bond of December 2017, the differential will be multiplied by 15,000.

The movement of the options in effect for the period, the average prices for the fiscal year of the options and the average contractual life of the options in effect as of December 31, 2014 and December 31, 2013 are the following:

Movement for the period	2014	2013
In effect as of January 1	450.000	450.000
Redundant workers	60.000	-
In circulation	390.000	450.000
Average weighted contractual life	36 months	48 months
Executives	26	30

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-129

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 17 Disclosures on equity

The detail and movements in the funds of equity accounts are shown in the consolidated statement of changes in equity.

17.1 Capital management

The main object of capital management relative to the administration of the Company's financial debt and equity is to ensure the regular conduct of operations and business continuity in the long term, with the constant intention of maintaining an adequate level of liquidity and in compliance with the financial safeguards established in the debt contracts in force. Within this framework, decisions are made in order to maximize the value of SQM.

Capital management must comply with, among others, the limits contemplated in the Financing Policy approved Board of Directors, which establish a maximum consolidated indebtedness level of 1.5 times the debt/equity. This limit can be exceeded only if the Company's management has a written and previously granted authorization issued at the Extraordinary Shareholders' Meeting.

In addition, capital management must comply with the external capital requirements imposed (or covenants) in its financial obligations, which regulate the indebtedness level by 1.2 times, in its more strict level.

In conjunction with the level of indebtedness, it is also important for the Company to maintain a comfortable profile of maturities for its financial obligations, in order to oversee the relation between its short-term financial obligations and the long-term maturities, and the relation they have with the Company's asset distribution. Consequently, the Company has maintained a liquidity level of 3 times during the last periods.

The Company's management controls capital management based on the following ratios:

<b>CAPITAL MANAGEMENT</b>	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>Description (1)</b>	<b>Calculation (1)</b>
	762.229	882.020		



Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Net Financial Debt ThUS\$			Financial Debt – Financial Resources	Other current Financial Liabilities + Other Non-Current Financial Liabilities – Cash and Cash Equivalents – Other Current Financial Assets – Hedging Assets, non-current
Liquidity	4.73	3.40	Current Asset divided by Current Liability	Total Current Assets / Total Current Liabilities
Net Debt / Capitalization	0.25	0.27	Net Financial Debt divided by Total Equity	Net financial debt / ( Net financial debt + Total Equity)
ROE	10.7%	19.5%	Income divided by Total Equity	Total Income / Equity (UH 12 months)
ROA	13.7%	16.4%	EBITDA – Depreciation divided by Net Total Assets of financial resources less related parties investments	(Gross Income – Administrative Expenses)/ (Total Assets – Cash and Cash Equivalents – Other Current Financial Assets – Other Non-Current Financial Assets – Equity-accounted Investees) (UH 12 months)
Indebtedness	1.03	0.96	Total Liability on Equity	Total Liabilities / Total Equity

(1) Assumes the absolute value of the accounting records

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-130

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 17 Disclosures on equity (continued)**

**17.1 Capital management, continued**

The Company's capital requirements change depending on variables such as working capital requirements, new investment financing and dividends, among others. The Company manages its capital structure and makes adjustments on the basis of the prevailing economic conditions so as to mitigate the risks associated with adverse market conditions and take advantage of the opportunities there may be to improve the liquidity position.

There have been no changes in the capital management objectives or policy within the years reported in this document. No breaches of external requirements of capital imposed (or covenants) have been recorded.

**17.2 Disclosures on preferred share capital**

Issued share capital is divided into 263,196,524 fully paid and subscribed shares with no par value composed of 142,819,552 Series "A" shares and 120,376,972 Series "B" shares, where both series are preferred shares.

The preferential voting rights for each series are detailed as follows:

**Series "A":**

If the election of the Company's President results in a tie vote, the Company's directors may vote once again, without the vote of the director elected by the Series B shareholders.

**Series "B":**

1) A general or extraordinary shareholders' meeting may be called at the request of shareholders representing 5% of the Company's Series B shares.

- 2) An extraordinary meeting of the Board of Directors may be called with or without the agreement of the Company's President, at the request of the director elected by Series B shareholders.

As of December 31, 2014 and December 31, 2013, the Group does not maintain shares in the parent either directly or through its companies in which it has investments.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-131

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 17 Disclosures on equity (continued)**

**17.2 Disclosures on preferred share capital, continued**

Detail of types of capital in preference shares:

Type of capital in preferred shares Description of type of capital in preferred shares	<b>12/31/2014</b>		<b>12/31/2013</b>	
	Series A	Series B	Series A	Series B
Number of authorized shares	142,819,552	120,376,972	142,819,552	120,376,972
Number of fully subscribed and paid shares	142,819,552	120,376,972	142,819,552	120,376,972
Number of subscribed, partially paid shares	-	-	-	-
Par value of shares in ThUS\$	0.9435	2.8464	0.9435	2.8464
Increase (decrease) in the number of current shares	-	-	-	-
Number of current shares	142,819,552	120,376,972	142,819,552	120,376,972
Number of shares owned by the entity or its subsidiaries or associates	-	-	-	-
Number of shares whose issuance is reserved due to the existence of options or agreements to dispose shares	-	-	-	-
Capital amount in shares ThUS\$	134,750	342,636	134,750	342,636
Amount of premium issuance ThUS\$	-	-	-	-
Amount of reserves ThUS\$	-	-	-	-
Total number of subscribed shares, total	142,819,552	120,376,972	142,819,552	120,376,972

As of December 31, 2014 and December 31, 2013, the Company has not placed any new issuances of shares on the market.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-132

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 17 Disclosures on equity (continued)**

17.3 Disclosures on reserves in equity

As of December 31, 2014, 2013 and 2012, reserves in equity are detailed as follows:

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	ThUS\$	ThUS\$	ThUS\$
Foreign currency translation differences reserves	(7,701 )	(3,817 )	(330 )
Cash flow hedge reserves	(1,881 )	(3,766 )	(165,522 )
Actuarial gains (losses) from defined benefit plans	(1,903 )	(1,231 )	(2,243 )
Other miscellaneous reserves	(1,677 )	(1,677 )	(1,677 )
Total other reserves	(13,162 )	(10,491 )	(20,772 )

**Reserves for currency exchange conversion**

This balance reflects retained earnings for changes in the exchange rate when converting financial statements of subsidiaries whose functional currency is that of each company's country of origin and the presentation currency is the US dollar.

**Reserve for cash flow hedges**

The Company maintains, as hedge instruments, financial derivatives related to obligations with the public issued in Unidades de Fomento and Chilean pesos. Changes from the fair value of derivatives designated and classified as hedges are recognized under this classification.

**Reserve for actuarial gains or losses in defined benefit plans**

Our subsidiary SQM North America has established pension plans for its retired employees that are calculated by measuring the projected obligation of IAS using a net salary progressive rate net of adjustments to inflation, mortality

and turnover assumptions, deducting the resulting amounts at present value using a 6.5% interest rate for 2014 and 2013.

**Other reserves**

Corresponds to the acquisition of the subsidiary SQM Iberian S.A., which was already under ownership of the Company at the acquisition date (IAS 27 R).

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-133

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 17 Disclosures on equity (continued)**

17.4 Dividend policies

As required by Article 79 of the Chilean Companies Act, unless otherwise decided by unanimous vote of the holders of issued and subscribed shares, we must distribute a cash dividend in an amount equal to at least 30% of our consolidated Profit for the period for year ended as of December 31, unless and except to the extent it has a deficit in retained earnings (losses not absorbed in prior years).

The Company's dividend policy for 2014 is as follows:

- Distribution and payment in favor of each shareholder of a final dividend which will be equivalent to 50% of Profit for the period obtained in 2014.

- Distribution and payment, if possible during 2014, of a provisional dividend which will be recorded against the aforementioned final dividend. This provisional dividend will be paid probably during the last quarter of 2014 and its amount could not exceed 50% of the retained earnings for distribution obtained during 2014, which are reflected in the Company's financial statements as of December 31, 2014.

- The distribution and payment by the Company of the remaining balance of the final dividend related to Profit for the period for the 2014 commercial year in up to two installments, which will have to be effectively paid and distributed prior to June 30, 2014.

- An amount equivalent to the remaining 50% of the Company's Profit for the period for 2014 will be retained and destined to the financing of operations of one or more of the Company's investment projects with no prejudice of the possible future capitalization of the entirety or a portion of this.

- The Board of Directors does not consider the payment of any additional and interim dividends.

The Board of Directors considers as necessary to indicate that the aforementioned dividends policy corresponds to the intention or expectation of the Board regarding this matter. Consequently, the enforcement of such dividends policy is necessarily conditioned to net incomes finally obtained, to the results indicating the Company's regular forecasts or the existence of certain conditions that could affect them. Notwithstanding the above and to the extent that such dividend policy undergoes a significant change, SQM S.A. will inform its shareholders in a timely manner.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-134



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 17 - Disclosures on equity (continued)**

17.5 Provisional dividends

At the Extraordinary Board of Directors' Meeting of November 18, 2014, the directors unanimously agreed to pay and distribute a provisional dividend as contained in SQM's "Dividend Policy for the Commercial Year 2014."

It was agreed that beginning on December 12, 2014, SQM would pay and distribute a provisional dividend of US\$0.41493 per share, which is equivalent to a total amount of approximately ThUS\$102,208 or 50% of net profit for distribution in the commercial year 2014, accumulated as of September 30, 2014. This dividend is charged to profit for such the commercial year, in favor of the shareholders registered with SQM's Shareholder's Register on the fifth business day prior to December 12, 2014. It is paid in its equivalent amount in Chilean pesos per the "Observed U.S. dollar" exchange rate or "U.S. dollar" exchange rate, as published in the Official Gazette on December 5, 2014.

On July 7, 2014, at the Extraordinary Shareholders' Meeting, the shareholders agreed to partially modify the current "2014 Dividends Policy of Sociedad Química y Minera de Chile S.A.". This was informed at the General Annual Ordinary Shareholders Meeting held on April 25, 2014 with the main purpose of incorporating in such "Policy" the payment of an "eventual" dividend (*dividendo eventual*) of ThCh\$230,000 equivalent to US\$0.87387 per share. This will be distributed during the course of 2014 with a charge to retained earnings and, if applicable, it will be paid in its equivalent amount in Chilean pesos per "Observed U.S. dollar" exchange rate or "U.S. dollar" exchange rate, as published in the Official Gazette on such date.

At the Extraordinary Board of Directors' Meeting held on June 6, 2014, the following was agreed by simple majority:

To partially amend the current "2014 Dividends Policy of Sociedad Química y Minera de Chile S.A.", informed at the General Annual Ordinary Shareholders Meeting held on April 25, 2014, with the main purpose of incorporating in

1. such "Policy" the payment of a possible dividend of ThCh\$230,000 equivalent to US\$0.87387 per share that will be distributed during 2014 and charged to the caption retained earnings.

2. To call for an Extraordinary Shareholders' Meeting on Monday July 7, 2014 at 10:00, to communicate and resolve the payment of the aforementioned dividend.

On April 25, 2014 at the 39th General Shareholders' meeting, the payment of a final dividend of US\$0.88738 per share was agreed in relation to the net profit for 2013. US\$0.75609 per share was already paid as an interim dividend, and it was agreed that this amount should be subtracted from the final dividend detailed above. In line with this, the balance, amounting to US\$0.13129 per share it is to be paid and distributed among shareholders of the Company who are registered with their respective shareholders' registry as of the fifth business day prior to the day in which this dividend is to be paid. Such amount, if applicable, is to be paid in its equivalent amount in Chilean pesos per the value of the "Observed U.S. dollar" or "U.S. dollar" that appears published in the Official Gazette on April 25, 2014.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-135

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 17 Disclosures on equity (continued)**

**17.5 Provisional dividends, continued**

On November 19, 2013, the Board of Directors of Sociedad Química y Minera de Chile S.A, agreed to pay and distribute to the Company's shareholders, starting from December 12, 2013, a provisional dividend of US\$0.75609 per share, equivalent, approximately, to ThUS\$199,000 or 49.9% of the net distributable profit for the commercial year 2013, accumulated at December 31 of such year. The latter is also charged against income of said commercial year, in favor of the Shareholders who appeared registered in SQM's Shareholders Registry by the 5th working day prior to December 12, and in its equivalent in Chilean pesos according to the value of the "Observed US Dollar" or "US Dollar" that appears published in the Official Gazette on December 6, 2013.

On April 25th, 2013, at the 38th Ordinary Shareholders' Meeting, a definitive dividend payment of US\$1.23323 per share was approved, based on the net profit earned during the commercial year 2012. US\$0.94986 per share that was already paid as provisional dividend should be discounted from the abovementioned dividend, and the balance, amounting to US\$0.28337 per share will be paid and distributed in favor of the Shareholders who appeared registered in SQM's Shareholders Registry by the 5th working day prior the day in which the dividend will be paid. The last amount, if corresponds, will be paid in its equivalent in Chilean pesos according to the value of the "Observed US Dollar" or "US Dollar" that appears published in the Official Gazette on April 25, 2013.

Dividends presented deducted from equity are:

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Dividends attributable to owners of the parent	114,487	203,401	253,438
Possible provisional dividend	230,000	-	-
Dividends payable	38,983	36,583	76,267
<b>Total</b>	<b>383,470</b>	<b>239,984</b>	<b>329,705</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-136

Notes to the Consolidated Financial Statements as of December 31, 2014

## Note 18 Provisions and other non-financial liabilities

18.1

Types of provisions

	12/31/2014			12/31/2013		
	Current	Non-current	Total	Current	Non-current	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Provision for legal complaints (*)	17,067	3,000	20,067	8,567	3,000	11,567
Restructuring	-	-	-	-	-	-
Provision for dismantling, restoration and rehabilitation cost(**)	-	5,890	5,890	-	5,633	5,633
Other provisions	10,680	-	10,680	9,386	-	9,386
<b>Total</b>	<b>27,747</b>	<b>8,890</b>	<b>36,637</b>	<b>17,953</b>	<b>8,633</b>	<b>26,586</b>

(\*) Provisions for legal complaints relate to legal expenses for lawsuits whose resolution are pending, and correspond to funds estimated necessary to make the disbursement of expenses incurred for this purpose. This provision relates mainly to the litigation of its subsidiaries located in Brazil and the United States (see note 19.1) and other litigations.

(\*\*) This provision is calculated considering the instructions of the regulatory body (Servicio Nacional de Geología y Minería de Chile, Sernageomin)

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-137

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 18 Provisions and other non-financial liabilities (continued)**

18.2	Description of other provisions	12/31/2014	12/31/2013
		ThUS\$	ThUS\$
<b>Current provisions, other short-term provisions</b>			
Provision for tax loss in fiscal litigation		1,235	1,401
Royalties, agreement with CORFO (the Chilean Economic Development Agency)		6,178	4,782
Fine to Brazil		2,500	2,500
Miscellaneous provisions		767	703
<b>Total</b>		<b>10,680</b>	<b>9,386</b>
<b>Other long-term provisions</b>			
Mine closure		5,890	5,633
<b>Total</b>		<b>5,890</b>	<b>5,633</b>

18.3	Other non-financial liabilities, current	12/31/2014	12/31/2013
		ThUS\$	ThUS\$
<b>Description of other liabilities</b>			
Tax withholdings		7,305	12,334
VAT payable		2,267	2,531
Guarantees received		746	1,000
Accrual for dividend		41,364	36,583
Monthly tax provisional payments		8,549	6,601
Deferred income		8,218	13,475
Withholdings from employees and salaries payable		3,764	4,087
Accrued vacations		17,369	18,652
Other current liabilities		428	90
<b>Total</b>		<b>90,010</b>	<b>95,353</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-138

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 18 Provisions and other non-financial liabilities (continued)**

18.4

Changes in provisions

Description of items that gave rise to variations	12/31/2014						
	Guarantees	Restructuring	Legal complaints	Onerous contracts	Provision for dismantling, restoration and rehabilitation cost	Other provisions	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Total provisions, initial balance</b>	-	-	11,567	-	5,633	9,386	26,586
<b>Changes in provisions:</b>							
Additional provisions	-	-	8,500	-	257	2,583	11,340
Provision used	-	-	-	-	-	(1,107)	(1,107)
Increase(decrease) in foreign currency exchange	-	-	-	-	-	(182)	(182)
<b>Total provisions, final balance</b>	-	-	20,067	-	5,890	10,680	36,637
Description of items that gave rise to variations	12/31/2013						
	Guarantees	Restructuring	Legal complaints	Onerous contracts	Provision for dismantling, restoration and rehabilitation cost	Other provisions	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Total provisions, initial balance</b>	-	-	8,567	-	4,357	12,922	25,846
<b>Changes in provisions:</b>							
Additional provisions	-	-	3,000	-	1,276	12,608	16,884
Provision used	-	-	-	-	-	(15,943)	(15,943)
Increase (decrease) in foreign currency exchange	-	-	-	-	-	(201)	(201)
<b>Total provisions, final balance</b>	-	-	11,567	-	5,633	9,386	26,586

SQM S.A.

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-139



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 18 Provisions and other non-financial liabilities (continued)****18.4 Changes in provisions, continued**

Description of items that gave rise to variations	12/31/2012						Total ThUS\$
	Guarantees	Restructuring	Legal complaints	Onerous contracts	Provision for dismantling, restoration and rehabilitation cost	Other provisions	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
<b>Total provisions, initial balance</b>	-	-	7,521	-	3,724	14,237	25,532
<b>Changes in provisions:</b>							
Additional provisions	-	-	1,000	-	633	8,863	10,496
Provision used	-	-	(4 )	-	-	(10,061 )	(10,065)
Increase (decrease) in foreign currency exchange	-	-	-	-	-	(117 )	(117 )
<b>Total provisions, final balance</b>	-	-	8,567	-	4,357	12,922	25,846

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-140

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 18 Provisions and other non-financial liabilities (continued)**

18.5 Detail of main types of provisions

**Legal expenses:** This provision depends on the pending resolution of a legal lawsuit, to pay the expenses associated to and incurred during such lawsuit (incurred mainly in Brazil and the United States).

**Tax accrual in tax litigation:** This accrual relates to lawsuits pending resolution related to taxes in Brazil for two of our subsidiaries, SQM Brazil and NNC.

**CORFO (Economic Development Agency) Royalties agreement:** Relates to the commercialization of mining properties that SQM Salar S.A. pays the Economic Development Agency for on a quarterly basis. The amount of the lease payable is calculated based on sales of products extracted from the Salar de Atacama.

The settlement of the aforementioned amounts is performed on a quarterly basis.

To date, the Company and its subsidiaries have no significant uncertainties about the timing and amount of one class of provision.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-141

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 19 Contingencies and restrictions

According to note 18.1 the Company has only registered a provision for the lawsuits in which the probability to lose is “more likely than not”. The Company is party to lawsuits and other relevant legal actions that are detailed as follows:

19.1 Lawsuits and other relevant events

1. Plaintiff : JB Comércio de Fertilizantes and Defensivos Agrícolas Ltda. (JB)  
 Defendant : Nitratos Naturais do Chile Ltda. (NNC)  
 Date : December 1995  
 Court : MM 1ª, Vara Cível de Comarca de Barueri, Brazil.  
 Reason : Compensation claim filed by JB against NNC for having appointed a distributor in a territory of Brazil for which JB had an exclusive contract.  
 Status : Lower court ruling against Nitratos Naturais do Chile Ltda. and recourse of appeal pending resolution.  
 Nominal value : ThUS\$1,800
  
2. Plaintiff : Nancy Erika Urrea Muñoz  
 Defendants : Fresia Flores Zamorano, Duratec-Vinilit S.A. and SQM S.A. and their insurers  
 Date : December 2008  
 Court : 1st Civil Court of Santiago  
 Reason : Labor Accident  
 Status : Evidence  
 Nominal value : ThUS\$550
  
3. Plaintiff : City of Pomona, California USA  
 Defendant : SQM North America Corporation  
 Date : December 2010  
 Court : United States District Court Central District of California  
 Reason : Payment of expenses and other amount related to the treatment of groundwater to allow for consumption by removing the existing perchlorate in such groundwater and that supposedly come from Chilean fertilizer.  
 Status : The Ninth Court of Appeals revoked the resolution of the District Judge that had invoked the Daubert Doctrine to prevent the declaration in the legal process of a supposed expert from the plaintiff. SQMNA has resorted to writ of certiorari with the US Supreme Court for this to unify the application of the Daubert Doctrine by the Courts of Appeals. This process has been suspended awaiting the resolution of such Supreme Court.  
 Nominal value : ThUS\$20,000

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-142

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 19 Contingencies and restrictions (continued)**

**18.5 Lawsuits and other relevant events, continued**

4. Plaintiff : City of Lindsay, California USA  
 Defendant : SQM North America Corporation  
 The lawsuit also was filed against Sociedad Química y Minera de Chile S.A. this lawsuit has not yet been notified to the Company  
 Date : December 2010  
 Court : United States District Court Eastern District of California  
 Reason : Payment of expenses and other amount related to the treatment of groundwater to allow for consumption by removing the existing perchlorate in such groundwater and that supposedly come from Chilean fertilizer.  
 Status : Claim. Processing suspended  
 Nominal value : Not possible to determine
5. Plaintiff : María Angélica Alday Fuentes  
 Defendant : Vladimir Roco Alvarez, Compass Catering S.A. and SQM S.A.  
 Date : August 2012  
 Court : 1st Civil Court in Antofagasta  
 Reason : Compensation for moral damages for attempt to sexual abuse.  
 Status : Replay to claim.  
 Nominal value : ThUS\$200
6. Plaintiff : H&V Van Mele N.V.  
 Defendant : SQM Europe N.V. and its insurance companies  
 Date : July 2013  
 Court : Commercial Court  
 Reason : Alleged indirect responsibility for the absence of adequate specification for the SOP-WS by the Belgian distributor  
 Status : Evidence  
 Nominal value : ThUS\$430
7. Plaintiff : E-CL S.A  
 Defendant : Sociedad Química y Minera de Chile S.A.  
 Date : September 2013  
 Court : Arbitration  
 Reason : Early termination of the Power Supply Contract entered into on February 12, 1999 (which matures in March 2016), on the basis of the alleged incompliance of a prior sentence between both parties that

was resolved in favor of SQM S.A..

Status :Evidentiary stage  
Nominal value :ThUS\$5,100

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-143

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 19 Contingencies and restrictions (continued)**

**19.1 Lawsuits and other relevant events, continued**

- 8 .Plaintiff :Carlos Aravena Carrizo et al.  
 Defendant :SQM Nitratos S.A. and its insurers  
 Date :May 2014  
 Court :18th Civil Court of Santiago  
 Reason : Compensation claim for alleged civil liability under tort as a result of a explosion that occurred on September 6, 2010 near Baquedano, causing the death of 6 workers.  
 Status :Claim  
 Nominal value :ThUS\$8.200
9. Plaintiff :Corporación de Fomento de la Producción (CORFO)  
 Defendant :SQM Salar S.A. and Sociedad Química y Minera de Chile S.A.  
 Date :May 2014  
 Court :Arbitral court  
 Reason : Early termination of lease agreement entered into on November 12, 1993 maturing on December, 2030 -i- because of alleged noncompliance of the full payment of quarterly income related to certain products between 2009-2013 and -ii- and alleged lack of demarcation of certain mining properties owned by CORFO for which a demarcation was never required in such agreement, and in addition, compensation for damages.  
 Status :Settlement  
 Nominal value :ThUS\$9,000
- 10Plaintiff :Evt Consulting SpA  
 Defendant :SQM Nitratos S.A.  
 Date :October 2014  
 Court :23th Civil Court of Santiago  
 Reason : Claim requesting compensation for damages for purchase and sale of metallic structures contract termination.  
 Status :Rejoinder  
 Nominal value :ThUS\$835

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-144



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 19 Contingencies and restrictions (continued)**

**19.1 Lawsuits and other relevant events, continued**

The Company and its subsidiaries have been involved and will probably continue to be involved either as plaintiffs or defendants in certain judicial proceedings that have been and will be heard by the Arbitral or Ordinary Courts of Justice that will make the final decision. Those proceedings that are regulated by the appropriate legal regulations are intended to exercise or oppose certain actions or exceptions related to certain mining claims either granted or to be granted and that do not or will not affect in an essential manner the development of the Company and its subsidiaries.

Soquimich Comercial S.A. has been involved and will probably continue being involved either as plaintiff or defendant in certain judicial proceedings through which it intends to collect and receive the amounts owed, the total nominal value of which is approximately ThUS\$700.

The Company has made efforts and continues making efforts to obtain payment of certain amounts that are still owed it on occasion of their activities. Such amounts will continue to be required using judicial or non-judicial means by the plaintiffs, and the actions and exercise related to these are currently in full force and effect.

The Company and its subsidiaries have not received legal notice of any claims other than those mentioned in paragraph I above. The claims detailed above seek to annul certain mining claims that were purchased by SQM S.A. and Subsidiaries, the proportional purchase value of which, with respect to the portion affected by the superimposition, exceeds the nominal and approximate amount of ThUS\$150. The claims seek payment of certain amounts allegedly owed by the Company due to its own activities, which exceed the approximate, nominal and individual amount of ThUS\$150.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-145

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 19 Contingencies and restrictions (continued)**

19.2 Restrictions to management or financial limits

Credit contracts subscribed by the SQM Group with domestic and foreign banks and the issuance of bonuses in the local and international market require that the Company comply with the following level of consolidated financial indicators, calculated for a moving period which considers the last twelve months:

- To maintain a minimum equity of ThUS\$1,000,000.
- To maintain a Net Financial Debt to EBITDA ratio not higher than 3 times.
- To maintain a total Indebtedness Ratio not higher than 1.2 times. The total Indebtedness Ratio is defined as the total liabilities divided by total equity.
- To maintain a ratio between the financial debt of the operating subsidiaries SQM Industrial S.A. and SQM Salar S.A., or their respective legal successors, and the Issuer's total consolidated current assets not higher than 0.3 times.

As of December 31, 2014, the aforementioned financial indicators are as follows:

<b>Indicator</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
Equity ThUS\$	2,292,515	2,432,241
Net Financial Debt/EBITDA	1.03	1.06
Indebtedness	1.03	0.96
SQM Industrial and SQM Salar debt/Current assets	0.02	0.02

Issuance contracts for bonds issued abroad does not require that the Company merge or dispose at any title the asset as a whole or as a substantial part of it, unless the following copulative conditions are met: (i) the legal successor company is an entity subject to Chilean or American laws, and assumes under a complimentary contract the Company's obligations, (ii) the Issuer does not fail to comply immediately after the merge or disposal, and (iii) the Issuer delivers a legal opinion stating the merge or disposal and the complimentary contract meet the requirements described in the original contract.

In addition, SQM S.A. is committed to disclose financial information on quarterly basis.

The Company and its subsidiaries have complied and are fully complying with all aforementioned limitations, restrictions and obligations.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-146

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 19 Contingencies and restrictions (continued)**

19.3

Commitments

The subsidiary SQM Salar S.A. has signed a rental contract with the Economic Development Agency (CORFO), which establishes that the subsidiary will pay rent to CORFO for the concept of commercialization of certain mining properties owned by CORFO and for the products resulting from the commercialization. The annual rent stated in the aforementioned contract is calculated on the basis of sales of each type of product. The contract is in force until 2030, and rent began being paid in 1996 reflecting an expense amount of ThUS\$ 21,070 as of December 31, 2014 (ThUS\$ 22,885 as of December 31, 2013).

On 15 November 2013, Corporación de Fomento de la Producción (CORFO) sent a letter to SQM Salar S.A. (SQMS) stating its intention to a) collect the amount of Ch\$2,530,298,919 (ThUS\$4,823) that in CORFO's opinion, SQMS would owe to it for the calculation and payment of rental payments according to the "Lease Agreement of OMA Mining Claims located in the Salar de Atacama" entered into between CORFO and SQMS on November 12, 1993 (the AGREEMENT) and b) require the constitution of an instance of arbitrage stated in the AGREEMENT with the purpose that the arbitrator appointed by the "Arbitration Center of the Santiago Chamber of Commerce" determines if other alleged lease payment obligations may exist that SQMS could owe to CORFO under the AGREEMENT. SQMS differs completely from CORFO's claims. In fact, the AGREEMENT has been in force for more than 20 years and during all this time, SQMS has paid to CORFO more than 80 quarterly payments in their entirety and on a timely basis that CORFO has received satisfactorily. Each of the parties, CORFO and SQMS, have requested the formation of an appropriate arbitration and such processes have not yet began.

CORFO's total claimed amount is of at least US\$8,940,829 - plus interest and expenses. The SQM Salar S.A. v. CORFO, and CORFO v. SQM Salar S.A. lawsuits have been compiled into a single proceeding which is soon to reach the evidence stage. CORFO and SQM waived all appeal procedures against the arbitrator's sentence. However, it is not possible to rule out the filing of a new appeal against a complaint proceeding or extraordinary appeal arbitration ruling due to incompetence or ultra petita, invoking jurisprudence of the courts of justice indicating that both appeals cannot be waived.

During 2014, revenues related to products from the Salar de Atacama represented 39.3% of total consolidated revenues of the Company for the same period. This corresponds to revenues from the Potassium and Lithium product business lines.

Additionally, during the same period, SQM Salar, a SQM subsidiary which operates plants located in the Atacama saltpeter deposit, sold potassium salts (sylvinite) and moist potassium chloride amounting to ThUS\$88,872 to SQM Industrial, a SQM subsidiary, to use as supplies in the production of potassium nitrate.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-147

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 19 Contingencies and restrictions (continued)**

19.4 Restricted or pledged cash

The subsidiary Isapre Norte Grande Ltda., in compliance with that established by the Chilean Superintendence of Healthcare which regulates the running of pension-related health institutions, maintains a guarantee in financial instruments delivered in deposits, custody and administration to Banco de Chile.

This guarantee, according to the regulations issued by the Chilean Superintendence of Healthcare is equivalent to the total sum owed to its members and medical providers Banco de Chile reports the present value of the guarantee to the Chilean Superintendence of Healthcare and Isapre Norte Grande Ltda. on a daily basis. As of December 31, 2014, the guarantee amounts to ThUS\$682.

SQM S.A. maintains funds with Morgan Stanley for margin call, which provide collateral for the exposure by the bank with respect to the Company.

Such collateral hedges the fair value of the Cross Currency Swap that SQM SA has entered into to hedge a portion of the Series H Bond.

Through the present date, SQM S.A. has delivered ThUS\$ 3,250 to Morgan Stanley, which will be released when one of the following conditions occurs:

1. The market value of the Cross Currency Swap is lower than the sum delivered ThUS\$ 3,250 and the collateral threshold ThUS\$ 5,000.

2. The Cross Currency Swap associated with the Series H Bond expires on January 5, 2018.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-148

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 19 Contingencies and restrictions (continued)**

19.5

Securities obtained from third parties

The main security received from third parties to guarantee Soquimich Comercial S.A.'s compliance with obligations in contracts of commercial mandates for the distribution and sale of fertilizers amounted to ThUS\$9,176 and ThUS\$14,178 on December 31, 2014 and December 31, 2013 respectively; which is detailed as follows:

<b>Grantor</b>	<b>Relationship</b>	<b>12/31/2014 ThUS\$</b>	<b>12/31/2013 ThUS\$</b>
Agrícola Lobert Ltda.	Unrelated third party	837	1,271
Agroc Patricio Bornand L. Eirl	Unrelated third party	363	392
Agrocomercial Bornand Ltda.	Unrelated third party	-	344
Agroindustrial Orzonaga Ltda.	Unrelated third party	-	133
Bernardo Guzman Schmidt	Unrelated third party	129	139
Bioleche Comercial Ltda.	Unrelated third party	-	3,431
Comercial Agrosal Ltda.	Unrelated third party	108	116
Contador Frutos S.A.	Unrelated third party	1,623	1,447
Llanos Y Wannas Soc. Com. Ltda	Unrelated third party	1,633	953
Dante Hauri Gomez	Unrelated third party	109	126
Gilberto Rivas Y Cia. Ltda.	Unrelated third party	129	136
Hortofruticola La Serena	Unrelated third party	301	323
Jose Antonio Gonzalez	Unrelated third party	-	118
Johannes Epple Davanzo	Unrelated third party	691	935
Juan Luis Gaete Chesta	Unrelated third party	266	425
Lemp Martin Julian	Unrelated third party	115	124
Neyib Farran Y Cia. Ltda.	Unrelated third party	124	133
Patricio Meneses Saglieto	Unrelated third party	-	953
Sebastian Urrutia Araya	Unrelated third party	117	116
Soc.Agr. Huifquenco Cia Ltda.	Unrelated third party	108	117
Soc. Agrocom. Julio Polanco	Unrelated third party	296	132
Tattersall Agroinsumos S.A.	Unrelated third party	2,000	1,789
Vicente Oyarce Castro	Unrelated third party	227	525
<b>Total</b>		<b>9,176</b>	<b>14,178</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile



Tel: (562) 425 2000

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

F-149

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 19 Contingencies and restrictions (continued)****19.6 Indirect guarantees**

Guarantees in which there is no pending balance indirectly reflect that the respective guarantees are in force and approved by the Company's Board of Directors and have not been used by the respective subsidiary.

Creditor of the guarantee	Debtor Name	Relationship	Type of guarantee	Balances as of the closing date of the financial statements	
				12/31/2014 ThUS\$	12/31/2013 ThUS\$
Australian and New Zealand Bank	SQM North America Corp	Subsidiary	Bond	-	-
Australian and New Zealand Bank	SQM Europe N.V.	Subsidiary	Bond	-	-
Generale Bank	SQM North America Corp	Subsidiary	Bond	-	-
Generale Bank	SQM Europe N.V.	Subsidiary	Bond	-	-
Kredietbank	SQM North America Corp	Subsidiary	Bond	-	-
Kredietbank	SQM Europe N.V.	Subsidiary	Bond	-	-
Banks and financial institutions	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-
Banks and financial institutions	SQM Europe N.V.	Subsidiary	Bond	-	-
Banks and financial institutions	SQM North America Corp	Subsidiary	Bond	-	-
Banks and financial institutions	Nitratos Naturais do Chile Ltda.	Subsidiary	Bond	-	-
Banks and financial institutions	SQM México S.A. de C.V.	Subsidiary	Bond	-	-
Banks and financial institutions "BNP"	SQM Brasil Ltda.	Subsidiary	Bond	-	-
Sociedad Nacional de Minería A.G.	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-
JP Morgan Chase Bank	SQM Potasio S.A.	Subsidiary	Bond	-	-
The Bank of Nova Scotia	SQM Industrial S.A.	Subsidiary	Bond	-	-
Morgan Stanley Capital Services	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-
The Bank of Tokyo-Mitsubishi UFJ Ltd.	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-
HSBC	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-
Deutsche Bank AG	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-
Credit Suisse International	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-150

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 19 Contingencies and restrictions (continued)**

**19.6 Indirect guarantees, continued**

The bonds which disclose a balance as of December 31, 2014 and December 31, 2013 are detailed below:

Creditor of the guarantee	Debtor Name	Relationship	Type of guarantee	Pending balances as of the closing date of the financial statements	
				12/31/2014 ThUS\$	12/31/2013 ThUS\$
Scotiabank & Trust (Cayman) Ltd.	Royal Seed Trading A.V.V.	Subsidiary	Bond	-	50,189
Scotiabank & Trust (Cayman) Ltd.	Royal Seed Trading A.V.V.	Subsidiary	Bond	50,137	50,139
Bank of America	Royal Seed Trading A.V.V.	Subsidiary	Bond	40,117	40,120
Export Development Canada	Royal Seed Trading A.V.V.	Subsidiary	Bond	40,012	50,014
The Bank of Tokyo-Mitsubishi UFJ Ltd.	Royal Seed Trading A.V.V.	Subsidiary	Bond	40,084	50,108

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-151

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 20 Revenue

As of December 31, 2014 and 2013, revenue is detailed as follows:

<b>Types of revenue</b>	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Sales of goods	2,006,452	2,191,650	2,420,357
Provision of services	7,762	11,490	8,803
<b>Total</b>	<b>2,014,214</b>	<b>2,203,140</b>	<b>2,429,160</b>

Note 21 Earnings per share

Basic earnings per share are calculated by dividing net income attributable to the Company's shareholders by the weighted average of the number of shares in circulation during that period.

As expressed, earnings per share are detailed as follows:

<b>Basic earnings per share</b>	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Earnings (losses) attributable to owners of the parent	236,889	467,113	649,167

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>Units</b>	<b>Units</b>	<b>Units</b>
Number of common shares in circulation	263,196,524	263,196,524	263,196,524

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
Basic earnings per share (US\$ per share)	0.90	1.77	2.47

The Company has not made any operations with a potential dilutive effect that assumes diluted earnings per share are different from the basic earnings per share.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-152

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 22 Borrowing costs

The cost of interest is recognized as expenses in the year in which it is incurred, except for interest that is directly related to the acquisition and construction of tangible property, plant and equipment assets and that complies with the requirements of IAS 23. As of December 31, 2014, total interest expenses incurred amount to ThUS\$63,373 (ThUS\$58,608 as of December 31, 2013) and ThUS\$ 54,095 as of December 31, 2012.

The Company capitalizes all interest costs directly related to the construction or to the acquisition of property, plant and equipment, which require a substantial time to be suitable for use.

22.1 Costs of capitalized interest, property, plant and equipment

The cost of capitalized interest is determined by applying the average or weighted average of all financing costs incurred by the Company to the monthly end balances of works-in-progress meeting the requirements of IAS 23.

The rates and costs for capitalized interest of property, plant and equipment are detailed as follows:

	12/31/2014		12/31/2013	
Capitalization rate of costs for capitalized interest, property, plant and equipment	7	%	7	%
Amount of costs for interest capitalized in ThUS\$	7,732		17,232	

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-153

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 23 Effect of fluctuations on foreign currency exchange rates

**a) Foreign currency exchange differences recognized in profit or loss except for financial instruments measured at fair value through profit or loss:**

	12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2012 ThUS\$
Conversion foreign exchange gains (losses) recognized in the result of the year.	(16,545 )	(11,954 )	(26,787 )
Conversion foreign exchange reserves attributable to the owners of the controlling entity	(3,884 )	(3,487 )	921
Conversion foreign exchange reserves attributable to the non-controlling entity	(132 )	(72 )	61

**b) Reserves for foreign currency exchange differences:**

As of December 31, 2014, and December 31, 2013, foreign currency exchange differences are detailed as follows:

Detail	12/31/2014 ThUS\$	12/31/2013 ThUS\$	12/31/2012 ThUS\$
Changes in equity generated by conversion of equity value:			
Comercial Hydro S.A.	1,004	1,004	1,004
SQMC Internacional Ltda.	-	22	39
Proinsa Ltda.	-	16	29
Comercial Agrorama Ltda.	(31 )	36	87
Isapre Norte Grande Ltda.	(91 )	15	59
Almacenes y Depósitos Ltda.	42	69	99
Sales de Magnesio Ltda.	2	103	209
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	(8 )	9	20
Agrorama S.A.	(30 )	(16 )	(6 )
Doktor Tarsa	(5,076 )	(3,647 )	(1,074 )
SQM Vitas Fzco.	(1,084 )	(657 )	(318 )
Ajay Europe	(809 )	146	(275 )
SQM Eastmed Turkey	(69 )	(42 )	(42 )
Charlee SQM (Thailand) Co. Ltd.	(176 )	(129 )	(32 )
Coromandel SQM India	(253 )	(231 )	(118 )
SQM Italia SRL	(128 )	89	28



Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

SQM Oceanía Pty Ltd.	(634	)	(619	)	(39	)
SQM Indonesia S.A.	(123	)	15		-	
Abu Dhabi Fertilizers Industries WWL.	20		-		-	
SQM Vitas Holland	(189	)	-		-	
SQM Thailand Limited	(68	)	-		-	
<b>Total</b>	<b>(7,701</b>	<b>)</b>	<b>(3,817</b>	<b>)</b>	<b>(330</b>	<b>)</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-154

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 23 Effect of fluctuations on foreign currency exchange rates (continued)**

**c) Functional and presentation currency**

The functional currency in these companies corresponds to the currency of the country of origin of each entity, and its presentation currency is the U.S. dollar.

**d) Reasons to use one presentation currency and a different functional currency**

-The total revenues of these subsidiaries are associated with the local currency.

-The commercialization cost structure of these companies is affected by the local currency.

- The equities of these companies are expressed in local currency (Chilean peso).

**Note 24 Environment**

**24.1 Disclosures of disbursements related to the environment**

The Company is continuously concerned with protecting the environment both in its production processes and with respect to products manufactured. This commitment is supported by the principles indicated in the Company's Sustainable Development Policy. The Company is currently operating under an Environmental Management System (EMS) that has allowed it to strengthen its environmental performance through the effective application of the Company's Sustainable Development Policy.

Operations that use caliche as a raw material are carried out in desert areas with climatic conditions that are favorable for drying solids and evaporating liquids using solar energy. Operations involving the open-pit extraction of minerals, due to their low waste-to-mineral ratio, generate remaining deposits that slightly alter the environment. A portion of the ore extracted is crushed, a process in which particle emissions occur. Currently this operation is conducted only at the Pedro de Valdivia worksite and no ore crushing process is conducted in the María Elena sector.

Many of the Company's products are shipped in bulk at the Port of Tocopilla. In 2007, the city of Tocopilla was declared a zone saturated with MP10 Particles mainly due to the emissions from the electric power plants that operate in that city. In October 2010, the Decontamination Plan for Tocopilla was put in place. Accordingly, the Company has committed to taking several measures to mitigate the effects derived from bulk product movements in the port. These measures have been successfully implemented since 2007.

The Company carries out environmental follow-up and monitoring plans based on specialized scientific studies. Within this context, the Company entered into a contract with the National Forestry Corporation (CONAF) aimed at researching the activities of flamingo groups that live in the Salar de Atacama lagoons. Such research includes a population count of the birds, as well as breeding research. Environmental monitoring activities carried out by the Company at the Salar de Atacama and other systems in which it operates are supported by a number of studies that have integrated diverse scientific efforts from prestigious research centers, including Dictuc from the Pontificia Universidad Católica in Santiago and the School of Agricultural Science of the Universidad de Chile.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-155

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)**

**24.1 Disclosures of disbursements related to the environment, continued**

Furthermore, within the framework of the environmental studies which the Company is conducting, the Company performs significant activities in relation to the recording of Pre-Columbian and historical cultural heritage, as well as the protection of heritage sites, in accordance with current Chilean laws. These activities have been especially performed in the areas surrounding Maria Elena and the Nueva Victoria plants. This effort is being accompanied by cultural initiatives within the community and the organization of exhibits in local and regional museums.

As emphasized in its Sustainable Development Policy, the Company strives to maintain positive relationships with the communities surrounding the locations in which it carries out its operations, as well as to participate in communities' development by supporting joint projects and activities which help to improve the quality of life for residents. For this purpose, the Company has focused its efforts on activities involving the rescue of historical heritage, education and culture, as well as development.

In order to do so, it acts both individually and in conjunction with private and public entities.

**24.2 Detail of information on disbursements related to the environment**

The accumulated disbursements in which the Company incurred as of December 31, 2014 for the concept of investments in production processes, verification and control of compliance with ordinances and laws relative to industrial processes and facilities, including prior year disbursements related to these projects amounted to ThUS\$13,267 and are detailed as follows:

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)****24.2 Detail of information on disbursements related to the environment, continued****Accumulated expenses as of 12/31/2014**

<b>Identification of the Parent or subsidiary</b>	<b>Name of the project with which expenditure is associated</b>	<b>Concept for which the expenditure was made or will be made</b>
Miscellaneous	Environmental-operational area	Not classified
SQM Industrial S.A.	IQWZ - Normalization TK NV liquid fuels	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	MP5W - Normalization TK's Fuels	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	MQBM - Archaeological Digging Deployment Maria Elena - Toco	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	MQK2 – Elimination of PCBs I	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	PPZU - Standardize and Certify Plant Fuel Tanks	Environmental processing
SQM Industrial S.A.	PQLV – Pedro de Valdivia mine site DIA	Environmental processing
SQM Industrial S.A.	TQA2 - Drainage Improvement Villa Prat	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	PQXM – Elaboration DIA Operation with batteries in PV	Environmental processing
SQM Industrial S.A.	04-I0002 - Nueva Iris TAS	Sustainability
SQM S.A.	IPFT - Cultural Heritage Region I	Sustainability
SQM S.A.	IQ1M - PSA Re-injection of water to Puquios Llamara	Sustainability: Environment and Risk Prevention
SQM S.A.	IQ3S- Hazardous Materials Management Standardization	Sustainability
SQM S.A.	IQOW- Deposit authorization for Humberstone heritage	Sustainability: Environment and Risk Prevention
SQM S.A.	IQWS - Mine Area equity measures Stage II	Sustainability: Environment and Risk Prevention
SQM S.A.	IQX6 – Environmental management plan of Tamarugos Pampa del Tamarugal 2013-2014	Sustainability: Environment and Risk Prevention
SQM S.A.	IQXB – Environmental management plan of Tamarugos Salar de Llamara 2013-2014	Sustainability: Environment and Risk Prevention
SQM S.A.	I0042 – Mine are equity measures Stage III	Sustainability: Environment and Risk Prevention
SQM S.A.	01-I0046 – Cultural heritage Pampa Hermosa 2014-2015	Sustainability

**SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-157

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)****24.2 Detail of information on disbursements related to the environment, continued****Accumulated expenses as of 12/31/2014, continued**

<b>Identification of the Parent or subsidiary</b>	<b>Name of the project with which expenditure is associated</b>	<b>Concept for which the expenditure was made or will be made</b>
SQM Salar S.A.	LQDM – Certification of tanks	Sustainability: Replacement of equipment
SQM Salar S.A.	LQI6 - EIA Operating maintenance at Salar de Atacama	Environmental processing
SQM Salar S.A.	LQXW – White water	Environmental processing
SQM Nitratos S.A.	IQMH - Normalization Mine NV area operation	Sustainability: Environment and Risk Prevention
SIT S.A.	TQQ5 - Environmental curtains Field No. 8	Sustainability: Environment and Risk Prevention
SIT S.A.	03-T0013 – Improvement of sewerage system, Villa Prat 2014	Sustainability: Environment and Risk Prevention
SIT S.A.	03-T0008 – Mobile belt protections 2, 5 and 7	Sustainability: Environment and Risk Prevention
<b>Total</b>		

**SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-158



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)****24.2 Detail of information on disbursements related to the environment, continued****Future expenses as of 12/31/2014**

<b>Identification of the Parent or subsidiary</b>	<b>Name of the project with which expenditure is associated</b>	<b>Concept for which the expenditure was made or will be made</b>
SQM Industrial S.A.	IQWZ - Normalization TK NV liquid fuels	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	MP5W - Normalization TK's Fuels	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	MQBM - Archaeological Digging Deployment Maria Elena – Toco	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	MQK2 – Elimination of PCBs I	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	PPZU - Standardize and Certify Plant Fuel Tanks	Environmental processing
SQM Industrial S.A.	PQXM - Elaboration DIA Operation with batteries in PV	Environmental processing
SQM Industrial S.A.	J0006 – NPT III boiler gas scrubbing system	Sustainability: Environment and Risk Prevention
SQM Industrial S.A.	I0002 – Nueva Iris TAS	Sustainability and Environment
SQM Industrial S.A.	M0006 – Significant maintenance of ME town streets and ME garbage dumps	Sustainability
SQM Industrial S.A.	04-I0023 – Acquisition of leak detection equipment	Sustainability: Environment and Risk Prevention
SQM S.A.	IQWS - Mine Area equity measures Stage II	Sustainability: Environment and Risk Prevention
SQM S.A.	IQX6 – Environmental management plan of Tamarugos Pampa del Tamarugal 2013-2014	Sustainability: Environment and Risk Prevention
SQM S.A.	IQXB – Environmental management plan of Tamarugos Salar de Llamara 2013-2014	Sustainability: Environment and Risk Prevention
SQM S.A.	I0032- Hazardous Materials Standardization	Sustainability
SQM S.A.	I0042 - Mine Area equity measures Stage III	Sustainability: Environment and Risk Prevention
SQM S.A.	01-I0046 - Cultural heritage Pampa Hermosa 2014 – 2015	Sustainability
SQM S.A.	01-IQWP - 01-J0011 - DIA Expansion of NV Mine Zone	Environmental processing
SQM Salar S.A.	LQI6 - EIA Operating maintenance at Salar de Atacama	Environmental processing
SIT S.A.	TQQ5 - Environmental curtains Field No. 8	Sustainability: Environment and Risk Prevention
<b>Total</b>		

**SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-159

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)****24.2 Detail of information on disbursements related to the environment, continued****Accumulated expenses as of 12/31/2013**

<b>Identification of the Parent or subsidiary</b>	<b>Name of the project with which expenditure is associated</b>	<b>Concept for which the expenditure was made or will be made</b>	<b>Asset / Expense</b>
Miscellaneous	Environmental-operational area	Not classified	Expense
SQM Industrial S.A.	CQLX – Hazardous waste yard S Carmen and Lagarto	Sustainability	Asset/Expense
SQM Industrial S.A.	FP55 - FPXA-EIA Pampa Blanca Expansion	Environmental Processing	Asset
SQM Industrial S.A.	IQWZ - Normalization TK NV liquid fuels	Sustainability: Environment and Risk prevention	Asset
SQM Industrial S.A.	JQ8K – DIA Line 4 Floor Drying, Coya Sur	Environmental Processing	Asset
SQM Industrial S.A.	JQB6 - DIA Plant NPT4, Coya Sur	Environmental Processing	Asset
SQM Industrial S.A.	JQH9 – Purchase of Bertrams Boiler	Sustainability: Environment and Risk prevention	Asset
SQM Industrial S.A.	MNYS - Measures of Technological Change Cultural Heritage Dissemination Maria Elena	Environmental Processing	Expense
SQM Industrial S.A.	MP5W - Normalization TK´s Fuels	Sustainability: Environment and Risk prevention	Asset
SQM Industrial S.A.	MPQU - Construction of Hazardous Chemical Supplies warehouse	Sustainability: Environment and Risk prevention	Asset
SQM Industrial S.A.	MQA8- Normalization gas system, external cafeterias (Stage 1: projects)	Sustainability: Environment and Risk prevention	Asset/Expense
SQM Industrial S.A.	MQBM-Archaeological Digging Deployment Maria Elena - Toco	Sustainability: Environment and Risk prevention	Expense
SQM Industrial S.A.	MQHF -Sustaining of batteries ME	Sustainability: Environment and Risk prevention	Asset-Expense
SQM Industrial S.A.	MQK2-Elimination of PCBs I	Sustainability: Environment and Risk prevention	Expense
SQM Industrial S.A.	PPC1-Remove switches park PCB sub 3 and 1/12 Pedro de Valdivia	Sustainability: Environment and Risk prevention	Expense
SQM Industrial S.A.	PPZU - Standardize and certify Plant Fuel Tanks	Environmental Processing	Asset

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

SQM Industrial S.A.	PQLV-DIA Pedro de Valdivia Mine	Environmental Processing	Asset
SQM Industrial S.A.	SQ7X - Reach 2011-2013	Sustainability: Environment and Risk prevention	Expense
SQM Industrial S.A.	TQA2 - Drainage Improvement Villa Prat	Sustainability: Environment and Risk prevention	Expense
SQM Industrial S.A.	PQXM – Elaboration DIA Operation with batteries in PV	Environmental Processing	Asset
SQM S.A.	IP83-DIA Expansion TLN-15	Environmental Processing	Asset
SQM S.A.	IPFT-Cultural Heritage Region I	Sustainability	Expense

**SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-160

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)****24.2 Detail of information on disbursements related to the environment, continued****Accumulated expenses as of 12/31/2013 (continued)**

<b>Identification of the Parent or subsidiary</b>	<b>Name of the project with which expenditure is associated</b>	<b>Concept for which the expenditure was made or will be made</b>
SQM S.A.	IPXE – Environmental monitoring plan Salar de Llamara	Cost reduction
SQM S.A.	IPXF-Environmental monitoring plan Pampa del Tamarugal	Sustainability: Environment and Risk Prevention
SQM S.A.	IQ1M-PSA Re-injection of water to Puquíos Llamara	Sustainability: Environment and Risk Prevention
SQM S.A.	IQ3S-Hazardous Materials Management Standardization	Sustainability
SQM S.A.	IQ54-Cultural heritage Pampa Hermosa	Minor projects (between ThUS\$50 and ThUS\$299)
SQM S.A.	IQOW-Deposit authorization for Humberstone heritage	Sustainability: Environment and Risk Prevention
SQM S.A.	IQPJ-Mine Area equity measures Stage I	Sustainability
SQM S.A.	IQWS - Mine Area equity measures Stage II	Sustainability: Environment and Risk Prevention
SQM S.A.	IQX6 – Environmental management plan of Tamarugos Pampa del Tamarugal 2013-2014	Sustainability: Environment and Risk Prevention
SQM S.A.	IQXB - Environmental management plan of Tamarugos Llamara Salt Flat 2013-2014	Sustainability: Environment and Risk Prevention
SQM S.A.	MQLQ- Gas scrubbing system	Not Classified
SQM Salar S.A.	LQG8 – Waste room Toconao Campsite	Sustainability: Natural Resources
SQM Salar S.A.	LQDM – Certification of tanks	Sustainability: Replacement of equipment
SQM Salar S.A.	LQI6-EIA Operating maintenance at Salar de Atacama	Environmental Processing
SQM Salar S.A.	LQNI-DIA KCI Floor Drying and compacting expansion	Environmental Processing
SIT S.A.	TPYX - Enabling the dust collector of the crib and court seal 3 Tocopilla	Sustainability: Environment and Risk Prevention
SIT S.A.	TQAV - Paving paths IV	Sustainability

**SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-161

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)**

**24.2 Detail of information on disbursements related to the environment, continued**

**Accumulated expenses as of 12/31/2013, continued**

<b>Identification of the Parent or subsidiary</b>	<b>Name of the project with which expenditure is associated</b>	<b>Concept for which the expenditure was made or will be made</b>	<b>Asset / Expense</b>
SIT S.A.	TQQ5 – Environmental curtains field No.8	Sustainability: Environment and Risk Prevention	Expense
SQM Nitratos S.A.	IQMH – Normalization Mine NV area operation	Sustainability: Environment and Risk Prevention	Asset
SQM Nitratos S.A.	PQI9 – Mine waste water treatment plant	Sustainability: Environment and Risk Prevention	Asset
<b>Total</b>			

**SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-162

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)****24.2 Detail of information on disbursements related to the environment, continued****Future expenses as of 12/31/2013**

<b>Identification of the Parent or subsidiary</b>	<b>Name of the project with which expenditure is associated</b>	<b>Concept for which the expenditure was made or will be made</b>	<b>Asset / Expense</b>
SQM Industrial S.A.	FP55 - FPXA - EIA Pampa Blanca Expansion	Environmental processing	Asset
SQM Industrial S.A.	IQWZ - Normalization TK NV liquid fuels	Sustainability: Environment and Risk Prevention	Asset
SQM Industrial S.A.	MP5W - Normalization TK's Fuels	Sustainability: Environment and Risk Prevention	Asset
SQM Industrial S.A.	MQBM-Archaeological Digging Deployment Maria Elena - Toco	Sustainability: Environment and Risk Prevention	Expense
SQM Industrial S.A.	MQK2-Elimination of PCBs I	Sustainability: Environment and Risk Prevention	Expense
SQM Industrial S.A.	PPZU - Standardize and Certify Plant Fuel Tanks	Environmental processing	Asset
SQM Industrial S.A.	PQLV-DIA Pedro de Valdivia Mine	Environmental processing	Asset
SQM S.A.	IP83-DIA Expansion TLN-15	Environmental processing	Asset
SQM S.A.	IPFT-Cultural Heritage Region I	Sustainability	Expense
SQM S.A.	IQ1M-PSA Re-injection of water to Puquíos Llamara	Sustainability: Environment and Risk Prevention	Asset
SQM S.A.	IQ3S-Hazardous Materials Management Standardization	Sustainability	Asset-Expense
SQM S.A.	IQOW-Deposit authorization for Humberstone heritage	Sustainability: Environment and Risk Prevention	Expense
SQM S.A.	IQWS - Mine Area equity measures Stage II	Sustainability: Environment and Risk Prevention	Expense
SQM S.A.	IQX6 – Environmental management plan of Tamarugos Pampa del Tamarugal 2013-2014	Sustainability: Environment and Risk Prevention	Asset
SQM S.A.	IQXB - Environmental management plan of Tamarugos Salar de Llamara 2013-2014	Sustainability: Environment and Risk Prevention	Asset
SQM Salar S.A.	LQDM – Certification of tanks	Sustainability: Replacement of equipment	Asset
SQM Salar S.A.	LQI6-EIA Operating Maintenance at Salar de Atacama	Environmental processing	Asset
SIT S.A.	TQQ5- Environmental curtains Field No. 8	Sustainability: Environment and Risk Prevention	Expense
SQM Industrial S.A.	PQXM – Elaboration DIA Operation with batteries in PV	Environmental processing	Asset
<b>Total</b>			



**SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-163

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)**

24.3 Description of each project, indicating whether these are in process or have been finished

**SQM Industrial S.A.**

**IQWZ:** Performing an analysis of the tank facilities (civil works, mechanical work, piping, electrical work and instruments) by a company specialized in liquid fuels and that is a Certifying Entity. After that, performance of the detail engineering and then implementation of the modifications required to normalize the TKs facilities and leave them in conditions to be declared and filed with the SEC. The budget of ThUS\$123 only covers expenses related to the analysis and detail engineering. The project is in process.

**I0002:** The project involves a new waste water treatment plant, for the supervisor role area in the Iris campsite. The project is pending.

**J0006:** This project is intended to design a rapidly-implemented gas scrubbing system that complies with the standard on the emission of gases involved. This project is in process.

**MP5W:** Normalization of the fuel storage and distribution system in SQM installations. This project is in process.

**MQBM:** Implementing archeological measures in María Elena – Toco site, such as the archeological registry, analysis of lithic materials, and generation of reports. This project is in process.

**MQK2:** The project involves the decontamination of equipment and items contaminated with PCBs and/or final disposal in accordance with applicable regulations. This project is in process.

**M0006:** The project involves the enhancement of the bischofite layer in main streets of the town ME. This project is in process.

**PPZU:** The necessary actions to normalize and certify fuel tanks in the plants in Maria Elena, Coya Sur and Pedro de Valdivia were performed. This project is in process.

**PQLV:** Preparation and filing of EID Pedro de Valdivia. This project is in process.

**PQXM:** Elaborate a project to enter into the Environmental Impact Assessment System (SEIA), with the intention of obtaining the environmental approval for the operation of Batteries in Pedro de Valdivia. This project is in process.

**TQA2:** This project aims to improve the sewerage system of Villa Prat. The project is in the closure stage.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-164

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)**

**24.3 Description of each project, indicating whether these are in process or have been finished, continued**

**I0023:** This project is aimed at acquiring leak detection equipment to ensure that evaporation ponds are not damaged and no solution is lost, avoiding the pollution of the environment. This project is in process.

**SQM S.A.**

**IPFT:** The project considers the implementation of measures committed in projects in the area of the Nueva Victoria mine, update of operations in Nueva Victoria, evaporation ducts and pits in Iris. The project is at the closure stage.

**IQ1M:** Implementing environmental commitments included in the EIS of project “Pampa Hermosa” to safeguard the puquíos zone that is in the Salar de Llamara water reservoir. The project is in the closure stage.

**IQ3S:** Improvements in the storage facilities of hazardous raw materials in Nueva Victoria. This project is in process.

**IQOW:** Enabling a deposit in Humberstone Saltpeter to store material of heritage interest recovered in land campaigns of Project ZMNV (performed and to be performed). The project is in the closure stage.

**IQWS:** Implementation of heritage-related environmental commitments, to make available mining areas in 2013, required to develop the mining exploitation of the VPONV, in compliance with the commitments agreed through the Environmental Assessment System (SEA). The project is in process.

**IQWP:** This project consists of reclassifying geological resources measured. The project is in process.

**IQX6:** Implementation of environmental commitments of the Pampa Hermosa Project at Pampa del Tamarugal considered for the years 2013-2014. The project is in process.

**IQXB:** Implementation of environmental commitments of the Pampa Hermosa Project at Llamara Saltpeter deposit considered for the years 2013-2014. The project is in process.

**I0032:** Presenting departures from the standard currently in force with respect to storage of hazardous substances and provisions of SD 78/2010. This project is in process.

**I0042:** The project involves the implementation of equity measures under the Environmental Assessment for the mining area. It comprises the implementation of a fence in the exclusion and archaeological working area in the mining areas, required for the exploitation in 2014. This project is in process.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-165

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 24 Environment (continued)**

**24.3 Description of each project, indicating whether these are in process or have been finished, continued**

**I0046:** The project consists of the implementation of equity measures committed in the Environmental Assessment of the Pintados sector (geoglyphs and former railway station) and for the Sur Viejo sector the implementation of development activities and archeological works are contemplated. This project is in progress.

**SOM Salar S.A.**

**LQDM:** Certification of the liquid fuel storage tanks. This project is in process.

**LQI6:** Preparation and processing of the EIA Update Operations in the Atacama Saltpeter Deposit. This project is in process.

**LQXW:** Increasing the availability of brine ponds. The greater capacity of water wells implies the possibility of re-injecting more water to the saltpeter deposit, resulting in an increase in brine extraction. The expense considered only includes environmental processing. The project is in process.

**SIT S.A.**

**TQQ5:** This project aims to contain emissions of particulate material to prevent contamination to adjacent communities. The project is in process.

**T0013:** This project is intended to address sectors where sewage chambers have exceeded their capacity, the replacement of sewage collectors and sewage system chambers is proposed. The project is in progress.

**T0008:** This project consists of reducing pollution issues in the bulk loading process and increasing port safety. This project is in process.

**SQM Nitratos S.A.**

**IQMH:** Creation of an area allowing storing hazardous substances. This project is in process.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-166

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 25 Other current and non-current non-financial assets**

As of December 31, 2014, and December 31, 2013, the detail of other current and non-current assets is as follows:

<b>Other non-financial assets, current</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Domestic Value Added Tax	15,149	21,263
Foreign Value Added Tax	7,388	5,842
Prepaid mining licenses	1,275	1,522
Prepaid insurance	7,916	9,767
Other prepayments	533	623
Refund of Value Added Tax to exporters	8,966	-
Other assets	2,509	5,213
<b>Total</b>	<b>43,736</b>	<b>44,230</b>

  

<b>Other non-financial assets, non-current</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Stain development expenses and prospecting expenses (1)	29,569	33,388
Guarantee deposits	682	708
Pension plan	647	987
Other assets	1,273	1,422
<b>Total</b>	<b>32,171</b>	<b>36,505</b>

**1) Reconciliation of changes in assets for exploration and mineral resource evaluation, by type**

Movements in assets for the exploration and evaluation of mineral resources as of December 31, 2014, and December 31, 2013:

<b>Reconciliation</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
<b>Opening balance</b>	<b>33,388</b>	<b>22,496</b>
<b>Changes</b>		
Additions, other than business combinations	2,695	13,064
Depreciation and amortization (*)	(2,092 )	(2,059 )
Increase (decrease) due to transfers and other charges	(4,422 )	(113 )
<b>Total changes</b>	<b>(3,819 )</b>	<b>10,892</b>



<b>Total</b>	<b>29,569</b>	<b>33,388</b>
--------------	---------------	---------------

(\* ) Assets for the exploration and evaluation of mineral resources are amortized considering the estimated material tonnage on exploited material tonnage.

As of the presentation date, no reevaluations of assets for exploration and assessment of mineral resources have been conducted.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-167

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments**

26.1 Operating segments

**General information:**

The amount of each item presented in each operating segment is equal to that reported to the maximum authority that makes decisions regarding the operation, in order to decide on the allocation of resources to the defined segments and to assess its performance.

**Factors used to identify segments on which a report should be presented:**

Segments reported are strategic business units that offer different products and services. These are managed separately because each business requires different technology and marketing strategies.

**Description of the types of products and services on which each reportable segment obtain its income from ordinary activities**

The operating segments, through which incomes of ordinary activities are obtained, that generate expenses and whose operating results are reviewed on a regular basis by the maximum authority who makes decisions regarding operations, relate to the following groups of products:

- |    |                             |
|----|-----------------------------|
| 1. | Specialty plant nutrients   |
| 2. | Iodine and its derivatives  |
| 3. | Lithium and its derivatives |
| 4. | Industrial chemicals        |
| 5. | Potassium                   |
| 6. | Other products and services |

**Description of income sources for all the other segments**

Information relative to assets, liabilities, profit and expenses that cannot be assigned to the segments indicated above, due to the nature of production processes, is included under "Unassigned amounts" category of the disclosed information.

**Basis of accounting for transactions between reportable segments**

Sales between segments are made in the same conditions as those made to third parties, and are consistently measures as presented in the income statement.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-168

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)**

**26.1**

**Operating segments, continued**

**Description of the nature of the differences between measurements of results of reportable segments and the result of the entity before the expense or income tax expense of incomes and discontinued operations.**

The information reported in the segments is extracted from the Company's consolidated financial statements and therefore is not required to prepare reconciliations between the data mentioned above and those reported in the respective segments, according to what is stated in paragraph 28 of IFRS 8, "Operating Segments".

**Description of the nature of the differences between measurements of assets of reportable segments and the Company's assets**

Assets are not shown classified by segments, as this information is not readily available. Some of these assets are not separable by the type of activity by which they are affected since this information is not used by management in decision-making with respect to resources to be allocated to each defined segment. All assets are disclosed in the "unallocated amounts" category.

**Description of the nature of the differences between measurements of liabilities of reportable segments and the Company's liabilities**

Liabilities are not shown classified by segments, as this information is not readily available. Some of these liabilities are not separable by the type of activity by which they are affected, since this information is not used by management in decisions making regarding resources to be allocated to each defined segment. All liabilities are disclosed in the "unallocated amounts" category.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-169

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)**

## 26.2 Operating segment disclosures:

**12/31/2014**

<b>Operating segment items</b>	<b>Specialty plant nutrients</b>	<b>Iodine and its derivatives</b>	<b>Lithium and its derivatives</b>	<b>Industrial chemicals</b>	<b>Potassium</b>	<b>Other products and services</b>	<b>Reportable segments</b>	<b>Operating segments</b>	<b>Elimination of inter-segments amounts</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Revenue	708,023	335,433	206,849	101,933	584,268	77,708	2,014,214	2,014,214	-
Revenues from transactions with other operating segments of the same entity	69,686	560,051	119,900	311,188	358,089	238,614	1,657,528	1,657,528	(1,657,528)
<b>Revenues from external customers and transactions with other operating segments of the same entity</b>	<b>777,709</b>	<b>895,484</b>	<b>326,749</b>	<b>413,121</b>	<b>942,357</b>	<b>316,322</b>	<b>3,671,742</b>	<b>3,671,742</b>	<b>(1,657,528)</b>
Costs of sales	(564,151)	(196,535)	(118,432)	(60,451)	(423,488)	(68,185)	(1,431,242)	(1,431,242)	-
Administrative expenses	-	-	-	-	-	-	-	-	7,865
Interest expense	-	-	-	-	-	-	-	-	191,811
depreciation and amortization expense	(97,037)	(33,805)	(20,371)	(10,399)	(72,842)	(11,726)	(246,180)	(246,180)	-
The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-	-	(973)
	-	-	-	-	-	-	-	-	-

income tax expense, continuing operations									
Other items other than significant cash	-	-	-	-	-	-	-	-	-
Income (loss) before taxes	143,872	138,898	88,417	41,482	160,780	9,523	582,972	582,972	(542,355)
Net income (loss) from continuing operations	<b>143,872</b>	<b>138,898</b>	<b>88,417</b>	<b>41,482</b>	<b>160,780</b>	<b>9,523</b>	<b>582,972</b>	<b>582,972</b>	<b>(542,355)</b>
Net income (loss) from discontinued operations									
<b>Net income (loss)</b>	<b>143,872</b>	<b>138,898</b>	<b>88,417</b>	<b>41,482</b>	<b>160,780</b>	<b>9,523</b>	<b>582,972</b>	<b>582,972</b>	<b>(542,355)</b>
Assets	-	-	-	-	-	-	-	-	(7,142,103)
Equity-accounted investees	-	-	-	-	-	-	-	-	(3,291,962)
Increase of non-current assets	-	-	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-	-	-	(3,541,962)
Impairment loss recognized in profit or loss	-	-	(989)	-	(164)	(111)	(1,264)	(1,264)	-
Reversal of impairment losses recognized in profit or loss for the period	10,487	979	-	2,993	-	-	14,459	14,459	-
Cash flows from (used in) operating activities	-	-	-	-	-	-	-	-	-
Cash flows from (used in) investing activities	-	-	-	-	-	-	-	-	-
Cash flows from (used in) financing activities	-	-	-	-	-	-	-	-	-

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-170



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)****26.2 Operating segment disclosures , continued****12/31/2013**

<b>Operating segment items</b>	<b>Specialty plant nutrients</b>	<b>Iodine and its derivatives</b>	<b>Lithium and its derivatives</b>	<b>Industrial chemicals</b>	<b>Potassium</b>	<b>Other products and services</b>	<b>Reportable segments</b>	<b>Operating segments</b>	<b>Elimination of inter-segment amounts</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Revenue	687,455	461,015	196,492	153,963	606,315	97,900	2,203,140	2,203,140	-
Revenues from transactions with other operating segments of the same entity	121,735	723,801	122,616	309,127	462,565	337,690	2,077,534	2,077,534	(2,077,534)
<b>Revenues from external customers and transactions with other operating segments of the same entity</b>	<b>809,190</b>	<b>1,184,816</b>	<b>319,108</b>	<b>463,090</b>	<b>1,068,880</b>	<b>435,590</b>	<b>4,280,674</b>	<b>4,280,674</b>	<b>(2,077,534)</b>
Costs of sales	(536,067)	(202,650 )	(99,244 )	(110,921)	(443,988 )	(88,820 )	(1,481,690)	(1,481,690)	-
Administrative expenses	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	195,404
depreciation and amortization	(67,656 )	(45,371 )	(19,338 )	(15,152 )	(59,670 )	(9,634 )	(216,821 )	(216,821 )	-
expense									
The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	(2,377)

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

income tax expense, continuing operations										
Income (loss) before taxes	151,388	258,366	97,248	43,042	162,327	93,079	805,450	805,450	(567,911)	
Net income (loss) from continuing operations	<b>151,388</b>	<b>258,366</b>	<b>97,248</b>	<b>43,042</b>	<b>162,327</b>	<b>93,079</b>	<b>805,450</b>	<b>805,450</b>	<b>(570,290)</b>	
Net income (loss) from discontinued operations										
<b>Net income (loss)</b>	<b>151,388</b>	<b>258,366</b>	<b>97,248</b>	<b>43,042</b>	<b>162,327</b>	<b>93,079</b>	<b>805,450</b>	<b>805,450</b>	<b>(570,290)</b>	
Assets	-	-	-	-	-	-	-	-	(7,077,700)	
Equity-accounted investees	-	-	-	-	-	-	-	-	(3,353,600)	
Increase of non-current assets	-	-	-	-	-	-	-	-	-	
Liabilities	-	-	-	-	-	-	-	-	(3,354,400)	
Equity	-	-	-	-	-	-	-	-	-	
Liabilities and Equity	-	-	-	-	-	-	-	-	-	
Impairment loss recognized in profit or loss	(15,985 )	(1,832 )	(783 )	(3,733 )	(2,509 )	(352 )	(25,195 )	(25,195 )	-	
Cash flows from (used in) operating activities	-	-	-	-	-	-	-	-	-	
Cash flows from (used in) investing activities	-	-	-	-	-	-	-	-	-	
Cash flows from (used in) financing activities	-	-	-	-	-	-	-	-	-	

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-171

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)****26.2 Operating segment disclosures , continued****12/31/2012**

<b>Operating segment items</b>	<b>Specialty plant nutrients</b>	<b>Iodine and its derivatives</b>	<b>Lithium and its derivatives</b>	<b>Industrial chemicals</b>	<b>Potassium</b>	<b>Other products and services</b>	<b>Reportable segments</b>	<b>Operating segments</b>	<b>Elimination of inter-segments amounts</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Revenue	675,350	578,091	222,238	245,208	605,059	103,214	2,429,160	2,429,160	-
Revenues from transactions with other operating segments of the same entity	265,814	848,243	154,248	348,667	569,219	493,884	2,680,075	2,680,075	(2,680,075)
<b>Revenues from external customers and transactions with other operating segments of the same entity</b>	<b>941,164</b>	<b>1,426,334</b>	<b>376,486</b>	<b>593,875</b>	<b>1,174,278</b>	<b>597,098</b>	<b>5,109,235</b>	<b>5,109,235</b>	<b>(2,680,075)</b>
Interest revenue	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	225,396
depreciation and amortization expense	(54,383 )	(47,100 )	(17,896 )	(19,745 )	(48,723 )	(8,311 )	(196,158 )	(196,158 )	-
The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-	-	-
income tax expense, continuing	-	-	-	-	-	-	-	-	-

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

operations									
Other items other									
tan significant	-	-	-	-	-	-	-	-	-
cash									
Income (loss)	217,880	362,518	110,695	83,055	246,027	8,419	1,028,594	1,028,594	(786,634)
before taxes									
Net income									
(loss) from	<b>217,880</b>	<b>362,518</b>	<b>110,695</b>	<b>83,055</b>	<b>246,027</b>	<b>8,419</b>	<b>1,028,594</b>	<b>1,028,594</b>	<b>(786,634)</b>
continuing									
operations									
Net income									
(loss) from									
discontinued									
operations									
<b>Net income</b>	<b>217,880</b>	<b>362,518</b>	<b>110,695</b>	<b>83,055</b>	<b>246,027</b>	<b>8,419</b>	<b>1,028,594</b>	<b>1,028,594</b>	<b>(786,634)</b>
<b>(loss)</b>									
Assets	-	-	-	-	-	-	-	-	(7,296,791)
Equity-accounted	-	-	-	-	-	-	-	-	(3,423,758)
investees									
Increase of	-	-	-	-	-	-	-	-	
non-current									
assets									
Liabilities	-	-	-	-	-	-	-	-	(3,393,525)
Equity									
Equity and									
liability									
Reversal of									
impairment									
losses recognized					-		-	-	
in profit and loss									
for the year									
Impairment loss	(10,281 )	(2,081 )	(162 )	(3,043 )	(2,471 )	(120 )	(18,158 )	(18,158 )	-
recognized in									
profit or loss									
Cash flows from									
(used in)									
operating	-	-	-	-	-	-	-	-	-
activities									
Cash flows from									
(used in)									
investing	-	-	-	-	-	-	-	-	-
activities									
Cash flows from									
(used in)									
financing	-	-	-	-	-	-	-	-	-
activities									

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-172

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)**

## 26.3 Statement of comprehensive income classified by operating segments based on groups of products

Items in the statement of comprehensive income	12/31/2014						
	Specialty plant nutrients ThUS\$	Iodine and its derivatives ThUS\$	Lithium and its derivatives ThUS\$	Industrial chemicals ThUS\$	Potassium ThUS\$	Other products and services ThUS\$	Corporate Unit ThUS\$
Revenue	708,023	335,433	206,849	101,933	584,268	77,708	-
Cost of sales	(564,151)	(196,535)	(118,432)	(60,451)	(423,488)	(68,185)	-
<b>Gross profit</b>	<b>143,872</b>	<b>138,898</b>	<b>88,417</b>	<b>41,482</b>	<b>160,780</b>	<b>9,523</b>	-
Other incomes by function	-	-	-	-	-	-	24,055
Administrative expenses	-	-	-	-	-	-	(96,532)
Other expenses by function	-	-	-	-	-	-	(64,295)
Other gains (losses)	-	-	-	-	-	-	4,424
Financial income	-	-	-	-	-	-	16,142
Financial costs	-	-	-	-	-	-	(63,373)
interest in the profit or loss of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	18,116
Exchange differences	-	-	-	-	-	-	(16,545)
<b>Profit (loss) before taxes</b>	<b>143,872</b>	<b>138,898</b>	<b>88,417</b>	<b>41,482</b>	<b>160,780</b>	<b>9,523</b>	<b>(178,008)</b>
Income tax expense	-	-	-	-	-	-	(160,686)
<b>Profit (loss) from continuing operations</b>	<b>143,872</b>	<b>138,898</b>	<b>88,417</b>	<b>41,482</b>	<b>160,780</b>	<b>9,523</b>	<b>(338,694)</b>
Profit (loss) from discontinued operations	-	-	-	-	-	-	-
<b>Profit (loss)</b>	<b>143,872</b>	<b>138,898</b>	<b>88,417</b>	<b>41,482</b>	<b>160,780</b>	<b>9,523</b>	<b>(338,694)</b>
<b>Profit (loss), attributable to</b>							
Profit (loss) attributable to the controller's owners	-	-	-	-	-	-	-
Profit (loss) attributable to the non-controllers	-	-	-	-	-	-	-
<b>Profit (loss)</b>	-	-	-	-	-	-	-

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-173



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)****26.3 Statement of comprehensive income classified by operating segments based on groups of products, continued**

Items in the statement of comprehensive income	12/31/2013						Con
	Specialty plant nutrients ThUS\$	Iodine and its derivatives ThUS\$	Lithium and its derivatives ThUS\$	Industrial and chemicals ThUS\$	Potassium ThUS\$	Other products and services ThUS\$	
Revenue	687,455	461,015	196,492	153,963	606,315	97,900	-
Cost of sales	(536,067)	(202,650)	(99,244)	(110,921)	(443,988)	(88,820)	-
<b>Gross profit</b>	<b>151,388</b>	<b>258,365</b>	<b>97,248</b>	<b>43,042</b>	<b>162,327</b>	<b>9,080</b>	-
Other incomes by function	-	-	-	-	-	84,000	12,
Administrative expenses	-	-	-	-	-	-	(10
Other expenses by function	-	-	-	-	-	-	(49
Other gains (losses)	-	-	-	-	-	-	(11
Financial income	-	-	-	-	-	-	12,
Financial costs	-	-	-	-	-	-	(58
interest in the profit or loss of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	18,
Exchange differences	-	-	-	-	-	-	(11
<b>Profit (loss) before taxes</b>	<b>151,388</b>	<b>258,365</b>	<b>97,248</b>	<b>43,042</b>	<b>162,327</b>	<b>93,080</b>	<b>(19</b>
Income tax expense	-	-	-	-	-	-	(13
<b>Profit (loss) from continuing operations</b>	<b>151,388</b>	<b>258,365</b>	<b>97,248</b>	<b>43,042</b>	<b>162,327</b>	<b>93,080</b>	<b>(33</b>
Profit (loss) from discontinued operations	-	-	-	-	-	-	-
<b>Profit (loss)</b>	<b>151,388</b>	<b>258,365</b>	<b>97,248</b>	<b>43,042</b>	<b>162,327</b>	<b>93,080</b>	<b>(33</b>
<b>Profit (loss), attributable to</b>							
Profit (loss) attributable to the controller's owners	-	-	-	-	-	-	-
Profit (loss) attributable to the non controllers	-	-	-	-	-	-	-
<b>Profit (loss)</b>	-	-	-	-	-	-	-

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-174

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)****26.3 Statement of comprehensive income classified by operating segments based on groups of products, continued**

Items in the statement of comprehensive income	12/31/2012						Co Un
	Specialty plant nutrients ThUS\$	Iodine and its derivatives ThUS\$	Lithium and its derivatives ThUS\$	Industrial chemicals ThUS\$	Potassium ThUS\$	Other products and services ThUS\$	
Revenue	675,350	578,091	222,238	245,208	605,059	103,214	-
Cost of sales	(457,470)	(215,573)	(111,543)	(162,153)	(359,032)	(94,796)	-
<b>Gross profit</b>	<b>217,880</b>	<b>362,518</b>	<b>110,695</b>	<b>83,055</b>	<b>246,027</b>	<b>8,418</b>	-
Other incomes by function	-	-	-	-	-	-	12
Administrative expenses	-	-	-	-	-	-	(1)
Other expenses by function	-	-	-	-	-	-	(3)
Other gains (losses)	-	-	-	-	-	-	68
Financial income	-	-	-	-	-	-	29
Financial costs	-	-	-	-	-	-	(5)
interest in the profit or loss of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	24
Exchange differences	-	-	-	-	-	-	(2)
<b>Profit (loss )before taxes</b>	<b>217,880</b>	<b>362,518</b>	<b>110,695</b>	<b>83,055</b>	<b>246,027</b>	<b>8,418</b>	<b>(1)</b>
Income tax expense	-	-	-	-	-	-	(2)
<b>Profit (loss )from continuing operations</b>	<b>217,880</b>	<b>362,518</b>	<b>110,695</b>	<b>83,055</b>	<b>246,027</b>	<b>8,418</b>	<b>(3)</b>
Profit (loss ) from discontinued operations	-	-	-	-	-	-	-
<b>Profit (loss)</b>	<b>217,880</b>	<b>362,518</b>	<b>110,695</b>	<b>83,055</b>	<b>246,027</b>	<b>8,418</b>	<b>(3)</b>
<b>Profit (loss, attributable to</b>							
Profit (loss ) attributable to the controller´s owners	-	-	-	-	-	-	-
Profit (loss ) attributable to the non-controllers	-	-	-	-	-	-	-
<b>Profit (loss)</b>	-	-	-	-	-	-	-

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-175

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)**

26.4 Revenue from transactions with other operating segments of the Company as of December 31, 2014

**12/31/2014**

Items in the statement of comprehensive income	Specialty plant nutrients ThUS\$	Limestone and its derivatives ThUS\$	Lithium and its derivatives ThUS\$	Industrial chemicals ThUS\$	Potassium ThUS\$	Other products and services ThUS\$	Total segments and Corporate unit ThUS\$
Revenue	708,023	335,433	206,849	101,933	584,268	77,708	<b>2,014,214</b>

**12/31/2013**

Items in the statement of comprehensive income	Specialty plant nutrients ThUS\$	Limestone and its derivatives ThUS\$	Lithium and its derivatives ThUS\$	Industrial chemicals ThUS\$	Potassium ThUS\$	Other products and services ThUS\$	Total segments and Corporate unit ThUS\$
Revenue	687,455	461,015	196,492	153,963	606,315	97,900	<b>2,203,140</b>

**12/31/2012**

Items in the statement of comprehensive income	Specialty plant nutrients ThUS\$	Limestone and its derivatives ThUS\$	Lithium and its derivatives ThUS\$	Industrial chemicals ThUS\$	Potassium ThUS\$	Other products and services ThUS\$	Total segments and Corporate unit ThUS\$
Revenue	675,350	578,091	222,238	245,208	605,059	103,214	<b>2,429,160</b>

26.5 Disclosures on geographical areas

As indicated in paragraph 33 of IFRS 8, the entity discloses geographical information on its revenue from operating activities with external customers and from non-current assets that are not financial instruments, deferred income tax assets, assets related to post-employment benefits or rights derived from insurance contracts.

26.6 Disclosures on main customers

With respect to the degree of dependency of the Company on its customers, in accordance with paragraph N° 34 of IFRS N° 8, the Company has no external customers who individually represent 10% or more of its revenue. Credit risk concentrations with respect to trade and other accounts receivable are limited due to the significant number of entities in the Company's portfolio and its worldwide distribution. The Company's policy requires guarantees (such as letters of credit, guarantee clauses and others) and/or to maintain insurance policies for certain accounts as deemed necessary by the Company's Management.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-176

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)**

26.7 Segments by geographical areas as of December 31, 2014, 2013 and 2014

Items	12/31/2014					
	Chile ThUS\$	Latin America and the Caribbean ThUS\$	Europe ThUS\$	North America ThUS\$	Asia and other ThUS\$	Total ThUS\$
<b>Revenue</b>	<b>227,261</b>	<b>356,867</b>	<b>428,538</b>	<b>503,891</b>	<b>497,657</b>	<b>2,014,214</b>
Investment accounted for under the equity method	1,159	-	25,588	13,530	35,501	75,778
Intangible assets other than goodwill	114,476	-	-	258	1	114,735
Goodwill	26,929	86	11,373	-	-	38,388
Property, plant and equipment, net	1,883,534	133	1,343	2,109	835	1,887,954
Investment property	-	-	-	-	-	-
Other non-current assets	31,354	170	-	647	-	32,171
<b>Non-current assets</b>	<b>2,057,452</b>	<b>389</b>	<b>38,304</b>	<b>16,544</b>	<b>36,337</b>	<b>2,149,026</b>
	12/31/2013					
Items	Chile ThUS\$	Latin America and the Caribbean ThUS\$	Europe ThUS\$	North America ThUS\$	Asia and other ThUS\$	Total ThUS\$
<b>Revenue</b>	<b>242,373</b>	<b>379,063</b>	<b>504,043</b>	<b>546,075</b>	<b>531,586</b>	<b>2,203,140</b>
Investment accounted for under the equity method	1,649	-	24,847	13,126	37,396	77,018
Intangible assets other than goodwill	104,043	-	-	317	3	104,363
Goodwill	26,929	86	11,373	-	-	38,388
Property, plant and equipment, net	2,050,684	157	460	2,205	871	2,054,377
Investment property	-	-	-	-	-	-
Other non-current assets	35,326	191	-	988	-	36,505
<b>Non-current assets</b>	<b>2,218,631</b>	<b>434</b>	<b>36,680</b>	<b>16,636</b>	<b>38,270</b>	<b>2,310,651</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-177



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)****26.7 Segments by geographical areas as of December 31, 2014, 2013 and 2012, continued**

Items	12/31/2013					Total ThUS\$
	Chile ThUS\$	Latin America and the Caribbean ThUS\$	Europe ThUS\$	North America ThUS\$	Asia and other ThUS\$	
<b>Revenue</b>	<b>269,421</b>	<b>416,089</b>	<b>558,245</b>	<b>619,667</b>	<b>565,738</b>	<b>2,429,160</b>
Investment accounted for under the equity method	1,656	-	24,051	15,357	29,234	70,298
Intangible assets other than goodwill	23,630	-	-	378	5	24,013
Goodwill	26,929	86	11,373	-	-	38,388
Property, plant and equipment, net	1,985,128	183	285	2,331	363	1,988,290
Investment property	-	-	-	-	-	-
Other non-current assets	17,463	219	-	-	-	17,682
<b>Non-current assets</b>	<b>2,054,806</b>	<b>488</b>	<b>35,709</b>	<b>18,066</b>	<b>29,602</b>	<b>2,138,671</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-178

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 26 Operating segments (continued)**

26.8 Property, plant and equipment classified by geographical areas

The company's main productive facilities are located near their mines and extraction facilities in northern Chile. The following table presents the main production facilities as of December 31, 2014 and December 31, 2013:

<b>Location</b>	<b>Products</b>
-Pedro de Valdivia	:Production of iodine and nitrate salts
-María Elena	:Production of iodine and nitrate salts
-Coya Sur	:Production of nitrate salts
-Nueva Victoria	:Production of iodine and nitrate salts
-Salar de Atacama	:Potassium chloride, lithium chloride, boric acid potassium sulfate
-Salar del Carmen	:Production of lithium carbonate and lithium hydroxide
-Tocopilla	:Port facilities

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-179

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature

## 27.1

## Revenue

	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$
Products	2,006,452	2,191,650	2,420,357
Services	7,762	11,490	8,803
<b>Total</b>	<b>2,014,214</b>	<b>2,203,140</b>	<b>2,429,160</b>

## 27.2

## Cost of sales

	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$
Raw material and supplies	(593,126 )	(811,518 )	(1,066,803 )
<b>Types of employee benefits expenses</b>			
Salaries and wages	(107,917 )	(138,937 )	(134,400 )
Other short-term employee benefits	(61,525 )	(44,601 )	(66,370 )
Termination benefit expenses	(7,971 )	(10,811 )	(4,325 )
<b>Total employee benefits expenses</b>	<b>(177,413 )</b>	<b>(194,349 )</b>	<b>(205,095 )</b>
Depreciation expense	(246,180 )	(216,388 )	(190,509 )
Impairment loss (reversal of impairment losses) recognized in profit or loss for the year	13,195	(25,195 )	(1,762 )
Changes in inventories for the period	116,300	416,398	-
Other expenses, by nature	(544,018 )	(650,638 )	63,602
<b>Total</b>	<b>(1,431,242)</b>	<b>(1,481,690)</b>	<b>(1,400,567)</b>

## 27.3

## Other income

	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$
Discounts obtained from suppliers	705	1,349	648
Compensation received and insurance claim recovery	645	5,306	5,240
Penalties charged to suppliers	255	374	312
Tax recoveries	40	9	15
Excess in the provision for liabilities with 3rd parties	1,690	712	669
Excess in allowance for doubtful accounts	296	-	154
Sale of property, plant and equipment	39	107	281

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Sale of materials, spare parts and supplies	1,241	1,392	1,388
Sale de scrap	69	27	176
Sale of mining concessions	13,000	86,157	1,578
Indemnity Minera Esperanza	-	-	28
Options on mining properties	921	-	-
Reimbursement of mining patents and notarial expenses	1,510	-	-
Overstated provision for indemnity, Yara South Africa	-	272	335
Non-conventional renewable energy	2,255	-	-
Goodwill paid in acquisition of portfolio	-	337	-
Unrealized gain from acquisition of goodwill	-	248	-
Other operating income	1,389	426	1,878
<b>Total</b>	<b>24,055</b>	<b>96,716</b>	<b>12,702</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-180

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)**

27.4

Administrative expenses

	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$
<b>Employee benefit expenses by nature</b>			
Salaries and wages	(42,218 )	(48,033 )	(44,429 )
Other short-term benefits to employees	(4,710 )	(3,176 )	(2,868 )
<b>Total employee benefit expenses</b>	<b>(46,928 )</b>	<b>(51,209 )</b>	<b>(47,297 )</b>
<b>Other expenses, by nature</b>	<b>(49,604 )</b>	<b>(53,980 )</b>	<b>(59,145 )</b>
<b>Total</b>	<b>(96,532 )</b>	<b>(105,189 )</b>	<b>(106,442 )</b>

27.5

Other expenses

	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$
<b>Employee benefit expenses by nature</b>			
Other short-term benefits to employees	-	(6 )	(24 )
<b>Depreciation and amortization expenses</b>			
Depreciation of stopped assets	(284 )	(433 )	(5,649 )
Depreciation of residual value	(4,827 )	-	
<b>Subtotal to date</b>	<b>(5,111 )</b>	<b>(439 )</b>	<b>(5,673 )</b>
<b>Impairment loss (reversal of impairment losses) recognized in profit or loss for the year</b>			
Impairment of allowance for doubtful accounts	(349 )	(732 )	(1,054 )
<b>Subtotal to date</b>	<b>(349 )</b>	<b>(732 )</b>	<b>(1,054 )</b>
<b>Other expenses, by nature</b>			
Legal Expenses	(5,465 )	(3,791 )	(1,984 )
Worksite stoppage expenses	(257 )	(75 )	(75 )
VAT and other unrecoverable tax	(1,164 )	(1,196 )	(1,182 )
Fines paid	(857 )	(444 )	(790 )
Article 21 single tax	(4,140 )	-	-
Advisory services	(2 )	(8 )	(19 )
Provisions, investment plan expenses, materials and closing sales	(41,505 )	(19,397 )	(15,578 )
Donations rejected as expense	(1,514 )	(5,253 )	(5,517 )
Provision for work closing	-	(1,276 )	(634 )
Adjustment to realization amount of property, plant and equipment	-	(10,085 )	-
Indemnities paid	-	(146 )	(281 )

Other operating expenses	(3,931 )	(6,555 )	(1,841 )
<b>Subtotal to date</b>	<b>(58,835 )</b>	<b>(48,226 )</b>	<b>(27,901 )</b>
<b>Total</b>	<b>(64,295 )</b>	<b>(49,397 )</b>	<b>(34,628 )</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-181

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)**

27.6

Other income (expenses)

	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$
Provision for restructuring	-	(11,545 )	-
Prior year adjustment, application of equity method of accounting	(2,935 )	22	736
Sale of investments in associates	5,000	-	(404 )
Gain (loss) for no involvement in capital contribution (*)	2,359	-	-
Other	-	132	351
<b>Total</b>	<b>4,424</b>	<b>(11,391 )</b>	<b>683</b>

(\*) Refer Note 6.7

27.7

Summary of expenses by nature

	12/31/2014	12/31/2013	12/31/2012
	ThUS\$	ThUS\$	ThUS\$
<b>Raw material and supplies used</b>	<b>(593,126 )</b>	<b>(811,518 )</b>	<b>(1,066,803)</b>
<b>Types of employee benefits expenses</b>			
Salaries and wages	(150,135 )	(186,970 )	(178,829 )
Other short-term employee benefits	(66,235 )	(47,783 )	(69,262 )
Termination benefit expenses	(7,971 )	(10,811 )	(4,325 )
<b>Total employee benefit expenses</b>	<b>(224,341 )</b>	<b>(245,564 )</b>	<b>(252,416 )</b>
Depreciation expense	(246,464 )	(216,821 )	(196,158 )
Depreciation of residual value	(4,827 )	-	-
Impairment loss (reversal of impairment losses) recognized in profit or loss for the year	12,846	(25,927 )	(2,816 )
Other expenses, by nature	(528,969 )	(347,837 )	(23,444 )
<b>Total</b>	<b>(1,584,881)</b>	<b>(1,647,667)</b>	<b>(1,541,637)</b>

This table corresponds to the summary from Note 27.2 to 27.6 required by the Chilean Superintendence of Securities and Insurance

27.8

Finance expenses

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Interest expense from bonds	(61,714 )	(65,763 )	(56,743 )
Interest expense from loans	(8,268 )	(9,080 )	(10,043 )
Capitalized interest expenses	7,732	17,232	14,153
Other finance costs	(1,123 )	(997 )	(1,462 )
<b>Total</b>	<b>(63,373 )</b>	<b>(58,608 )</b>	<b>(54,095 )</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-182



Notes to the Consolidated Financial Statements as of December 31, 2014

Note 28 Income tax and deferred taxes

Accounts receivable from taxes as of December 31, 2014 and December 31, 2013, are as follows:

28.1	Current tax assets	
	<b>12/31/2014</b>	<b>12/31/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Monthly provisional income tax payments, Chilean companies current year	39,551	44,018
Monthly provisional payment Royalty	4,586	10,417
Monthly provisional income tax payments, foreign companies	2,093	1,444
Corporate tax credits (1)	1,729	2,025
Corporate tax absorbed by tax losses (2)	16	1,572
<b>Total</b>	<b>47,975</b>	<b>59,476</b>

These credits are available to companies and relate to the corporate tax payment in April of the following year.

(1) These credits include, amongst others, training expense credits (SENCE) and property, plant and equipment acquisition credits that are equivalent to 4% of the property, plant and equipment purchases made during the year. In addition, some credits relate to the donations the Group has made during 2014 and 2013.

(2) This concept corresponds to the absorption of non-operating losses (NOL's) determined by the company at year end, which must be imputed or recorded in the Retained Taxable Profits Registry (FUT).

In accordance with the laws in force and as provided by article 31 No. 3 of the Income Tax Law, when profits recorded in the FUT that have not been withdrawn or distributed are totally or partially absorbed by NOL's, the corporate tax paid on such profits (21%, 20% or 17%, depending on the year in which profits were generated) will be considered to be a provisional payment with respect to the portion representing the absorbed accumulated tax profits.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-183

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)**

**28.1 Current tax assets, continued**

Tax payers are entitled to apply for a refund of this monthly provisional income tax payments on the absorbed profits recorded in the FUT registry via their tax returns (Form 22).

Therefore, the provisional payment for absorbed profits (PPAP) recorded in the FUT is in effect a recoverable tax, and as such the Company records it as an asset.

**28.2 Current tax liabilities**

<b>Current tax liabilities</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
1st Category income tax	2,425	21,466
Foreign company income tax	26,539	10,113
Article 21 single tax	7,207	128
<b>Total</b>	<b>36,171</b>	<b>31,707</b>

Income tax is calculated based on the profit or loss for tax purposes that is applied to the effective tax rate applicable in Chile. As established by Law No.20.780, an income tax rate of 21% was set starting from 2014, a rate of 22.5% for 2015 and a rate of 24% for 2016; beginning in 2017, the rate will range between 25% and 27% depending on the taxation system selected by the system, Attributed Income System or Partially-Integrated Taxation System.

The provision for royalty is determined by applying the tax rate determined for the net operating income (NOI).

In conclusion, both concepts represent the estimated amount the Company will have to pay for income tax and specific tax on mining.

**28.3 Tax earnings**

As of December 31, 2014, 2013 and 2012, the Company and its subsidiaries have recorded the following consolidated balances for retained tax earnings, income not constituting revenue subject to income tax, accumulated tax losses and credit for shareholders:

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Taxable profits with credit rights (1)	1,160,329	1,321,643	1,262,201
Taxable profits without credit right(1)	62,621	90,628	138,535
Taxable loss	7,396	7,425	9,931
Credit for shareholders	268,901	321,006	294,146

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-184

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)**

**28.3**

**Tax earnings, continued**

The Retained Taxable Profits Registry (FUT) is a chronological registry where the profits generated and distributed by the company are recorded. The object of the FUT is to control the accumulated tax profits of the company that may be distributed, withdrawn or remitted to the owners, shareholders or partners, and the final taxes that must be imposed, called in Chile Global Aggregate Tax (that levies persons resident or domiciled in Chile), or Withholding Tax (that levies persons “not” resident or domiciled in Chile).

The FUT Register contains profits with credit rights and profits without credit rights, which arise out of the inclusion of the net taxable income determined by the company or the profits received by the company that may be dividends received or withdrawals made during the period.

Profits without credit rights represent the tax payable by the company within the year and filed the following year, therefore they will be deducted from the FUT Registry the following year.

Profits with credit rights may be used to reduce the final tax burden of owners, shareholders or partners, which upon withdrawal are entitled to use the credits associated with the relevant profits.

In summary, companies use the FUT Registry to maintain control over the profits they generate that have not been distributed to the owners and the relevant credits associated with such profits.

**28.4**

**Income tax and deferred taxes**

Assets and liabilities recognized in the statement of financial position are offset if and only if:

<sup>1</sup> The Company has legally recognized before the right the tax authority to offset the amounts recognized in these entries; and

2 Deferred income tax assets and liabilities are derived from income tax related to the same tax authority on:

(i) the same entity or tax subject; or

(ii) different entities or tax subjects who intend either to settle current fiscal assets and liabilities for their net amount, or to realize assets and pay liabilities simultaneously in each of the future periods in which the Company expects to settle or recover significant amounts of deferred tax assets or liabilities.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-185

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)**

**28.4 Income tax and deferred taxes, continued**

Deferred income tax assets recognized are the income taxes that are to be recovered in future periods, related to:

- a) deductible temporary differences;
- b) the offset of losses obtained in prior periods and not yet subject to tax deduction; and
- c) the offset of unused credits from prior periods.

The Company recognizes a deferred tax asset when there is certainty that these can be offset with tax income from subsequent periods, losses or fiscal credits not yet used, but solely as long as it is more likely than not that there will be tax earnings in the future against which to charge to these losses or unused fiscal credits.

Deferred tax liabilities recognized refer to the amounts of income taxes payable in future periods related to taxable temporary differences.

d.1 Income tax assets and liabilities as of December 31, 2014 are detailed as follows:

Description of deferred income tax assets and liabilities	Net position, assets		Net position, liabilities	
	Assets	Liabilities	Assets	Liabilities
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	27	-	-	233,889
Doubtful accounts impairment	40	-	6,715	-
Accrued vacations	-	-	3,735	-
Manufacturing expenses	-	-	-	81,650
Unrealized gains (losses) from sales of products	-	-	83,355	-
Fair value of bonds	-	-	350	-
Severance indemnity	-	-	-	5,950
Hedging	-	-	5,512	-
Inventory of products, spare parts and supplies	49	-	24,583	-

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Research and development expenses	-	-	-	4,285
Tax losses	-	-	715	-
Capitalized interest	-	-	-	26,904
Expenses in assumption of bank loans	-	-	-	4,011
Unaccrued interest	-	-	150	-
Fair value of property, plant and equipment	-	-	70	-
Employee benefits	-	-	2,450	-
Royalty deferred income taxes	-	-	-	7,791
Acquisition of intangible assets	-	-	-	235
Provision for lawsuits and legal expenses	-	-	3,663	-
Provision for investment plan	-	-	8,946	-
Provision of fines and crushing site closure	-	-	1,654	-
Other	224	-	-	532
<b>Balance to date</b>	<b>340</b>	-	<b>141,898</b>	<b>365,247</b>
<b>Net balance</b>	<b>340</b>	-	-	<b>223,349</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-186



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)****28.4 Income tax and deferred taxes, continued**

d.2 Income tax assets and liabilities as of December 31, 2013 are detailed as follows

Description of deferred income tax assets and liabilities	Net position, assets		Net position, liabilities	
	Assets ThUS\$	Liabilities ThUS\$	Assets ThUS\$	Liabilities ThUS\$
Depreciation	-	-	-	162,378
Doubtful accounts impairment	-	-	7,030	-
Accrued vacations	-	-	3,566	-
Manufacturing expenses	-	-	-	66,759
Unrealized gains (losses) from sales of products	-	-	84,711	-
Fair value of bonds	-	-	661	-
Severance indemnity	-	-	-	4,628
Hedging	-	-	-	5,261
Inventory of products, spare parts and supplies	1	-	20,828	-
Research and development expenses	-	-	-	7,018
Tax losses	-	-	468	-
Capitalized interest	-	-	-	21,759
Expenses in assumption of bank loans	-	-	-	2,917
Unaccrued interest	-	-	39	-
Fair value of property, plant and equipment	-	-	-	603
Employee benefits	-	-	381	-
Royalty deferred income taxes	-	-	-	7,923
Purchase of intangible assets	-	-	-	235
Provision for lawsuits and legal expenses	-	-	1,878	-
Provision for investment plan	-	-	4,225	-
Provision of fines and crushing site closure	-	-	1,600	-
Other	530	-	-	201
<b>Balance to date</b>	<b>531</b>	<b>-</b>	<b>125,387</b>	<b>279,682</b>
<b>Net balance</b>	<b>531</b>	<b>-</b>	<b>-</b>	<b>154,295</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-187

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)****28.4 Income tax and deferred taxes, continued**

d.3 Reconciliation of changes in deferred tax liabilities (assets) as of December 31, 2014

	<b>Deferred tax liabilities (assets) at the beginning of the period</b>	<b>Deferred tax expense (income) recognized in profit or loss</b>	<b>Deferred tax related to items credited (debited) directly to equity</b>	<b>Total increase (decrease) of deferred tax liabilities (assets)</b>	<b>Deferred tax liabilities (assets) at the end of the period</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Depreciation	162,378	71,484	-	71,484	233,862
Doubtful accounts impairment	(7,030)	) 275	-	275	(6,755)
Accrued vacations	(3,566)	) (169)	)	(169)	) (3,735)
Manufacturing expenses	66,759	14,891	-	14,891	81,650
Unrealized gains (losses) from sales of products	(84,711)	) 1,356	-	1,356	(83,355)
Fair value of bonds	(661)	) -	311	311	(350)
Severance indemnity	4,628	1,322	-	1,322	5,950
Hedging	5,261	(10,773)	)	(10,773)	) (5,512)
Inventory of products, spare parts and supplies	(20,829)	) (3,803)	)	(3,803)	) (24,632)
Research and development expenses	7,018	(2,733)	)	(2,733)	) 4,285
Capitalized interest	21,759	5,145	-	5,145	26,904
Expenses in assumption of bank loans	2,917	1,094	-	1,094	4,011
Unaccrued interest	(39)	) (111)	)	(111)	) (150)
Fair value of property, plant and equipment	603	(673)	)	(673)	) (70)
Employee benefits	(381)	) (2,069)	)	(2,069)	) (2,450)
Royalty deferred income taxes	7,923	(132)	)	(132)	) 7,791
Unused tax losses	(468)	) (247)	)	(247)	) (715)
Purchase of intangible assets	235	-	-	-	235

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Provision for lawsuits and legal expenses	(1,878	)	(1,785	)	-	(1,785	)	(3,663	)
Provision for investment plan	(4,225	)	(4,721	)	-	(4,721	)	(8,946	)
Provision of fines and crushing site closure	(1,600	)	(54	)	-	(54	)	(1,654	)
Other ID	(329	)	637		-	637		308	
<b>Total temporary differences, losses and unused fiscal credits</b>	<b>153,764</b>		<b>68,934</b>		<b>311</b>	<b>69,245</b>		<b>223,009</b>	

During the period ended December 31, 2014, the Company calculated and accounted for taxable income considering a rate of 21% for commercial year 2014 in conformity with Law No. 20.780, Tax Reform, published in the Official Gazette on September 29, 2014.

The main amendments include a gradual increase in the corporate income tax rate up to 27% starting from 2018 for taxpayers who apply the “partially-integrated taxation system.” The maximum rate would be 25% starting from 2017 if the Company opts to use the “Attributed Income Taxation System.”

Such Law establishes that because SQM S.A. is openly-held shareholders’ corporations, in general the “Partially-integrated taxation system” is applicable, unless the Company opts to use the “Attributed Income Taxation System” as agreed by the shareholders at an Extraordinary Shareholders’ Meeting in the future.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-188

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)****28.4 Income tax and deferred taxes, continued**

d.4 Reconciliation of changes in deferred tax liabilities (assets) as of December 31, 2013

	<b>Deferred tax liabilities (assets) at the beginning of the period ThUS\$</b>	<b>Deferred tax expense (income) recognized in profit or loss ThUS\$</b>	<b>Deferred tax related to items credited (debited) directly to equity ThUS\$</b>	<b>Total increase (decrease) of deferred tax liabilities (assets) ThUS\$</b>	<b>Deferred tax liabilities (assets) at the end of the period ThUS\$</b>
Depreciation	145,251	17,127	-	17,127	162,378
Doubtful accounts impairment	(5,807)	(1,223)	-	(1,223)	(7,030)
Accrued vacations	(3,971)	405	-	405	(3,566)
Manufacturing expenses	60,160	6,599	-	6,599	66,759
Unrealized gains (losses) from sales of products	(105,879)	21,168	-	21,168	(84,711)
Fair value of bonds	(3,684)	-	3,023	3,023	(661)
Severance indemnity	4,483	145	-	145	4,628
Hedging	22,890	(17,629)	-	(17,629)	5,261
Inventory of products, spare parts and supplies	(15,027)	(5,802)	-	(5,802)	(20,829)
Research and development expenses	4,917	2,101	-	2,101	7,018
Capitalized interest	20,449	1,310	-	1,310	21,759
Expenses in assumption of bank loans	2,243	674	-	674	2,917
Unaccrued interest	(215)	176	-	176	(39)
Fair value of property, plant and equipment	2,743	(2,140)	-	(2,140)	603
Employee benefits	(2,027)	1,646	-	1,646	(381)
Royalty deferred income taxes	8,430	(507)	-	(507)	7,923
Unused tax losses	(1,509)	1,041	-	1,041	(468)
Purchase of intangible assets	-	235	-	235	235
Provision for lawsuits and legal expenses	(1,823)	(55)	-	(55)	(1,878)

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Provision for investment plan	(2,487	)	(1,738	)	-	(1,738	)	(4,225	)
Provision of fines and crushing site closure	(745	)	(855	)	-	(855	)	(1,600	)
Other	(3,170	)	2,841		-	2,841		(329	)
<b>Total temporary differences, losses and unused fiscal credits</b>	<b>125,222</b>		<b>25,519</b>		<b>3,023</b>	<b>28,542</b>		<b>153,764</b>	

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-189

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)**

**28.4 Income tax and deferred taxes, continued**

d.5 Deferred taxes related to benefits for tax losses

The Company's tax loss carryforwards (NOL carryforwards) were mainly generated by losses in Chile, which in accordance with current Chilean tax regulations have no expiration date.

As of December 31, 2014 and December 31, 2013, tax loss carryforwards (NOL carryforwards) are detailed as follows:

	<b>12/31/2014</b>	<b>12/31/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Chile	715	468
Total	<b>715</b>	<b>468</b>

Tax losses as of December 31, correspond mainly to Servicios Integrales de Tránsitos y Transferencias S.A., Exploraciones Mineras S.A. e Isapre Norte Grande Ltda.

d.6 Unrecognized deferred income tax assets and liabilities

Unrecognized deferred tax assets and liabilities as of December 31, 2014, 2013 and 2012 are as follows:

<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Assets (liabilities)	Assets (liabilities)	Assets (liabilities)

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Tax losses (NOL's)	139		139		139	
Doubtful accounts impairment	81		81		81	
Inventory impairment	1,020		1,020		1,020	
Pensions plan	(536	)	(536	)	(536	)
Accrued vacations	29		29		29	
Depreciation	(57	)	(57	)	(57	)
Other	(19	)	(19	)	(19	)
<b>Balances to date</b>	<b>657</b>		<b>657</b>		<b>657</b>	

Tax losses mainly relate to the United States, and they expire in 20 years.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-190



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)**

**28.4 Income tax and deferred taxes, continued**

d.7 Movements in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities as of December 31, 2014 and December 31, 2013 are detailed as follows:

	<b>12/31/2014</b>	<b>12/31/2013</b>
	ThUS\$	ThUS\$
	Liabilities	Liabilities
	(assets)	(assets)
Deferred tax assets and liabilities, net opening balance	153,764	125,222
Increase (decrease) in deferred taxes in profit or loss	68,934	25,519
Increase (decrease) in deferred taxes in equity	311	3,023
<b>Balances to date</b>	<b>223,009</b>	<b>153,764</b>

d.8 Disclosures on income tax expense (income)

The Company recognizes current tax and deferred taxes as income or expenses, and they are included in profit or loss, unless they arise from:

(a) a transaction or event recognized in the same period or in a different period, outside profit or loss either in other comprehensive income or directly in equity; or

(b) a business combination

Current and deferred tax expenses (income) are detailed as follows:

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
	Income	Income	Income
	(expenses)	(expenses)	(expenses)
<b>Current income tax expense</b>			
Current income tax expense	(94,796 )	(113,326 )	(187,715 )
Adjustments to prior year current income tax	3,043	305	145
<b>Current income tax expense, net, total</b>	<b>(91,753 )</b>	<b>(113,021 )</b>	<b>(187,570 )</b>
<b>Deferred tax expense</b>			
Deferred tax expense (income) related to the creation and reversal of temporary differences	(16,629 )	(25,518 )	(28,512 )
Deferred tax expense (income) related to changes in tax rates	(52,304 )	-	-
<b>Deferred tax expense, net, total</b>	<b>(68,933 )</b>	<b>(25,518 )</b>	<b>(28,512 )</b>
<b>Tax expense (income)</b>	<b>(160,686 )</b>	<b>(138,539 )</b>	<b>(216,082 )</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-191

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)****28.4 Income tax and deferred taxes, continued**

Tax expenses (income) for foreign and domestic parties are detailed as follows:

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
	Income	Income	Income
	(expenses)	(expenses)	(expenses)
<b>Current income tax expense by foreign and domestic parties, net</b>			
Current income tax expense, foreign parties, net	(7,761 )	(8,267 )	(14,790 )
Current income tax expense, domestic, net	(136,296 )	(104,769 )	(172,780 )
<b>Current income tax expense, net, total</b>	<b>(144,057 )</b>	<b>(113,036 )</b>	<b>(187,570 )</b>
<b>Deferred tax expense by foreign and domestic parties, net</b>			
Deferred tax expense, foreign parties, net	(138 )	492	474
Deferred tax expense, domestic, net	(16,491 )	(25,995 )	(28,986 )
<b>Deferred tax expense, net, total</b>	<b>(16,629 )</b>	<b>(25,503 )</b>	<b>(28,512 )</b>
<b>Income tax expense</b>	<b>(160,686 )</b>	<b>(138,539 )</b>	<b>(216,082 )</b>

**d.9 Equity interest in taxation attributable to equity-accounted investees**

The Company does not recognize any deferred tax liability in all cases of taxable temporary differences associated with investments in subsidiaries, branches and associated companies or interest in joint ventures, because as indicated in the standard, the following two conditions are jointly met:

- (a) the parent, investor or interest holder is able to control the time for reversal of the temporary difference; and
- (b) It is more likely than not that the temporary difference is not reversed in the foreseeable future.

In addition, the Company does not recognize deferred income tax assets for all deductible temporary differences from investments in subsidiaries, branches and associated companies or interests in joint ventures because it is not possible

to meet for the following requirements:

- (a) Temporary differences are reversed in a foreseeable future; and
- (b) The Company has tax earnings, against which temporary differences can be used.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-192

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)****28.4 Income tax and deferred taxes, continued**

d.10 Disclosures on the tax effects of other comprehensive income components:

	<b>Amount</b>	<b>(Expense)</b>	
Income tax related to other income and expense components with a charge or credit to net equity	<b>before taxes</b>	<b>income for</b>	<b>Amount</b>
	<b>(expense)</b>	<b>income taxes</b>	<b>after taxes</b>
	<b>gain</b>		
	<b>12/31/2014</b>	<b>12/31/2014</b>	<b>12/31/2014</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Cash flow hedge	1,638	(311 )	1,327
<b>Total</b>	<b>1,638</b>	<b>(311 )</b>	<b>1,327</b>

	<b>Amount</b>	<b>(Expense)</b>	
Income tax related to components of other income and expense with a charge or credit to net equity	<b>before taxes</b>	<b>income for</b>	<b>Amount</b>
	<b>(expense)</b>	<b>income taxes</b>	<b>after taxes</b>
	<b>gain</b>		
	<b>12/31/2013</b>	<b>31/12/2013</b>	<b>31/12/2013</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Cash flow hedge	15,113	(3,023 )	12,090
<b>Total</b>	<b>15,113</b>	<b>(3,023 )</b>	<b>12,090</b>

	<b>Amount</b>	<b>(Expense)</b>	
Income tax related to components of other income and expense with a charge or credit to net equity	<b>before taxes</b>	<b>income for</b>	<b>Amount</b>
	<b>(expense)</b>	<b>income taxes</b>	<b>after taxes</b>
	<b>gain</b>		
	<b>12/31/2012</b>	<b>31/12/2012</b>	<b>31/12/2012</b>

	<b>ThUS\$</b>		<b>ThUS\$</b>		<b>ThUS\$</b>
Cash flow hedge	(6,236	)	1,580		(4,656 )
<b>Total</b>	<b>(6,236</b>	)	<b>1,580</b>		<b>(4,656 )</b>

d.11 Explanation of the relationship between expense (income) for tax purposes and accounting income.

In accordance with paragraph No. 81, letter c) of IAS 12, the Company has estimated that the method that discloses more significant information for the users of its financial statements is the reconciliation of tax expense (income) to the result of multiplying income for accounting purposes by the tax rate in force in Chile. This option is based on the fact that the Parent and its subsidiaries incorporated in Chile generate almost the total amount of tax expense (income) and the fact that amounts of subsidiaries incorporated in foreign countries have no relevant significance within the context of the total amount of tax expense (income).

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-193

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)****28.4 Income tax and deferred taxes, continued**

Reconciliation of numbers in income tax expenses (income) and the result of multiplying financial gain by the rate prevailing in Chile.

	Income (expense)					
	12/31/2014		12/31/2013		12/31/2012	
	ThUS\$		ThUS\$		ThUS\$	
Consolidated income before taxes	404,964		613,109		873,451	
Income tax rate in force in Chile	21	%	20	%	20	%
<b>Tax expense using the legal rate</b>	<b>(85,042 )</b>		<b>(122,622 )</b>		<b>(174,690 )</b>	
Effect of royalty tax expense	(7,583 )		(10,277 )		(25,486 )	
Tax effect of non-taxable revenue	5,420		5,669		7,419	
Effect of taxable rate of non-deductible expenses for determination of taxable income (loss)	(1,897 )		(1,955 )		(3,091 )	
Tax effect of tax rates supported abroad	(4,050 )		(2,268 )		(5,265 )	
Effect of tax rate from changes in tax rate	(52,304 )		-		-	
Other tax effects from reconciliation between accounting income and tax expense (income)	(15,230 )		(7,086 )		(17,969 )	
<b>Tax expense using effective rate</b>	<b>(160,686 )</b>		<b>(138,539 )</b>		<b>(138,539 )</b>	

d.12 Tax periods potentially subject to verification:

The Group's Companies are potentially subject to income tax audits by tax authorities in each country. These audits are limited to a number of interim tax periods, which, in general, when they elapse, give rise to the expiration of these inspections.

Tax audits, due to their nature, are often complex and may require several years. Below, we provide a summary of tax periods that are potentially subject to verification, in accordance with tax regulations in force in the country of origin:

**Chile**

According to article 200 of Decree Law No. 830, the tax authority shall review for any deficiencies in its settlement and taxes turn giving rise, by applying a requirement of 3 years term from the expiration of the legal deadline when payment should have been made. Besides, this requirement was extended to 6 years term for the revision of taxes subject to declaration, when such declaration was not been filed or has been presented maliciously false.

**United States**

In the United States, the tax authority may review tax returns for up to 3 years from the expiration date of the tax return. In the event that an omission or error is detected in the tax return of sales or cost of sales, the review can be extended for a period of up to 6 years.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-194



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 28 Income tax and deferred taxes (continued)**

**28.4 Income tax and deferred taxes, continued**

**Mexico:**

In Mexico, the tax authority can review tax returns up to 5 years from the expiration date of the tax return.

**Spain:**

In Spain, the tax authority can review tax returns up to 4 years from the expiration date of the tax return.

**Belgium:**

In Belgium, the tax authority may review tax returns for up to 3 years from the expiration date of the tax return if no tax losses exist. In the event of detecting an omission or error in the tax return, the review can be extended for a period of up to 5 years.

**South Africa:**

In South Africa, the tax authority may review tax returns for up to 3 years from the expiration date of the tax return. In the event an omission or error in the tax return is detected, the review can be extended for a period of up to 5 years.

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-195

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 29 Disclosures on the effects of fluctuations in foreign currency exchange rates

Assets held in foreign currency subject to fluctuations in exchange rates are detailed as follows:

Class of assets	Currency	12/31/2014	12/31/2013
		ThUS\$	ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	ARS	12	-
Cash and cash equivalents	BRL	29	73
Cash and cash equivalents	CLP	6,355	25,391
Cash and cash equivalents	CNY	769	384
Cash and cash equivalents	EUR	10,449	9,230
Cash and cash equivalents	GBP	5	14
Cash and cash equivalents	IDR	4	4
Cash and cash equivalents	INR	12	7
Cash and cash equivalents	MXN	736	428
Cash and cash equivalents	PEN	1	2
Cash and cash equivalents	THB	2,055	2,161
Cash and cash equivalents	YEN	1,701	1,435
Cash and cash equivalents	ZAR	4,046	7,229
<b>Subtotal cash and cash equivalents</b>		<b>26,174</b>	<b>46,358</b>
Other current financial assets	CLF	60,153	-
Other current financial assets	CLP	255,045	108,892
<b>Subtotal other current financial assets</b>		<b>315,198</b>	<b>108,892</b>
Other current non-financial assets	ARS	22	21
Other current non-financial assets	AUD	-	95
Other current non-financial assets	BRL	2	1
Other current non-financial assets	CLF	59	75
Other current non-financial assets	CLP	20,985	25,814
Other current non-financial assets	CNY	101	33
Other current non-financial assets	EUR	5,594	5,383
Other current non-financial assets	AED	-	-
Other current non-financial assets	INR	-	-
Other current non-financial assets	MXN	1,503	793
Other current non-financial assets	PEN	-	3
Other current non-financial assets	THB	42	13
Other current non-financial assets	ZAR	972	801
<b>Subtotal other current non-financial assets</b>		<b>29,280</b>	<b>33,032</b>
Trade and other receivables	ARS	-	-
Trade and other receivables	AUD	-	-

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 20-F

Trade and other receivables	BRL	29	32
Trade and other receivables	CLF	1,174	507
Trade and other receivables	CLP	80,240	50,112
Trade and other receivables	CNY	2,368	9
Trade and other receivables	EUR	24,496	31,975
Trade and other receivables	GBP	269	261
Trade and other receivables	MXN	322	240
Trade and other receivables	PEN	88	92
Trade and other receivables	THB	4,713	1,823
Trade and other receivables	INR	-	-
Trade and other receivables	ZAR	18,162	14,742
<b>Subtotal trade and other receivables</b>		<b>131,861</b>	<b>99,793</b>
Receivables from related parties	AED	379	379
Receivables from related parties	CLP	87	517
Receivables from related parties	EUR	1,360	845
Receivables from related parties	THB	1,506	-
Receivables from related parties	CNY	105	-
Receivables from related parties	YEN	206	197
Receivables from related parties	ZAR	3,771	9,157
<b>Subtotal receivables from related parties</b>		<b>7,414</b>	<b>11,095</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-196

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 29 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)**

Class of assets	Currency	12/31/2014	12/31/2013
		ThUS\$	ThUS\$
Current tax assets	AUD	-	-
Current tax assets	CLP	1,803	1,033
Current tax assets	EUR	68	75
Current tax assets	ZAR	-	-
Current tax assets	MXN	1,122	230
Current tax assets	PEN	253	267
<b>Subtotal current tax assets</b>		<b>3,246</b>	<b>1,605</b>
<b>Non-current assets</b>			
Other non-current financial assets	BRL	-	27
Other non-current financial assets	CLP	20	20
Other non-current financial assets	YEN	39	45
<b>Subtotal other non-current financial assets</b>		<b>59</b>	<b>92</b>
Other non-current non-financial assets	BRL	170	191
Other non-current non-financial assets	CLP	727	758
<b>Subtotal other non-current non-financial assets</b>		<b>897</b>	<b>949</b>
Non-current right receivable	CLF	1,028	465
Non-current right receivable	CLP	1,016	818
<b>Subtotal non-current rights receivable</b>		<b>2,044</b>	<b>1,283</b>
Equity-accounted investees	AED	19,459	24,215
Equity-accounted investees	CLP	1,159	1,649
Equity-accounted investees	IDR	-	802
Equity-accounted investees	EUR	8,004	7,924
Equity-accounted investees	INR	754	-
Equity-accounted investees	THB	2,038	1,876
Equity-accounted investees	TRY	14,956	15,336
<b>Subtotal equity-accounted investees</b>		<b>46,370</b>	<b>51,802</b>
Intangible assets other than goodwill	CLP	402	507
Intangible assets other than goodwill	CNY	1	3
<b>Subtotal intangible assets other than goodwill</b>		<b>403</b>	<b>510</b>
Property, plant and equipment	CLP	4,240	5,633
<b>Subtotal property, plant and equipment</b>		<b>4,240</b>	<b>5,633</b>
<b>Total non-current assets</b>		<b>54,013</b>	<b>60,269</b>
<b>Total assets</b>		<b>567,186</b>	<b>361,044</b>

SQM S.A.

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-197

Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 29 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)**

Liabilities held in foreign currencies are detailed as follows:

Class of liability	Currency	12/31/2014		Total ThUS\$	12/31/2013		Total ThUS\$
		Up to90 days ThUS\$	91 days to 1 year ThUS\$		Up to90 days ThUS\$	91 days to 1 year ThUS\$	
<b>Current liabilities</b>							
Other current financial liabilities	CLF	4,822	6,329	11,151	1,455	77,866	79,321
Other current financial liabilities	CLP	-	-	-	-	141,704	141,704
<b>Subtotal other current financial liabilities</b>		<b>4,822</b>	<b>6,329</b>	<b>11,151</b>	<b>1,455</b>	<b>219,570</b>	<b>221,025</b>
Trade and other payables	ARS	-	-	-	3	-	3
Trade and other payables	BRL	52	-	52	64	-	64
Trade and other payables	CHF	1	-	1	1	-	1
Trade and other payables	CLP	67,326	3,163	70,489	55,785	26,224	82,009
Trade and other payables	CNY	2,622	-	2,622	117	-	117
Trade and other payables	EUR	10,442	-	10,442	18,654	-	18,654
Trade and other payables	GBP	14	-	14	6	-	6
Trade and other payables	INR	1	-	1	1	-	1
Trade and other payables	MXN	20	-	20	485	-	485
Trade and other payables	PEN	6	-	6	3	-	3
Trade and other payables	ZAR	1,470	-	1,470	2,517	-	2,517
<b>Subtotal trade and other payables</b>		<b>81,954</b>	<b>3,163</b>	<b>85,117</b>	<b>77,636</b>	<b>26,224</b>	<b>103,860</b>
Other current provisions	ARS	-	-	-	62	-	62
Other current provisions	BRL	524	13	537	821	595	1,416
Other current provisions	CLP	9	-	9	6	-	6
Other current provisions	EUR	6	-	6	7	-	7
Other current provisions	INR	-	-	-	1	-	1
<b>Subtotal other current provisions</b>		<b>539</b>	<b>13</b>	<b>552</b>	<b>897</b>	<b>595</b>	<b>1,492</b>
Current tax liabilities	CLP	-	-	-	-	33	33
Current tax liabilities	EUR	-	1,544	1,544	-	1,553	1,553
Current tax liabilities	MXN	-	896	896	-	-	-
<b>Subtotal current tax liabilities</b>		<b>-</b>	<b>2,440</b>	<b>2,440</b>	<b>-</b>	<b>1,586</b>	<b>1,586</b>
Current provisions for employee benefits	CLP	-	-	-	24,172	-	24,172
Current provisions for employee benefits	MXN	-	-	-	156	-	156
		<b>-</b>	<b>-</b>	<b>-</b>	<b>24,328</b>	<b>-</b>	<b>24,328</b>

**Subtotal current provisions for  
employee benefits**

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-198



Notes to the Consolidated Financial Statements as of December 31, 2014

**Note 29 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)**

Class of liability	Currency	12/31/2014			12/31/2013		
		Up to 90 days	over 90 days to 1 year	Total ThUS\$	Up to 90 days	Over 90 days to 1 year	Total ThUS\$
		ThUS\$	ThUS\$		ThUS\$	ThUS\$	
Other current non-financial liabilities	BRL	18	-	18	55	-	55
Other current non-financial liabilities	CLP	5,557	2,158	7,715	7,055	19,922	26,977
Other current non-financial liabilities	CNY	-	-	-	18	-	18
Other current non-financial liabilities	EUR	546	-	546	2,442	-	2,442
Other current non-financial liabilities	MXN	1,479	62	1,541	720	62	782
Other current non-financial liabilities	AUD	70	-	70	-	-	-
Other current non-financial liabilities	PEN	-	-	-	70	-	70
Other current non-financial liabilities	THD	4	-	4	-	-	-
Other current non-financial liabilities	ZAR	37	-	37	8	-	8
<b>Subtotal other current non-financial liabilities</b>		<b>7,711</b>	<b>2,220</b>	<b>9,931</b>	<b>10,368</b>	<b>19,984</b>	<b>30,352</b>
<b>Total current liabilities</b>		<b>95,026</b>	<b>14,165</b>	<b>109,191</b>	<b>114,684</b>	<b>267,959</b>	<b>382,643</b>

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-199



<b>Total non-current liabilities</b>	<b>6,471</b>	<b>6,488</b>	<b>50,648</b>	<b>6,521</b>	<b>322,998</b>	<b>393,126</b>
--------------------------------------	--------------	--------------	---------------	--------------	----------------	----------------

**SQM S.A.**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-200

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 30 Mineral resource exploration and evaluation expenditure

Because of the nature of the operations of Sociedad Química y Minera de Chile S.A. and its subsidiaries and the type of exploration they conduct (which is different than other mining businesses where the exploration process results in significant time), the exploration and process and the definition of the economic feasibility occurs normally within the year. Accordingly, although expenditure is initially capitalized, it could be recognized in profit or loss for the same year should there be no technical and commercial feasibility. This results in having no significant expenditure that have no feasibility study at the end of the year.

Prospecting expenditure can be found in 4 different stages: execution, economically feasible, not economically feasible and under exploitation:

1. Execution: prospecting expenditure which are under execution and accordingly there is no yet a definition as to its economic feasibility are classified in the caption property, plant and equipment. As of December 31, 2014 and December 31, 2013, the balance amounts to ThUS\$28,401 and ThUS\$ 28,568, respectively.
2. Economically feasible: prospecting expenditure, which upon completion, has been concluded to be economically feasible is classified in the caption non-current assets in other non-current non-financial assets. As of December 31, 2014 and December 31, 2013, the balance amounts to ThUS\$ 29,569 and ThUS\$ 33,388 respectively.
3. Not economically feasible: Prospecting expenditure, which upon completion it has been concluded that are not economically feasible are recorded in profit or loss: as of December 31, 2014 and December 31, 2013, the balance amounts to ThUS\$2,352 and ThUS\$7,064, respectively.
4. Under exploitation: Prospecting expenditure under exploitation is classified in the caption current assets in current inventories. These are amortized considering the exploited material. As of December 31, 2014 and December 31, 2013, the balance amounts to ThUS\$2,207 and ThUS\$ 630, respectively.

For the amount of capitalized expenditure, the total amount disbursed in exploration and evaluation of mineral resources for the year ended December 31, 2014 ThUS\$9,910, and correspond to non-metallic projects. Such expenditure mainly correspond to studies, either topographical, geological, exploratory drilling, sampling, among

others.

With respect to this expenditure, the Company has defined classifying it in accordance with IFRS 6.9:

For exploration expenditure where the mineral has low ore grade that is not economically exploitable, it is debited directly to profit or loss.

If studies determine that the ore grade is economically exploitable, it is classified in other non-current assets in the caption stain development and prospecting expenses and at the time of making the decision for exploiting the zone it is classified in the caption inventories as part of the cost of raw materials required for production purposes.

## **SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-201

Notes to the Consolidated Financial Statements as of December 31, 2014

Note 31 Events occurred after the reporting date

31.1 Authorization of the financial statements

The consolidated financial statements of Sociedad Química y Minera de Chile S.A. and subsidiaries prepared in accordance with International Financial Reporting Standards for the period ended December 31, 2014 were approved and authorized for issuance by the Company's Audit Committee on May 15, 2015.

31.2 Disclosures on events occurring after the reporting date

The Chilean Internal Revenue Service (*Servicio de Impuestos Internos* or the "SII") has been conducting tax investigations related to the payment of invoices by companies, including SQM, for services that may not have been properly supported. The Chilean Public Prosecutor (*Ministerio Público*) has been conducting related inquiries to determine whether such payments may be linked with alleged violations of political contribution laws involving a variety of Chilean companies, including SQM, and government officials.

On February 26, 2015, SQM's Board of Directors resolved to establish an ad-hoc committee of the Board of Directors (the "ad-hoc Committee") authorized to conduct an internal investigation relating to the issues referred to in the above paragraph and to retain such independent external advice as it deemed appropriate. The original members of the ad-hoc Committee were José María Eyzaguirre B., Juan Antonio Guzmán M. and Wolf von Appen B.

The ad-hoc Committee has engaged its own lawyers from Chile and the United States and forensic accountants from the United States to assist as it proceeds with its internal review.

On March 12, 2015, José María Eyzaguirre B. resigned from the ad-hoc Committee and his position was subsequently filled by Hernán Büchi B.

On March 16, 2015, the Board of Directors decided to terminate the employment contract of the Company's former CEO, Patricio Contesse G. This followed his failure to cooperate with the ad-hoc Committee's investigation.

On March 17, 2015, three members of the Board of Directors resigned, all of whom had been nominated by Potash Corp., one of SQM's two principal shareholder groups. Potash Corp. issued a press release stating that the directors resigned because of their concern that they could not ensure that the Company was conducting an appropriate investigation and collaborating effectively with the Public Prosecutor.

On March 20, 2015, the Company identified to the SII approximately US\$11 million in payments of invoices that may not have been properly supported by services rendered and therefore may not qualify as tax expenses under the Chilean tax code. These payments originated from the office of the former CEO during the six-year tax period from 2009 to 2014. The statute of limitations under Chilean law for tax claims is up to six years, during which period the former CEO had an annual discretionary budget covering the Company and its subsidiaries of approximately US\$6 million.

## **SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-202

Notes to the Consolidated Financial Statements as of December 31, 2014

On March 23, 2015, the SII, based on the Income Tax Law (*Ley de Impuesto a La Renta*) filed a criminal claim against the Company's former CEO and current CEO and CFO in their capacities as the Company's tax representatives relating to the US\$11 million in payments referred to above. This and subsequent related claims filed by the SII are subject to review by the Public Prosecutor in order to determine whether to pursue charges against any of the parties in their personal capacities.

On March 30, 2015, the Company submitted amendments to its tax returns for the 2009 to 2014 tax years and has paid taxes and interest relating to such amended returns totaling approximately US\$7 million. The aggregate amount was approximately evenly distributed over the six-year period, but as the amounts were inconsequential in each individual year, the Company recorded a provision for the aggregate amount in the "other expenses" line-item of the income statement for the year ended December 31, 2014. The Company's management does not believe there will be any additional material impact to the Company's business, financial condition, cash flows or results of operations.

On March 31, 2015, the SVS filed an administrative claim against five current or former members of the Board of Directors, alleging that they did not release information in a timely manner relating to the payments that are subject to the tax claim referred to above.

On April 24, 2015, the Company announced that it had identified up to an additional US\$2 million in payments by its subsidiaries during the same six-year tax period that were authorized by the former CEO and that also may have been insufficiently supported. On the same date, new members were elected to the Board of Directors at the Annual General Shareholders' Meeting, including three new members that were nominated by Potash Corp., and the ad-hoc Committee was subsequently reconstituted by Board of Directors members Robert A. Kirkpatrick, Wolf von Appen B. and Edward J. Waitzer.

On April 30, 2015, the Public Prosecutor, after reviewing the claims filed by the SII informed the Company's former CEO that it was formally investigating allegations that he approved the payment of the invoices that were not properly supported by services rendered and in connection therewith made intentionally false or incomplete declarations or used fraudulent procedures designed to conceal or disguise the true amount of transactions or to circumvent taxes. If, as a result of the formal investigation, the former CEO is charged and finally adjudicated responsible, the Company may also be subject to the payment of a fine by the Chilean Criminal Court (*Octavo Tribunal de Juicio Oral en lo Penal de Santiago*) totaling 50% to 300% of the tax paid. The Company estimates that no provision is needed at this stage.

On May 11, 2015, the SII filed an additional criminal claim against the former CEO and the current CEO and CFO in their capacities as the Company's tax representatives alleging violations of the Chilean Inheritance and Donations Law



*(Ley sobre Impuesto a Las Herencias, Asignaciones y Donaciones)*. The claim states that the Company paid two invoices in 2009 and 2010 totaling approximately US\$175,000 that are alleged to have been improperly supported. The claim states that these payments should have been classified as donations, and appropriate taxes should have been paid. These payments were accounted for in the amended tax returns filed with the SII on March 30, 2015. This claim is subject to review by the Public Prosecutor in order to determine whether to pursue charges against any of the parties in their personal capacities.

**SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

F-203

Notes to the Consolidated Financial Statements as of December 31, 2014

31.3 Detail of dividends declared after the reporting date

On March 24, 2015, the Company's Board of Directors, who met in an Ordinary Meeting, unanimously agreed to recommend at the next Annual General Shareholders' Meeting of SQM to distribute and pay, by way of final dividend, 50% of the distributable net income obtained by SQM during the fiscal year 2014 (as presented in the Chilean statutory consolidated financial statements).

This recommendation maintains SQM's "Dividend Policy for the 2014 Business Year" which was presented to shareholders at SQM's Annual General Shareholders' Meeting held on April 25, 2014.

At the Annual General Shareholders' Meeting on April 24, 2015, SQM's shareholders approved the payment by the Company of a final dividend of US\$ 0.56304 per share based on the distributable net income obtained during the 2014 fiscal year. The amount of US\$ 0.41493 per share, which was already paid as an provisional dividend, must be deducted from this final dividend and the balance, in the amount of US\$ 0.14811 per share, was paid and distributed to SQM's shareholders who were registered in the respective Registry by the fifth business day before the day on which the dividend was paid. This amount was paid in the equivalent in Chilean national currency according to the value of the "Observed Dollar" or "US Dollar" that was published in the Official Gazette on April 24, 2015.

This dividend amount was paid to the corresponding shareholders, in person or through their duly authorized representatives, as of 9:00 am on May 8, 2015.

Management was not aware of any other significant events that occurred between December 31, 2014 and the date of issuance of these consolidated financial statements that may affect them significantly.

**SQM**

Los Militares 4290,

Las Condes, Santiago, Chile

Tel: (562) 425 2000

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

-  
F-204