

CHEMICAL & MINING CO OF CHILE INC  
Form 6-K  
March 21, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934

For the month of March, 2017.

Commission File Number 33-65728

CHEMICAL AND MINING COMPANY OF CHILE INC.

(Translation of registrant's name into English)

El Trovador 4285, Santiago, Chile (562) 2425-2000

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F:  Form 40-F:

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

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El Trovador 4285,

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**Santiago, Chile. March 21, 2017.-** Sociedad Química y Minera de Chile S.A. (SQM) (NYSE: SQM; Santiago Stock Exchange: SQM-B, SQM-A) reports the translation of its financial statements for the twelve months ended December 31, 2016, the Spanish version of which was filed with the Chilean Superintendency of Securities and Insurance (*Superintendencia de Valores y Seguros* or “SVS”) on March 1, 2017.

CONSOLIDATED FINANCIAL STATEMENTS

For the period ended

December 31, 2016

**Sociedad Química y Minera de Chile S.A. and  
Subsidiaries**

In Thousands of United States Dollars

This document includes:

-	Independent Auditors' Report
-	Consolidated Classified Statements of Financial Position
-	Consolidated Statements of Income by Function
-	Consolidated Statements of Comprehensive Income
-	Consolidated Statements of Cash Flows
-	Consolidated Statements of Changes in Equity
-	Notes to the Consolidated Financial Statements

**Sociedad Química y Minera de Chile S.A. and Subsidiaries**

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**Consolidated Classified Statements of Financial Position**

Assets	Note	As of December 31, 2016 ThUS\$	As of December 31, 2015 ThUS\$
Current assets			
Cash and cash equivalents	7.1	514,669	527,259
Other current financial assets	10.1	289,189	636,325
Other current non-financial assets	25	30,273	47,441
Trade and other receivables, current	10.2	368,761	302,225
Trade receivables due from related parties, current	9.5	82,259	99,907
Current inventories	8	993,072	1,003,846
Current tax assets	28.1	54,787	65,277
Current assets other than assets classified as held-for-sale or disposal		2,333,010	2,682,280
Non-current assets or asset groups for disposal classified as held-for-sale		2,056	-
Total current assets		2,335,066	2,682,280
Non-current assets			
Other non-current financial assets	10.1	14,099	486
Other non-current non-financial assets	25	24,690	33,526
Trade receivables, non-current	10.2	1,840	1,050
Investments classified using the equity method of accounting	11.1-12.3	133,140	79,302
Intangible assets other than goodwill	13.1	109,439	110,428
Goodwill	13.1	37,972	38,388
Property, plant and equipment	14.1	1,532,710	1,683,576
Tax assets, non-current		29,024	14,565
Deferred tax assets	28.4	664	161
Total non-current assets		1,883,578	1,961,482
Total assets		4,218,644	4,643,762

The accompanying notes form an integral part of these consolidated financial statements.



**Consolidated Classified Statements of Financial Position, (continued)**

Liabilities and Equity	Note	As of December 31, 2016 ThUS\$	As of December 31, 2015 ThUS\$
Current liabilities			
Other current financial liabilities	10.4	179,144	402,030
Trade and other payables, current	10.5	200,496	136,840
Trade payables due to related parties, current	9.6	7	435
Other current provisions	18.1	41,912	31,512
Current tax liabilities	28.2	75,872	52,070
Provisions for employee benefits, current	15.1	20,998	10,074
Other current liabilities	18.3	61,920	69,966
Total current liabilities		580,349	702,927
Non-current liabilities			
Other non-current financial liabilities	10.4	1,093,438	1,290,203
Other non-current provisions	18.1	8,934	8,890
Deferred tax liabilities	28.4	206,119	219,391
Provisions for employee benefits, non-current	15.1	22,532	21,995
Total non-current liabilities		1,331,023	1,540,479
Total liabilities		1,911,372	2,243,406
Equity			
	17		
Share capital		477,386	477,386
Retained earnings		1,781,576	1,882,196
Other reserves		(12,888 )	(19,797 )
Equity attributable to owners of the Parent		2,246,074	2,339,785
Non-controlling interests		61,198	60,571
Total equity		2,307,272	2,400,356
Total liabilities and equity		4,218,644	4,643,762

The accompanying notes form an integral part of these consolidated financial statements.

**Consolidated Statements of Income by Function**

	Note	January to December	
		2016	2015
		ThUS\$	ThUS\$
Revenue	27.1	1,939,322	1,728,332
Cost of sales	27.2	(1,328,285)	(1,185,583)
Gross profit		611,037	542,749
Other income	27.3	14,781	15,343
Administrative expenses	27.4	(88,436 )	(86,830 )
Other expenses by function	27.5	(89,731 )	(113,603 )
Other gains (losses)	27.6	679	3,760
Profit (loss) from operating activities		448,330	361,419
Finance income		10,550	11,570
Finance costs	22-27.8	(57,498 )	(69,853 )
Share of profit of associates and joint ventures accounted for using the equity method	11-12	13,047	10,326
Foreign currency translation differences	23	460	(12,364 )
Profit (loss) before taxes		414,889	301,098
Income tax expense, continuing operations	28.4	(132,965 )	(83,766 )
Profit (loss) from continuing operations		281,924	217,332
Profit for the year		281,924	217,332
Profit attributable to			
Owners of the Parent		278,290	213,168
Non-controlling interests		3,634	4,164
Profit for the year		281,924	217,332

The accompanying notes form an integral part of these consolidated financial statements.

**Consolidated Statements of Income by Function, (continued)**

		January to December	
	Note	2016	2015
		US\$	US\$
Earnings per share			
Common shares			
Basic earnings per share (US\$ per share)	21	1.0573	0.8099
Diluted common shares			
Diluted earnings per share (US\$ per share)	21	1.0573	0.8099

The accompanying notes form an integral part of these consolidated financial statements.

**Consolidated Statements of Comprehensive Income**

Statement of comprehensive income	January to December	
	2016 ThUS\$	2015 ThUS\$
Profit (loss) for the year	281,924	217,332
Other comprehensive income		
Items of other comprehensive income that will not be reclassified to profit for the year, before taxes		
Other comprehensive income, before taxes, gains (losses) from new measurements of defined benefit plans	(3,397 )	(221 )
Total other comprehensive income that will not be reclassified to profit for the year, before taxes	(3,397 )	(221 )
Items of other comprehensive income that will be reclassified to profit for the year, before taxes		
Foreign currency exchange difference		
Foreign currency exchange gains I(losses) before taxes	(2,252 )	(6,499 )
Other comprehensive income before taxes	(2,252 )	(6,499 )
Cash flow hedges on defined benefit plans		
Gains (losses) from cash flow hedges	2,233	401
Other comprehensive income before taxes	2,233	401
Financial assets measured at fair value through other comprehensive income		
Gains (losses) in financial assets measured at fair value through other comprehensive income	4,813	-
Other comprehensive income, before taxes, financial assets measured at fair value	4,813	-
Total other comprehensive income that will be reclassified to profit for the year	4,794	(6,098 )
Other items of other comprehensive income before taxes	1,397	(6,319 )
Income taxes related to items of other comprehensive income that will not be reclassified to profit for the year		
Income taxes related to investments in equity securities in other comprehensive income	1,300	-
Income taxes related to new measurements of defined benefit plans in other comprehensive income	(921 )	309
Accumulated income taxes related to items of other comprehensive income that will not be reclassified to profit for the year	379	309
Income taxes related to items of other comprehensive income that will be reclassified to profit for the year		
Income taxes related to cash flow hedges in other comprehensive income	470	219
	470	219

Accumulated income taxes related to items of other comprehensive income that will be reclassified to profit for the year

Total other comprehensive income	548	(6,847 )
Total comprehensive income	282,472	210,485
Comprehensive income attributable to		
Owners of the Parent	278,831	206,533
Non-controlling interests	3,641	3,952
Total comprehensive income	282,472	210,485

The accompanying notes form an integral part of these consolidated financial statements.

**Consolidated Statements of Cash Flows**

Consolidated Statements of cash flows	Note	12/31/2016	12/31/2015
		ThUS\$	ThUS\$
Cash flows from operating activities			
Cash receipts from sales of goods and rendering of services		1,874,202	1,713,549
Cash receipts from premiums and benefits, annuities and other benefits from policies entered		5,071	-
Cash payments to suppliers for the provision of goods and services		(796,961 )	(1,082,704)
Cash payments to and on behalf of employees		(253,163 )	(44,916 )
Other payments related to operating activities		(32,185 )	(70,991 )
Dividends received		4,345	7,515
Interest paid		(55,217 )	(44,225 )
Interest received		10,550	11,570
Income taxes paid		(87,050 )	(72,579 )
Other incomes (outflows) of cash		(29,473 )	10,098
Net cash generated from (used in) operating activities		640,119	427,317
Cash flows from (used in) investing activities			
Payments made to acquire interest in joint ventures		(51,457 )	(59 )
Proceeds from the sale of property, plant and equipment		4,347	388
Acquisition of property, plant and equipment		(131,251 )	(111,315 )
Proceeds from sales of intangible assets		3,435	4,586
Purchases of intangible assets		(2,090 )	-
Cash advances and loans granted to third parties		-	420
Proceeds from the repayment of advances and loans granted to third parties		(163 )	-
Other inflows (outflows) of cash (*)		333,108	36,175
Net cash generated from (used in) investing activities		155,929	(69,805 )

(\*) 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.



**Consolidated Statements of Cash Flows, (continued)**

	Note	12/31/2016	12/31/2015
		ThUS\$	ThUS\$
Cash flows used in financing activities			
Proceeds from short-term borrowings		100,000	137,000
Total proceeds from borrowings		100,000	137,000
Repayment of borrowings		(517,000 )	(190,000 )
Dividends paid		(399,410 )	(127,343 )
Net cash generated used in financing activities		(816,410 )	(180,343 )
Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate		(20,362 )	177,169
Effects of exchange rate fluctuations on cash held		7,772	(4,476 )
Net (decrease) increase in cash and cash equivalents		(12,590 )	172,693
Cash and cash equivalents at beginning of period		527,259	354,566
Cash and cash equivalents at end of period		514,669	527,259

The accompanying notes form an integral part of these consolidated financial statements.



## Consolidated Statements of Changes in Equity

	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves	Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total
2016	ThUS\$	ThUS\$	ThUS\$		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Equity at beginning of the year	477,386	(14,035)	(1,699)		(2,386)	(1,677)	(19,797)	1,882,196	2,339,785	60,571	2,400,000
Profit for the year	-	-	-		-	-	-	278,290	278,290	3,634	281,924
Other comprehensive income	-	(2,287)	1,763	3,513	(2,448)	-	541	-	541	7	548
Comprehensive income	-	(2,287)	1,763	3,513	(2,448)	-	541	278,290	278,831	3,641	282,472
Dividends	-	-	-	-	-	-	-	(375,000)	(375,000)	(3,014)	(378,014)
Increase (decrease) due to transfers and other changes		(3,141)	-	-	-	9,509	6,368	(3,910)	2,458	-	2,458
Increase (decrease) in equity	-	(5,428)	1,763	3,513	(2,448)	9,509	6,909	(100,620)	(93,711)	627	(93,000)
Equity as of December 31, 2016	477,386	(19,463)	64	3,513	(4,834)	7,832	(12,888)	1,781,576	2,246,074	61,198	2,308,270

The accompanying notes form an integral part of these consolidated financial statements.

## Consolidated Statements of Changes in Equity

	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves	Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total
<b>2015</b>	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Equity at beginning of the year	477,386	(7,701 )	(1,881)	(1,903)	(1,677)	(13,162)	1,775,612	2,239,836	59,867	2,299,703
Profit for the year	-	-	-	-	-	-	213,168	213,168	4,164	217,332
Other comprehensive income	-	(6,334 )	182	(483 )	-	(6,635 )	-	(6,635 )	(212 )	(6,847 )
Comprehensive income	-	(6,334 )	182	(483 )	-	(6,635 )	213,168	206,533	3,952	210,485
Dividends	-	-	-	-	-	-	(106,584 )	(106,584 )	(3,248 )	(109,832 )
Increase (decrease) in equity	-	(6,334 )	182	(483 )	-	(6,635 )	106,584	99,949	704	100,653
Equity as of December 31, 2015	477,386	(14,035)	(1,699)	(2,386)	(1,677)	(19,797)	1,882,196	2,339,785	60,571	2,400,356

The accompanying notes form an integral part of these consolidated financial statements.

## 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 (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 (Atacama Saltpeter deposit) potassium chloride plant s/n - San Pedro de Atacama, potassium sulfate plant at Salar de Atacama s/n – San Pedro de Atacama, Minsal Mining Camp s/n CL Plant CL, Potassium– San Pedro de Atacama, formerly the Iris Saltpeter office S/N, Commune of Pozo Almonte, Iquique.

### 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 ore deposit in northern Chile contains nitrate and iodine deposits. The brine deposits of the Salar de Atacama, in northern Chile, contain high concentrations of lithium and potassium as well as significant concentrations of sulfate.

## 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 and sulfate in order to produce potassium chloride, potassium sulfate, lithium solutions, 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 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 mixes. 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 specially potassium nitrate have had a leading role given the contribution they make to develop crops insuring an improvement in post-crop life in addition to improving quality, flavor and fruit color. The potassium nitrate, which is sold in multiple formats and as a part of other specialty mixtures, is complemented by sodium nitrate, potassium sodium nitrate, and more than 200 fertilizing mixtures.

**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 mainly not used for rechargeable batteries for small electrical appliances such as mobile phones, tablets and laptops. It is also used in industrial applications such as the manufacturing of glass, ceramics and lubricating greases. Other uses include the pharmaceutical and chemical industries.



**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 participates in this line of business producing sodium nitrate, potassium nitrate 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 as Spain and the United States in their search for decreasing CO<sub>2</sub> emissions.

**Potassium:** The potassium is a primary essential macro-nutrient, and even though does not form part of the plant's structure, has a significant role for the developing of its basic functions, validating the quality of a crop, increasing post-crop life, improving the crop flavor, its amount in vitamins and its physical appearance. Within this business line, SQM has also potassium chlorate and potassium sulfate, both extracted from the salt layer located under the Salar de Atacama (the Atacama Saltpeter Deposit).

**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, 2016 and December 31, 2015, staff was detailed as follows:

	12/31/2016			12/31/2015		
	SQM S.A.	Other subsidiaries	Total	SQM S.A.	Other subsidiaries	Total
Employees						
Executives	31	72	103	26	71	97
Professionals	119	919	1,038	116	838	954
Technicians and operators	262	3,076	3,338	256	2,741	2,997
Foreign employees	8	264	272	-	202	202
Overall total	420	4,331	4,751	398	3,852	4,250





**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, 2016 and December 31, 2015. 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 Superintendence of Securities and Insurance (SVS) and the Chilean Stock Exchange, whose main shareholders are as follows:

Shareholder as of December 31, 2016	No. of Series A with ownership	% of Series A shares		No. of Series B with ownership	% of Series B shares	% of total shares	
The Bank of New York Mellon, ADRs	-	-		59,373,011	49.32	%	22.56 %
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,894,152	31.43	%	7,007,688	5.82	%	19.72 %
Inversiones El Boldo Limitada	29,330,326	20.54	%	16,363,546	13.59	%	17.36 %
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	%	1,600,000	1.33		6.51 %
Banco de Chile on behalf of non-resident third parties	-	-		8,962,355	7.45	%	3.41 %
Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16	%	-	-		3.34 %
Banco Itaú on behalf of investors	20,950	0.01	%	6,502,217	5.40	%	2.48 %
Inversiones La Esperanza Limitada	3,711,598	2.60	%	46,500	0.04	%	1.43 %

**(\*) Total Pampa Group 29.97%**

Shareholder as of December 31, 2015	No. of Series A with ownership	% of Series A shares		No. of Series B with ownership	% of Series B shares	% of total shares	
The Bank of New York Mellon, ADRs	-	-		59,079,533	49.08	%	22.45 %
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,880,793	31.43	%	7,007,688	5.82	%	19.72 %
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 %

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Potasios de Chile S.A.(*)	18,179,147	12.73	%	-	-	6.91	%
Inversiones PCS Chile Limitada	15,526,000	10.87	%	-	-	5.90	%
Banco de Chile on behalf of non-resident third parties	-	-		9,055,272	7,52	%	3.44 %
Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16	%	-	-	3.34	%
Banco Itaú on behalf of investors	20,950	0.01	%	5,679,753	4.72	%	2.27 %
Inversiones La Esperanza Limitada	3,711,598	2.60	%	46,500	0.04		1.43 %

**(\*) Total Pampa Group 29.97%**

On December 31, 2016 the total number of shareholders had risen to 1,187.

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 for the periods ended December 31, 2016 and December 31, 2015.

- Consolidated Statements of Changes in Equity for the periods ended December 31, 2016 and 2015.

- Consolidated Statements of Comprehensive Income for the periods between January and December 31, 2016 and 2015.

- Statements of Direct-Method Cash Flows for the periods ended December 31, 2016 and 2015.

2.2

Financial statements

The consolidated financial statements of Sociedad Química y Minera de Chile S.A. and its Subsidiaries were prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) and represent the full, explicit and unreserved adoption of International Financial Reporting Standards as issued by the International Accounting Standards Board (hereinafter the “IASB”).

These consolidated financial statements fairly reflect the Company’s financial position, the comprehensive results of operations, changes in equity and cash flows occurring during the years then ended.

IFRS establish certain alternatives for their application. Those applied by the Company are detailed in this Note.

On October 17, 2014, the Chilean Superintendence of Securities and Insurance issued Official Communication No. 856 providing instructions for inspected entities to recognize in 2014 against equity differences in deferred tax assets and liabilities resulting directly from the increase in the corporate income introduced by Law No. 20.780. Such accounting treatment differs from that provided by International Accounting Standard 12 (IAS 12) and, accordingly, represented a change in the accounting framework for the preparation and presentation of financial information that

had been adopted through such date.

Considering that indicated in the preceding paragraph, this represented a specific and temporary departure from the IFRS, starting from 2014<sup>6</sup> and in conformity with that established in paragraph 4<sup>a</sup> of IFRS 1, the Company has decided to retrospectively apply such standards (in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”) as if had never ceased their application.

Because of that indicated in the preceding paragraph it does not amend any of the accounts disclosed in the statements of financial position as of December 31, 2016 and 2015, in conformity with that indicated in paragraph 40A of IAS 1 “Presentation of Financial Statements”, the presentation of the statement of financial position as of January 1, 2015 (third column) is not necessary.

**Note 2 Basis of presentation for the consolidated financial (continued)**

**2.2 Financial statements, continued**

The accounting policies used for the preparation of the annual consolidated accounts comply with all IFRS in issue at the reporting date.

Certain amounts have been reclassified at year-end for presentation purposes for the line items Other non-financial assets, current; Tax assets, current, non-current; Other current provisions; and Other current liabilities as of December 31, 2015 for a better comparison to the amounts as of December 31, 2016.

2.3

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Inventories are recorded at the lower of cost and net realizable value.
- Financial derivatives at fair value; and
- Staff severance indemnities and pension commitments at actuarial value

Certain financial investments classified as available for sale measured at fair value with a counterparty in other comprehensive income.

**Note 2 Basis of presentation for the consolidated financial statements (continued)**

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, 2016:

*Amendments and improvements*

Mandatory for annual periods beginning on

Amendment to *IFRS 11 “Joint Arrangements”* – on the acquisition of interest in a joint operation – Issued in May 2014. This amendment includes guidance related 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 or item of property, plant and equipment. Accordingly, a rebuttable presumption exists that a revenue-based depreciation or amortization method is inappropriate. 01/01/2016

Amendment to *IAS 27 “Separate Financial Statements”* on the equity method – Issued in August 2014. This amendment allows entities to use the equity method of accounting for the recognition of investments in subsidiaries, joint ventures and associates in their separate financial statements. 01/01/2016

Amendment 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

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 their subsidiaries. The amendment to IFRS 10 clarifies on the exception on consolidation available for entities in 01/01/2016

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).

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.

01/01/2016



**Note 2 Basis of presentation for the consolidated financial statements (continued)****2.4 Accounting Pronouncements, continued**

<i>Improvements to International Financial Reporting Standards (2014) issued in September 2014</i>	Mandatory for annual periods beginning on
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<p>IFRS 5, "Non-current Assets Held for Sale and Discounted Operations." This amendment clarifies that when an asset (or disposal group) is reclassified from being "held for sale" to "held for distribution" or vice versa, this is not an amendment of a plan of sale or a plan of distribution and should not be accounted for as such. This means that the asset (or disposal group) is not to be reinstated in the financial statements as if it had never been classified as "held for sale" or "held for distribution," simply because disposal conditions have changed. The amendment also rectifies an omission in the standard explaining that guidance on changes in a sale plan has to be applied to an asset (or disposal group) that is no longer held for distribution, but is not reclassified as "held for sale."</p>	01/01/2016
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<p><i>IFRS 7 "Financial Instruments: Disclosures"</i> It establishes two amendments to IFRS 7: (1) Service contracts: if a Company transfers a financial asset to a third party under conditions that allow the assigner to dispose of the asset, IFRS 7 requires the disclosure of any type of continued involvement that the entity may still have on transferred assets. IFRS 7 provides guidance on what is understood as continued involvement within this context. The amendment is prospective with the option of applying it retrospectively. This also affects IFRS 1 to provide the same option to the first-time adopters of IFRS 1; (2) Interim Financial Statements: The amendment clarifies that the additional disclosure required by amendments to IFRS 7 "Offsetting Financial Assets and Financial Liabilities" is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.</p>	01/01/2016
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<p><i>IAS 19, "Employee Benefits"</i> – 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.</p>	01/01/2016
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<p><i>IAS 34, "Interim Financial Reporting"</i> – This amendment clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' and amends IAS 34 to require the inclusion of a cross-reference from the interim financial statements to the location of the information. This amendment is retrospective.</p>	01/01/2016
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The adoption of the standards, amendments and interpretations indicated above has no significant impact on the Company's consolidated financial statements.



**Note 2 Basis of presentation for the consolidated financial statements (continued)****2.4 Accounting Pronouncements, continued**

b) Standards, interpretations and amendments issued, not effective for the financial statements beginning on January 1, 2016, which the Company has not adopted early are as follows:

<i>Standards and Interpretations</i>	Mandatory for annual periods beginning on
<i>IFRS 9 “Financial Instruments”</i> – Issued 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 accounting part of IFRS 9 was issued in November 2013. Early adoption is permitted.	01/01/2018
<i>IFRS 15 “Revenue from Contracts with Customers”</i> – Issued 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 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.	01/01/2018
IFRS 16 “Leases” – issued in January 2016 establishes the principle for the recognition, measurement, presentation and disclosure of leases. IFRS 16 supersedes the current IAS 17 and introduces a single model for accounting recognition for lessees and requires a lessee to recognize the assets and liabilities of all lease contracts over a term of more than 12 months, unless the underlying asset has a low value. The objective is ensuring that lessees and lessors provide relevant information that fairly represents transactions conducted. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, early adoption is permitted for entities applying IFRS 15 or prior to the date of initial application of IFRS 16.	01/01/2019
<i>IFRIC 22 “Foreign Currency Transactions and Advance Consideration.”</i> Issued in December 2016. This Interpretation is applied to a foreign currency transaction (o a portion thereof) when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income (or related part thereof). The interpretation provides guidance for when an entity mas a single payment/receipt, as well as for situations where multiple payments/receipts	01/01/2018

*are made. It is intended to reduce the diversity in the practice.*

**Note 2 Basis of presentation for the consolidated financial statements (continued)****2.4 Accounting Pronouncements, continued**

<i>Amendments and improvements</i>	Mandatory for annual periods beginning on
Amendment to IAS 7 “ <i>Statement of Cash Flows.</i> ” – Issued in February 2016. This amendment introduces additional disclosures allowing users of financial statements to assess changes in obligations from financing activities.	01/01/2017
Amendment to IAS 12 “ <i>Income Taxes.</i> ” - Issued in February 2016. This amendment clarifies how to account for deferred tax assets related to debt securities measured at fair value.	01/01/2017
Amendment to IFRS 15 “Revenue from Contracts with Customers” issued in April 2016. This amendment provides clarification for the guidance for the identification of performance obligations in contracts with customers, the accounting for intellectual property license and the assessment of principal versus agent (gross presentation vs. net presentation of revenue). It includes new and amended illustrative examples, as well as practical examples related to the transition to the new revenue standard.	01/01/2018
Amendment to IFRS 12 “Disclosure of Interest in Other Entities.” Issued in December 2016. This amendment clarifies the scope of this standard. These amendments must be applied retrospectively to annual periods beginning on or after January 1, 2017.	01/01/2017
Amendment to IAS 28 “Investments in Associates and Joint Ventures” related to the measurement of the associate or joint venture at fair value. Issued in December 2016.	01/01/2018

The Company's management is in the process of assessing the impacts on the consolidated financial statements of the adoption of IFRS 9, IFRS 15 and IFRS 16. However, for the remaining standards, amendments and interpretations described above, it believes they will not have any significant impact for the initial application period.

**Note 2 Basis of presentation for the consolidated financial statements (continued)**

2.5

Basis of consolidation

(a)

**Subsidiaries**

Relate to all the entities on which Sociedad Química y Minera de Chile S.A. has control 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 the acquisition, 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 acquiree 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			12/31/2015 Total
				12/31/2016 Direct	Indirect	Total	
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM North America Corp.	USA	US\$	40.0000	60.0000	100.0000	100.0000
Foreign	SQM Europe N.V.	Belgium	US\$	0.5800	99.4200	100.0000	100.0000
Foreign	Soquimich S.R.L. Argentina	Argentina	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Soquimich European Holding B.V.	Netherlands	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Corporation N.V.	Netherlands	US\$	0.0002	99.9998	100.0000	100.0000
Foreign	SQI Corporation N.V.	Netherlands	US\$	0.0159	99.9841	100.0000	100.0000
Foreign	SQM Comercial De México S.A. de C.V.	Mexico	US\$	0.0100	99.9900	100.0000	100.0000
Foreign	North American Trading Company	USA	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Administración y Servicios Santiago S.A. de C.V.	Mexico	US\$	0.0000	100.0000	100.0000	100.0000

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Foreign	SQM Peru S.A.	Peru	US\$	0.9800	99.0200	100.0000	100.0000
Foreign	SQM Ecuador S.A.	Ecuador	US\$	0.0040	99.9960	100.0000	100.0000
Foreign	SQM Nitratos Mexico S.A. de C.V.	Mexico	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQMC Holding Corporation L.L.P.	USA.	US\$	0.1000	99.9000	100.0000	100.0000
Foreign	SQM Investment Corporation N.V.	Netherlands	US\$	1.0000	99.0000	100.0000	100.0000
Foreign	SQM Brasil Limitada	Brazil	US\$	1.0900	98.9100	100.0000	100.0000
Foreign	SQM France S.A.	France	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Japan Co. Ltd.	Japan	US\$	0.5376	99.4624	100.0000	100.0000
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	US\$	1.6700	98.3300	100.0000	100.0000
Foreign	SQM Oceania Pty Limited	Australia	US\$	0.0000	100.0000	100.0000	100.0000

**Note 2 Basis of presentation for the consolidated financial statements (continued)****2.5 Basis of consolidation, continued**

TAX ID No.	Foreign subsidiaries	Country of origin	Functional currency	Ownership interest			12/31/2015 Total
				12/31/2016 Direct	12/31/2016 Indirect	Total	
Foreign	Rs Agro-Chemical Trading Corporation A.V.V.	Aruba	US\$	98.3333	1.6667	100.0000	100.0000
Foreign	SQM Indonesia S.A.	Indonesia	US\$	0.0000	80.0000	80.0000	80.0000
Foreign	SQM Virginia L.L.C.	USA	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Italia SRL	Italy	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Comercial Caimán Internacional S.A.	Panama	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Africa Pty.	South Africa	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Lithium Specialties LLC	USA	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Iberian S.A.	Spain	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Agro India Pvt. Ltd.	India	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Beijing Commercial Co. Ltd.	China	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Thailand Limited	Thailand	US\$	0.0000	99.996	99.996	99.996
Foreign	SQM Vitas Spain	Spain	Euro	0.0000	100.0000	100.0000	-

TAX ID No.	Domestic subsidiaries	Country of origin	Functional currency	Ownership interest			12/31/2015 Total
				12/31/2016 Direct	12/31/2016 Indirect	Total	
96.801.610-5	Comercial Hydro S.A.	Chile	US\$	0.0000	60.6383	60.6383	60.6383
96.651.060-9	SQM Potasio S.A.	Chile	US\$	99.9999	0.0000	99.9999	99.9999
96.592.190-7	SQM Nitratos S.A.	Chile	US\$	99.9999	0.0001	100.0000	100.0000
96.592.180-K	Ajay SQM Chile S.A.	Chile	US\$	51.0000	0.0000	51.0000	51.0000
86.630.200-6	SQMC Internacional Ltda.	Chile	Ch\$	0.0000	60.6381	60.6381	60.6381
79.947.100-0	SQM Industrial S.A.	Chile	US\$	99.0470	0.9530	100.0000	100.0000
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Ch\$	1.0000	99.0000	100.0000	100.0000
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Ch\$	1.0000	99.0000	100.0000	100.0000
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US\$	0.0003	99.9997	100.0000	100.0000
79.768.170-9	Soquimich Comercial S.A.	Chile	US\$	0.0000	60.6383	60.6383	60.6383
79.626.800-K	SQM Salar S.A.	Chile	US\$	18.1800	81.8200	100.0000	100.0000
78.053.910-0	Proinsa Ltda.	Chile	Ch\$	0.0000	60.5800	60.5800	60.5800
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del	Chile	Ch\$	0.0000	100.0000	100.0000	100.0000



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	Norte S.A.						
76.425.380-9	Exploraciones Mineras S.A.	Chile	US\$	0.2691	99.7309	100.0000	100.0000
76.064.419-6	Comercial Agrorama Ltda.	Chile	Ch\$	0.0000	42.4468	42.4468	42.4468
	(a)						
76.145.229-0	Agrorama S.A.	Chile	Ch\$	0.0000	60.6377	60.6377	60.6377
76.359.919-1	Orcoma Estudios SPA	Chile	US\$	51.0000	-	51.0000	51.0000
76.360.575-2	Orcoma SPA	Chile	US\$	100.0000	-	100.0000	100.0000

(a) The Company consolidated Comercial Agrorama Ltda. as it has the control of this company's relevant activities.

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.

**Note 2 Basis of presentation for the consolidated financial statements (continued)**

**2.5 Basis of consolidation, continued**

Profit or loss of subsidiaries acquired or disposed during the year are included in profit or loss accounts consolidated from the date control is transferred to the Group, or up to the 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.

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) 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.

**Note 3 Significant accounting policies (continued)****3.3 Foreign currency translation, continued**

The main exchange rates used to translate monetary assets and liabilities, expressed in foreign currency at the end of each period in respect to U.S. dollars, are as follows:

	12/31/2016	12/31/2015
	US\$	US\$
Brazilian real	3.25	3.90
New Peruvian sol	3.35	3.41
Argentine peso	15.84	12.90
Japanese yen	116.83	120.61
Euro	0.95	0.92
Mexican peso	20.63	17.34
Australian dollar	0.72	0.73
Pound Sterling	0.81	0.67
South African rand	13.70	15.61
Ecuadorian dollar	1.00	1.00
Chilean peso	669.47	710.16
UF	39.36	36.09

**(b) 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 item 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 item are also recognize in other comprehensive income.

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.



**Note 3 Significant accounting policies (continued)**

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 correspond to 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 mature in less than three months from the date of acquisition of the instrument.

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 performed during the year, determined using the direct method.

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. In accordance with IAS 39, financial assets are measured initially at fair value plus transaction costs that may have been incurred and are directly attributable to the acquisition of the financial asset. Subsequently, financial assets are measured at amortized cost or fair value.



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.

**Note 3 Significant accounting policies (continued)**

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.

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.

**Note 3 Significant accounting policies (continued)**

**3.11 Derivative and hedging financial instruments, continued**

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.

Derivatives that are not designated or do not qualify as hedging derivatives are classified as current assets or liabilities, and changes in the fair value are directly recognized through 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 asset or liabilities that are attributable to the hedged risk is 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.

**Note 3 Significant accounting policies (continued)**

3.12 Available for sale financial assets

Available for sale financial assets are non-derivative financial assets, which have been designated as available for sale and are not classified in any of the previous categories of financial instruments. Available for sale financial instruments are initially recognized at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are recognized at fair value and changes other than impairment losses are recognized in other comprehensive income and presented in equity in the fair value reserve. If an investment is derecognized, the accumulated gain or loss is reclassified to profit or loss.

3.13 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, paid to the creditor or legally extinguished.

3.14 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, 2016 and December 31, 2015, there are no embedded derivatives.

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.

**Note 3 Significant accounting policies (continued)**

3.16

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 lessor 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 lessor) are debited to the statement of income or capitalized (as applicable) on a straight-line basis over the lease period.

3.17

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.

3.18

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.

**Note 3 Significant accounting policies (continued)**

3.19

Inventory measurement

The Company states inventories at 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.

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.

3.20

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.

**Note 3 Significant accounting policies (continued)**

**3.20 Investments in associates and joint ventures, continued**

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”.

**3.21 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.

**3.22 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 according to the originating transaction.

**Note 3 Significant accounting policies (continued)**

3.23

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.

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.

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 asset's sales value and its net carrying value.

Costs derived from daily maintenance of property, plant and equipment are recognized when incurred.

**Note 3 Significant accounting policies (continued)**

## 3.24 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.

In the case of mobile equipment depreciation is performed depending on the hours of operation

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	40
Machinery	2	25
Transport equipment	3	30
Furniture and fixtures	2	18
Office equipment	2	20
Production plants	1	25
Mining assets	3	20
Other property, plant and equipment	1	30

## 3.25 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 annually, 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.

**Note 3 Significant accounting policies (continued)**

3.26

Intangible assets other than goodwill

Intangible assets mainly relate to water rights, rights issue, electric line easement expenses and software license and development expenses.

*(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 the statement of 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 of employees that develop information technology software and general expenses in accordance with corporate charges received.

The costs of development for IT programs recognized as assets are amortized over their estimated useful lives.

(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, 2016 and December 31, 2015.

**Note 3 Significant accounting policies (continued)**

3.27 Research and development expenses

Research and development expenses are charged to profit or loss in the period in which the expenditure was incurred.

3.28 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 that finally will deliver future benefits to the Company (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).

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 the production of our processes as a 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 expenses for small deposits and prospecting expenses in the caption "other non-current assets".

**Note 3 Significant accounting policies (continued)**

3.29

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 sales and its value in use, and is determined for an individual asset unless the asset does not generate any cash inflows that are clearly independent from other assets or groups of assets.

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.

To determine the fair value less costs to sell, an appropriate valuation model is used.

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, except for properties reevaluated previously where the revaluation was taken to equity.

For assets other than acquired goodwill, an annual evaluation is conducted of whether there are impairment loss indicators recognized previously that might have already decreased 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 would have not been recognized in prior years. This reversal is recognized with a credit to profit or loss.

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, 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, unless decided otherwise by the unanimous vote by the shareholders at the General Shareholders' meeting held each year.

**Note 3 Significant accounting policies (continued)**

3.31 Earnings per share

The 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 implies the disclosure of diluted earnings per share.

3.32 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.

3.33 Interest-bearing borrowings

At initial recognition, interest-bearing borrowings are measured at fair value net of transaction costs incurred. 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.

3.34 Other provisions

Provisions are recognized when:



- The Company has a present obligation or constructive 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.

**Note 3 Significant accounting policies (continued)**

**3.34**

**Other provisions, continued**

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.

3.35

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 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 4.52% and 4.89% for the periods ended December 31, 2016 and December 31, 2015, respectively.

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 4.5% interest rate for 2016 and 5.00% for 2015. The net balance of this obligation is presented under the non-current provisions for employee benefits (refer to Note 15.4).

3.36

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, 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 payroll on a straight-line basis during the period between the date on which these options are granted and the payment date (see Note 16).

**Note 3 Significant accounting policies (continued)**

3.37

Revenue recognition

Revenue includes the fair value of considerations 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 stated reliably. It is possible that the future economic rewards 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.

3.38

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.

**Note 3 Significant accounting policies (continued)**

**3.38 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.

3.39

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.

**Note 3 Significant accounting policies (continued)**

**3.39 Income tax and deferred taxes, continued**

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.

3.40

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

**Note 3 Significant accounting policies (continued)**

3.41 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.

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.

## 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:

a) 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.

b) 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.

c) 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.

As of to-date, the SQM Group incurs an annual expenditure of approximately US\$95 million associated with fuel, gas, energy and equivalents from which US\$60 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\$9.5 million in short-term movements.

The markets in which the Company operates are unpredictable, exposed to significant fluctuations in supply and demand, and price high 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 related 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.

d) 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.

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.

#### **Note 4 Financial risk management, continued**

##### **4.2.2 Credit 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.

Financial investments correspond to time deposits with maturities exceeding 90 days and less than 360 days from the investment date, so they are not exposed to significant market risks.

##### **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\$ 317 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.

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As of December 31, 2016, the Company recorded derivative instruments classified as currency and interest rate hedges associated with all the bonds payable, denominated in UF, with a fair value of US\$40.5 million against SQM. As of December 31, 2015, this amounts to US\$75 million in against SQM.

As of December 31, 2016, the Chilean peso to U.S. dollar exchange rate was Ch\$669.47 per US\$1.00 (Ch\$ 710.16 per US\$ 1.00 as of December 31, 2015).

## **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, 2016, approximately 2% 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\$ 0.03 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, 2016, the Company's financial liabilities are mainly concentrated in the long-term and approximately 12% 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, 2016, the Company had unused, available revolving credit facilities with banks, for a total of approximately US\$267 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.



**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

The Company had no changes in the determination of accounting estimates at the closing date of the consolidated financial statements.

5.2 Changes in accounting policies

As of December 31, 2016, the Company's consolidated financial statements present no changes in accounting policies or estimates compared to the prior period (for further details refer to Note 2.6).

The consolidated statements of financial position as of December 31, 2016 and December 31, 2015 and the statements of comprehensive income, changes in equity and cash flows for the periods ended December 31, 2016 and 2015, have been prepared in accordance with the Standards issued by the Chilean Superintendence of Securities and Insurance (SVS), which consider the International Financial Reporting Standards (IFRS).

The accounting principles and criteria were applied consistently.

## Note 6 Background of companies included in consolidation

## 6.1 Parent's stand-alone assets and liabilities

	12/31/2016	12/31/2015
	ThUS\$	ThUS\$
Assets	3,824,137	4,012,556
Liabilities	(1,578,063)	(1,672,771)
Equity	2,246,074	2,339,785

## 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 29.97% as of December 31, 2016 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 2.12% 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**

Tax ID No.	Name	<b>Ownership</b>
		<b>interest %</b>
96.511.530-7	Sociedad de Inversiones Pampa Calichera S.A.	19.72
76.165.311-5	Potasios de Chile S.A.	6.91
96.863.960-9	Inversiones Global Mining (Chile) Limitada	3.34
Total Pampa Group		29.97
79.798.650-k	Inversiones la Esperanza (Chile) Ltda.	1.43
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
Total Kowa Group		2.12

**Note 6 Background of companies included in consolidation (continued)**

## 6.4 General information on consolidated subsidiaries

As of December 31, 2016 and December 31, 2015, the general information of the companies on which the Company exercises control and significant influence is as follows:

Subsidiary	Tax ID	Address	Country of incorporation	Functional currency	Ownership interest		Total
					Direct	Indirect	
SQM Nitratos S.A.	96.592.190-7	El Trovador 4285 Las Condes	Chile	US\$	99.9999	0.0001	100.0000
Proinsa Ltda.	78.053.910-0	El Trovador 4285 Las Condes	Chile	Ch\$	-	60.5800	60.5800
SQMC Internacional Ltda.	86.630.200-6	El Trovador 4285 Las Condes	Chile	Ch\$	-	60.6381	60.6381
SQM Potasio S.A.	96.651.060-9	El Trovador 4285 Las Condes	Chile	US\$	99.9999	-	99.9999
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Arturo Prat 1060, Tocopilla	Chile	US\$	0.0003	99.9997	100.0000
Isapre Norte Grande Ltda.	79.906.120-1	Anibal Pinto 3228, Antofagasta	Chile	Ch\$	1.0000	99.0000	100.0000
Ajay SQM Chile S.A.	96.592.180-K	Av. Pdte. Eduardo Frei 4900, Santiago	Chile	US\$	51.0000	-	51.0000
Almacenes y Depósitos Ltda.	79.876.080-7	El Trovador 4285 Las Condes	Chile	Ch\$	1.0000	99.0000	100.0000
SQM Salar S.A.	79.626.800-K	El Trovador 4285 Las Condes	Chile	US\$	18.1800	81.8200	100.0000
SQM Industrial S.A.	79.947.100-0	El Trovador 4285 Las Condes	Chile	US\$	99.0470	0.9530	100.0000
Exploraciones Mineras S.A. Sociedad	76.425.380-9	El Trovador 4285 Las Condes	Chile	US\$	0.2691	99.7309	100.0000
Prestadora de Servicios de Salud Cruz del Norte S.A.	76.534.490-5	Anibal Pinto 3228, Antofagasta	Chile	Ch\$	-	100.0000	100.0000
Soquimich Comercial S.A.	79.768.170-9	El Trovador 4285 Las Condes	Chile	US\$	-	60.6383	60.6383
	76.064.419-6		Chile	Ch\$	-	42.4468	42.4468

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Comercial Agrorama Ltda. (*)		El Trovador 4285 Las Condes						
Comercial Hydro S.A.	96.801.610-5	El Trovador 4285 Las Condes	Chile	Ch\$	-	60.6383	60.6383	
Agrorama S.A.	76.145.229-0	El Trovador 4285 Las Condes	Chile	Ch\$	-	60.6377	60.6377	
Orcoma Estudios SPA	76.359.919-1	Apoquindo 3721 Of.131 Las Condes	Chile	US\$	51.0000	-	51.0000	
Orcoma SPA	76.360.575-2	Apoquindo 3721 Of.131 Las Condes	Chile	US\$	100.0000	-	100.0000	
SQM North America Corp.	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA	United States	US\$	40.0000	60.0000	100.0000	
RS Agro Chemical Trading Corporation A.V.V.	Foreign	Caya Ernesto O. Petronia 17, Orangestad	Aruba	US\$	98.3333	1.6667	100.0000	
Nitratos Naturais do Chile Ltda.	Foreign	Al. Tocantis 75, 6° Andar, Conunto 608 Edif. West Gate, Alphaville Barureri, CEP 06455-020, Sao Paulo	Brazil	US\$	-	100.0000	100.0000	
Nitrate Corporation of Chile Ltd.	Foreign	1 More London Place London SE1 2AF	United Kingdom	US\$	-	100.0000	100.0000	
SQM Corporation N.V.	Foreign	Pietermaai 123, P.O. Box 897, Willemstad, Curacao	Netherlands	US\$	0.0002	99.9998	100.0000	
SQM Peru S.A.	Foreign	Avenida Camino Real N° 348 of. 702, San Isidro, Lima	Peru	US\$	0.9800	99.0200	100.0000	
SQM Ecuador S.A.	Foreign	Av. José Orrantia y Av. Juan Tanca Marengo Edificio Executive Center Piso 2 Oficina 211 Al. Tocantis 75, 6° Andar, Conunto	Ecuador	US\$	0.0040	99.9960	100.0000	
SQM Brasil Ltda.	Foreign	608 Edif. West Gate, Alphaville Barureri, CEP 06455-020, Sao Paulo	Brazil	US\$	1.0900	98.9100	100.0000	

(\* ) SQM is the Parent of Soquimich Comercial and, in its turn, the latter is the Parent of Comercial Agrorama Ltda.

**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
SQI Corporation N.V.	Foreign	Pietermaai 123, P.O. Box 897, Willemstad, Curacao	Netherlands	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\$	0.5376	99.4624	100.0000
SQM Europe N.V.	Foreign	Houtdok-Noordkaai 25a B-2030 Antwerp, Belgium	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	Netherlands	US\$	1.0000	99.0000	100.0000
Royal Seed Trading Corporation A.V.V.	Foreign	Caya Ernesto O. Petronia 17, Oranjestad	Aruba	US\$	1.6700	98.3300	100.0000

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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.	Foreign	ZAC des Pommiers 27930 FAUVILLE	France	US\$	-	100.0000	100.0000
Administración y Servicios 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



**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 Delhi, 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 Vitas Spain	Foreign	C/Manuel Echeverria Manzana 2 Muelle de la Cab (Puerto Real)	Spain	Euro	-	100.0000	100.0000

**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	
		12/31/2016 ThUS\$	12/31/2015 ThUS\$	12/31/2016 ThUS\$	12/31/2015 ThUS\$	12/31/2016 ThUS\$	12/31/2015 ThUS\$
Proinsa Ltda.	0.1	% -	-	-	-	-	-
SQM Potasio S.A.	0.0000001	% -	-	-	-	-	-
Ajay SQM Chile S.A.	49	% 1,360	1,551	8,303	8,107	1,163	1,946
SQM Indonesia S.A.	20	% -	-	1	1	-	-
Soquimich Comercial S.A.	39.3616784	% 2,378	2,605	50,416	49,897	1,851	1,303
Comercial Agrorama Ltda.	30	% (06 )	3	201	292	-	-
Agrorama S.A.	0.001	% -	-	-	-	-	-
Orcoma Estudios SPA	49	% 2	5	2,277	2,274	-	-
SQM (Thailand) Limited.	0.004	% -	-	-	-	-	-
Total			3,634	4,164	61,198	60,571	3,014
						3,249	

**Note 6 Background of companies included in consolidation (continued)**

6.6

Information on consolidated subsidiaries

12/31/2016

Subsidiary	Assets		Liabilities		Revenue ThUS\$	Profit (loss) ThUS\$	Comprehensive income (loss) ThUS\$
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
SQM Nitratos S.A.	656,221	54,180	644,610	5,990	96,235	12,178	12,164
Proinsa Ltda.	56	1	-	-	-	(4)	(4)
SQMC Internacional Ltda.	204	-	-	-	-	(3)	(3)
SQM Potasio S.A.	176,976	722,965	37,167	26,933	5,902	253,322	252,435
Serv. Integrales de Tránsito y Transf. S.A.	75,296	36,407	107,567	224	30,315	(18,192)	(18,362)
Isapre Norte Grande Ltda.	664	746	714	131	3,053	23	23
Ajay SQM Chile S.A.	17,240	1,069	975	388	28,035	2,776	2,776
Almacenes y Depósitos Ltda.	278	45	1	-	-	(10)	105
SQM Salar S.A.	785,127	828,606	751,857	195,369	975,326	316,182	316,024
SQM Industrial S.A.	1,212,960	658,277	882,593	97,714	600,075	17,262	21,790
Exploraciones Mineras S.A.	510	31,598	6,027	-	-	(286)	(284)
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	337	632	614	291	2,265	85	-
Soquimich Comercial S.A.	153,068	14,663	38,533	1,115	134,501	6,041	6,020
Comercial Agrorama Ltda.	10,759	1,589	11,644	35	15,185	(356)	(341)
Comercial Hydro S.A.	5,242	56	115	15	47	350	350
Agrorama S.A.	12,348	842	14,078	37	16,462	(582)	(584)
Orcoma SpA	-	2,360	14	-	-	(1)	(1)
Orcoma Estudio SpA	671	4,135	159	-	-	4	4
SQM North America Corp.	175,834	15,621	204,201	485	228,229	(27,821)	(29,082)
RS Agro Chemical Trading Corporation A.V.V.	5,179	-	8	-	-	(23)	(23)
Nitratos Naturais do Chile Ltda.	6	251	3,456	-	-	(175)	(175)
Nitrate Corporation of Chile Ltd.	5,076	-	-	-	-	-	-
SQM Corporation N.V.	668	116,267	3,568	-	-	2,479	5,819
SQM Peru S.A.	249	1	1,170	-	8	(165)	(165)
SQM Ecuador S.A.	18,870	121	17,538	41	24,161	471	471
SQM Brasil Ltda.	200	1	714	2,266	296	(173)	(173)
SQI Corporation N.V.	-	23	55	-	-	(17)	(17)
SQMC Holding Corporation L.L.P.	23,135	13,936	1,000	-	-	1,977	1,977

SQM Japan Co. Ltd.	2,868	276	6,708	561	3,013	(7,615 )	(7,615 )
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**Note 6 Background of companies included in consolidation (continued)****6.6 Information on consolidated subsidiaries, continued**

12/31/2016

Subsidiary	Assets		Liabilities		Revenue	Profit (loss)	Comprehensive income (loss)
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
SQM Europe N.V.	365,805	2,510	317,147	-	723,192	6,118	8,075
SQM Italia SRL	1,086	-	14	-	-	-	-
SQM Indonesia S.A.	3	-	1	-	-	-	-
North American Trading Company	158	145	39	-	-	-	-
SQM Virginia LLC	14,811	14,357	14,811	-	-	(3	) (3
SQM Comercial de México S.A. de C.V.	73,791	2,200	49,048	-	186,769	(1,757	) (1,757
SQM Investment Corporation N.V.	53,037	117	6,191	863	-	(5,441	) (5,441
Royal Seed Trading Corporation A.V.V.	28,662	-	49,788	-	-	(914	) (719
SQM Lithium Specialties LLP	15,763	3	1,264	-	-	(3	) (3
Soquimich SRL Argentina	209	-	177	-	-	(12	) (12
Comercial Caimán Internacional S.A.	259	-	1,122	-	-	(2	) (2
SQM France S.A. Administración y Servicios Santiago S.A. de C.V.	345	6	114	-	-	-	-
SQM Nitratos México S.A. de C.V.	148	24	504	55	2,687	268	268
Soquimich European Holding B.V.	41	1	24	6	266	(2	) (2
SQM Iberian S.A.	55,198	115,761	65,005	3,142	-	1,025	5,581
SQM Africa Pty Ltd.	81,119	1,709	73,198	-	146,677	3,501	9,464
SQM Oceania Pty Ltd.	89,627	1,399	84,292	-	92,122	(7,627	) (7,627
SQM Agro India Pvt. Ltd.	2,387	-	570	-	2,383	(99	) (99
SQM Beijing Commercial Co. Ltd.	1	-	1	-	-	(3	) (3
SQM Thailand Limited	2,285	30	171	-	5,106	(34	) (34
SQM Vitas Spain S.A.	10,228	5	7,288	-	5,579	319	319
Total	2,287	686	1,583	-	13,673	157	253
	4,137,420	2,643,568	3,406,703	332,549	3,341,563	556,286	575,411



**Note 6 Background of companies included in consolidation (continued)****6.6 Information on consolidated subsidiaries, continued**

12/31/2015

Subsidiary	Assets		Liabilities		Revenue ThUS\$	Profit (loss) ThUS\$	Comprehensive income (loss) ThUS\$
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
SQM Nitratos S.A.	521,948	69,159	531,903	7,913	146,731	(715 )	(739 )
Proinsa Ltda.	149	-	-	-	-	-	-
SQMC Internacional Ltda.	195	-	-	-	-	(1 )	(1 )
SQM Potasio S.A.	90,230	843,842	7,748	23,438	10,785	184,315	184,533
Serv. Integrales de Tránsito y Transf. S.A.	46,646	63,973	81,703	6,642	44,045	(12,450 )	(12,316 )
Isapre Norte Grande Ltda.	791	540	664	143	3,883	-	6
Ajay SQM Chile S.A.	17,044	942	879	563	38,414	3,165	3,165
Almacenes y Depósitos Ltda.	264	41	-	-	-	(12 )	(77 )
SQM Salar S.A.	625,239	885,904	474,225	201,581	762,058	193,367	193,300
SQM Industrial S.A.	1,030,937	702,192	741,820	83,751	685,634	19,144	11,224
Exploraciones Mineras S.A.	482	31,443	5,560	-	-	(666 )	(666 )
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	296	550	423	364	2,299	(130 )	12
Soquimich Comercial S.A.	138,413	22,447	33,058	1,037	162,582	6,618	6,301
Comercial Agrorama Ltda.	10,231	1,554	10,796	16	13,806	11	12
Comercial Hydro S.A.	9,014	87	122	-	50	460	460
Agrorama S.A.	12,848	595	13,759	16	15,131	(380 )	(380 )
Orcoma SpA	-	2,356	9	-	-	(8 )	(8 )
Orcoma Estudio SpA	2,059	2,931	347	-	-	9	9
SQM North America Corp.	200,156	16,348	201,343	-	255,455	(12,774 )	(12,774 )
RS Agro Chemical Trading Corporation A.V.V.	5,194	-	-	-	-	(7 )	(7 )
Nitratos Naturais do Chile Ltda.	2	229	3,255	-	-	618	618
Nitrate Corporation of Chile Ltd.	5,076	-	-	-	-	-	-
SQM Corporation N.V.	668	115,720	3,539	-	-	4,882	303
SQM Peru S.A.	421	1	1,176	-	22	(104 )	(104 )
SQM Ecuador S.A.	19,660	147	18,883	35	16,778	447	447
SQM Brasil Ltda.	121	1	585	2,142	375	(2,694 )	(2,694 )
SQI Corporation N.V.	-	23	38	-	-	53	52
SQMC Holding Corporation L.L.P.	21,296	13,873	1,000	-	-	2,044	2,044

SQM Japan Co. Ltd.	2,327	211	239	495	2,861	159	159
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**Note 6 Background of companies included in consolidation (continued)****6.6 Information on consolidated subsidiaries, continued**

12/31/2015

Subsidiary	Assets		Liabilities		Revenue	Profit (loss)	Comprehensive income (loss)
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
SQM Europe N.V.	315,642	2,111	273,123	-	530,912	(5,536 )	(5,536 )
SQM Italia SRL	1,124	-	14	-	-	-	-
SQM Indonesia S.A.	3	-	1	-	-	-	-
North American Trading Company	158	145	39	-	-	(1 )	(1 )
SQM Virginia LLC	14,814	14,360	14,814	-	-	(7 )	(7 )
SQM Comercial de México S.A. de C.V.	87,686	1,710	61,589	-	183,374	(3,399 )	(3,399 )
SQM Investment Corporation N.V.	81,328	130	29,054	861	-	17,865	17,865
Royal Seed Trading Corporation A.V.V.	72,828	-	93,235	-	-	(3,490 )	(3,089 )
SQM Lithium Specialties LLP	15,766	3	1,264	-	-	(7 )	(7 )
Soquimich SRL Argentina	243	-	199	-	-	(135 )	(135 )
Comercial Caimán Internacional S.A.	261	-	1,122	-	-	(5 )	(5 )
SQM France S.A.	345	6	114	-	-	-	-
Administración y Servicios Santiago S.A. de C.V.	167	-	635	227	3,094	(90 )	(90 )
SQM Nitratos México S.A. de C.V.	40	4	25	6	291	4	4
Soquimich European Holding B.V.	71,166	112,488	79,906	-	-	3,245	(1,881 )
SQM Iberian S.A.	55,444	65	50,169	-	137,869	11	11
SQM Africa Pty Ltd.	94,508	1,372	81,552	-	88,247	4,945	4,945
SQM Oceania Pty Ltd.	2,357	-	440	-	2,378	(192 )	(192 )
SQM Agro India Pvt, Ltd.	3	-	-	-	-	(1 )	(1 )
SQM Beijing Commercial Co. Ltd.	2,827	43	608	-	5,373	(58 )	(58 )
SQM Thailand Limited	9,765	27	6,991	-	11,539	125	125
Total	3,588,182	2,907,573	2,827,968	329,230	3,123,986	398,625	381,428



**Note 6 Background of companies included in consolidation (continued)**

6.7 Detail of transactions between consolidated companies

**a) Transactions conducted in 2016**

On May 12, 2016, the subsidiary SQM Iberian S.A. acquired 100% of interest in SQM Vitas Spain for ThUS\$ 1,710.

**b) Transactions conducted in 2015**

On August 5, 2015, the subsidiary SQM Brasil Ltda. made a capital contribution of ThUS\$572 in its subsidiary Nitratos Naturais do Chile Ltda. As a result of such transaction, SQM Brasil Ltda. increased its interest from 0.001% to 70.82% in such company. SQM Industrial S.A. was not involved in such capital increase, decreasing its interest from 99.99% to 29.18%. This generated no effects on the consolidated profit or loss of SQM S.A.

## Note 7 Cash and cash equivalents

## 7.1 Types of cash and cash equivalents

As of December 31, 2016 and December 31, 2015, cash and cash equivalents are detailed as follows:

	12/31/2016	12/31/2015
a) Cash	ThUS\$	ThUS\$
Cash on hand	53	87
Cash in banks	80,287	31,977
Other demand deposits	1,260	9,042
Total cash	81,600	41,106
	12/31/2016	12/31/2015
b) Cash equivalents	ThUS\$	ThUS\$
Short-term deposits, classified as cash equivalents	95,673	84,662
Short-term investments, classified as cash equivalents	337,396	401,491
Total cash equivalents	433,069	486,153
Total cash and cash equivalents	514,669	527,259

## 7.2 Short-term investments, classified as cash equivalents

As of December 31, 2016 and December 31, 2015, short-term investments, classified as cash and cash equivalents relate to mutual funds (investment liquidity funds) for investments in:

	12/31/2016	12/31/2015
Institution	ThUS\$	ThUS\$
Legg Mason - Western Asset Institutional Cash Reserves	178,446	204,082
JP Morgan US dollar Liquidity Fund Institutional	158,950	197,409
Total	337,396	401,491

Short-term investments are highly liquid fund manager accounts that are basically invested in short-term fixed rate notes in the U.S. market.



**Note 7 Cash and cash equivalents (continued)**

## 7.3 Information on cash and cash equivalents by currency

As of December 31, 2016 and December 31, 2015, information on cash and cash equivalents by currency is detailed as follows:

	12/31/2016	12/31/2015
Original currency	ThUS\$	ThUS\$
Chilean Peso (*)	6,044	2,656
US Dollar	490,978	512,809
Euro	11,386	4,245
Mexican Peso	309	1,439
South African Rand	3,250	4,123
Japanese Yen	2,149	1,690
Peruvian Sol	3	1
Brazilian Real	59	8
Chinese Yuan	400	272
Indian Rupee	8	14
Thai Baht	8	1
Argentine Peso	4	1
Pound Sterling	71	-
Total	514,669	527,259

(\*)The Company maintains financial derivative policies which allow to minimize the risk of the variation in Chilean pesos exchange rate.

## 7.4 Amount 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, 2016 and December 31, 2015, restricted cash balances are presented in Note 10.9.

**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:

2016 Receiver of the deposit	Type of deposit	Original Currency	Interest rate	Placement date	Expiration date	Interest		
						Principal ThUS\$	accrued ThUS\$	12/31/2016 to-date ThUS\$
Banco Santander	Fixed term	US\$	1.28	12/29/2016	1/31/2017	9,900	1	9,901
Banco Crédito e Inversiones	Fixed term	US\$	0.90	12/30/2016	1/9/2017	15,000	1	15,001
Banco Santander	Fixed term	US\$	0.90	12/30/2016	1/10/2017	10,000	-	10,000
Scotiabank Sud Americano	Fixed term	US\$	0.93	10/11/2016	1/30/2017	13,000	27	13,027
Banco de Chile	Fixed term	US\$	0.75	10/11/2016	1/30/2017	2,000	3	2,003
Corpbanca	Fixed term	US\$	1.21	12/1/2016	1/3/2017	3,500	4	3,504
Banco Santander - Santiago	Fixed term	US\$	0.76	12/7/2016	1/6/2017	3,900	2	3,902
Banco Crédito e Inversiones	Fixed term	US\$	0.90	12/12/2016	1/12/2017	5,000	2	5,002
Corpbanca	Fixed term	US\$	1.30	12/12/2016	1/12/2017	1,700	1	1,701
Banco Crédito e Inversiones	Fixed term	US\$	0.88	12/14/2016	1/17/2017	2,000	1	2,001
Banco Santander - Santiago	Fixed term	US\$	1.28	12/20/2016	2/21/2017	800	-	800
Banco Santander - Santiago	Fixed term	US\$	1.28	12/20/2016	2/21/2017	5,000	2	5,002
Banco BBVA Chile	Fixed term	US\$	0.75	12/22/2016	1/23/2017	3,500	1	3,501
Banco de Chile	Fixed term	US\$	1.25	12/28/2016	2/9/2017	3,900	1	3,901
Banco Santander - Santiago	Fixed term	US\$	1.31	12/28/2016	2/9/2017	3,300	-	3,300
Banco Crédito e Inversiones	Fixed term	US\$	1.00	12/29/2016	1/30/2017	3,800	-	3,800
Corpbanca	Fixed term	Ch\$	0.31	12/16/2016	1/2/2017	1,942	3	1,945
Scotiabank Sud Americano	Fixed term	Ch\$	0.32	12/29/2016	1/9/2017	597	1	598
Scotiabank Sud Americano	Fixed term	Ch\$	0.33	12/30/2016	1/9/2017	2,091	-	2,091
Citibank New York	Overnight	US\$	0.01	12/31/2016	1/1/2017	1,742	-	1,742
BBVA Banco Francés	Fixed term	US\$	0.21	24/10/2016	1/31/2017	199	-	199
Nedbank	On demand	US\$	-	12/1/2016	1/31/2017	2,752	-	2,752

							95,623	50	95,673
2015	Receiver of the deposit	Type of deposit	Original Currency	Interest rate	Placement date	Expiration date	Interest		
Principal							accrued	12/31/2015	
							ThUS\$	ThUS\$	ThUS\$
	Banco Crédito e Inversiones	Fixed term	US\$	0.50	12/23/2015	1/27/2016	50,000	6	50,006
	Corpbanca	Fixed term	US\$	0.65	12/22/2015	1/21/2016	25,000	4	25,004
	Banco Crédito e Inversiones	Fixed term	Ch\$	0.32	12/30/2015	1/14/2016	1,338	-	1,338
	Banco Santander Santiago	Fixed term	Ch\$	0.31	12/30/2015	1/14/2016	704	-	704
	Banco Crédito e Inversiones	Fixed term	US\$	0.30	12/11/2015	1/11/2016	1,000	-	1,000
	Citibank New York	Overnight	US\$	0.01	12/31/2015	1/2/2016	225	-	225
	Citibank New York	Overnight	US\$	0.01	12/31/2015	1/2/2016	614	-	614
	BBVA Banco Francés	Fixed term	US\$	19.00	12/2/2015	1/4/2016	236	-	236
	ABN Amro Bank	On demand	Euro	-	12/31/2015	1/2/2016	1,240	-	1,240
	Nedbank	On demand	US\$	-	12/31/2015	1/2/2016	4,295	-	4,295
	<b>Total</b>						<b>84,652</b>	<b>10</b>	<b>84,662</b>



## Note 8 Inventories

The composition of inventory at each period-end is as follows:

Type of inventory	<b>12/31/2016</b>	<b>12/31/2015</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Raw material reserves	7,536	4,844
Supplies for production reserves	23,610	29,353
Products-in-progress reserves	482,261	478,627
Finished product reserves	479,665	491,022
Total	993,072	1,003,846

As of December 31, 2016, the Company had inventories of caliche ore available for processing for ThUS\$43,400 (ThUS\$ 32,203 as of December 31, 2015).

As of December 31, 2016, the sum registered as cost of sale related to inventory in the statement of income amounts to ThUS\$1,116,057 and to ThUS\$1,070,387 as of December 31, 2015.

Inventory reserves recognized as of December 31, 2016 amount to ThUS\$81,295, and ThUS\$80,369 as of December 31, 2015. Inventory reserves have been made based on a technical study that covers the different variables affecting products in stock (density and humidity, among others). Additionally, reserves are recognized if goods are sold cheaper than the related cost, and for differences that arise from inventory counts.

The breakdown of inventory reserves is detailed as follows:

Type of inventory	<b>12/31/2016</b>	<b>12/31/2015</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Raw material reserves	93	93
Supplies for production reserves	920	920
Products-in-progress reserves	52,843	53,187
Finished product reserves	27,439	26,169

Total	81,295	80,369
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The Company has not delivered inventory as collateral for the periods indicated above.

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**Note 8 Inventories, continued**

As of December 31, 2016 and 2015, movements in provisions are detailed as follows:

Reconciliation	12/31/2016	12/31/2015
	ThUS\$	ThUS \$
Opening balance	80,369	82,966
Changes		
Additional provisions	33,118	18,461
Increase (decrease) in existing provisions	(32,192 )	(21,058 )
Total changes	926	(2,597 )
Total	81,295	80,369

**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, 2016, 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 29.97% as of December 31, 2016 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 2.12% 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.

**Note 9 Related party disclosures (continued)****9.2 Relationships between the parent and the entity, continued****Detail of effective concentration**

Tax ID No.	Name	<b>Ownership</b>
		<b>interest %</b>
96.511.530-7	Sociedad de Inversiones Pampa Calichera S.A.	19.72
76.165.311-5	Potasios de Chile S.A.	6.91
96.863.960-9	Inversiones Global Mining (Chile) Ltda.	3.34
Total Pampa Group		29.97
79.798.650-k	Inversiones la Esperanza (Chile) Ltda.	1.43
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
Total Kowa Group		2.12

**Note 9 Related party disclosures (continued)**

## 9.3 Detailed identification of the link between the Parent and subsidiary

As of December 31, 2016 and December 31, 2015, 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.	The Netherlands	US\$	Subsidiary
Foreign	SQI Corporation N.V.	The Netherlands	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.	The Netherlands	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
Foreign	SQM Vitas Spain (2)	Spain	US\$	Subsidiary
96.801.610-5	Comercial Hydro S.A.	Chile	Chilean peso	Subsidiary
96.651.060-9	SQM Potasio S.A.	Chile	US\$	Subsidiary

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96.592.190-7 SQM Nitratos S.A.	Chile	US\$	Subsidiary
96.592.180-K Ajay SQM Chile S.A.	Chile	US\$	Subsidiary

**Note 9 Related party disclosures (continued)****9.3 Detailed identification of the link between the Parent and subsidiary, continued**

As of December 31, 2016 and December 31, 2015, 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>
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	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	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 Holland B.V.	Dutch Antilles	Euro	Joint venture
Foreign	Kowa Company Ltd.	Japan	US\$	Joint control
96.511.530-7	Sociedad de Inversiones Pampa Calichera	Chile	US\$	Joint control
96.529.340-k	Norte Grande S.A.	Chile	Chilean peso	Other related parties
79.049.778-9	Callegari Agricola S.A.	Chile	Chilean peso	Other related parties



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Foreign	Coromandel Internacional	India	Indian rupee	Other related parties
Foreign	Vitas Roullier SAS	France	Euro	Other related parties
Foreign	SQM Vitas Brazil Agroindustria	Brazil	US\$	Joint control or significant influence
Foreign	SQM Vitas Peru S.A.C.	Peru	US\$	Joint control or significant influence
Foreign	SQM Vitas Plantacote B.V	Dutch Antilles	Euro	Joint control or significant influence
Foreign	Minera Exar S.A.	Argentina	US\$	Joint venture
Foreign	SQM Vitas Southern Africa Pty.(1)	South Africa	US\$	Joint control or significant influence

(1) During June 2015, SQM Vitas Fzco. sold the ownership it had in SQM Vitas Southern Africa Pty., generating a loss of ThUS\$450.

(2) During May 2016, SQM Vitas Holland B.V. sold the interest it had in SQM Vitas Spain, to SQM Iberian S.A. resulting in the latter obtaining 100% of the interest through such transaction, which generated a loss of ThUS\$ 104.

(3) During December 2016, SQM Salar S.A. sold the interest it had in Sales de Magnesio Ltda. to Rock Litio Ltda. This transaction generated a gain of ThUS\$7,635.

**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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, the detail of significant transactions with related parties is as follows:

Tax ID No.	Company	Nature	Country of origin	Transaction	12/31/2016	12/31/2015
					ThUS\$	ThUS\$
Foreign	Doktor Tarsa Tarim Sanayi As	Associate	Turkey	Sale of products	11,619	17,842
Foreign	Ajay Europe S,A.R.L.	Associate	France	Sale of products	17,977	23,545
Foreign	Ajay Europe S.A.R.L.	Associate	France	Dividends	1,338	1,748
Foreign	Ajay North America LLC.	Associate	United States	Sale of products	12,865	15,618
Foreign	Ajay North America LLC.	Associate	United States	Dividends	2,605	5,185
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	Sale of products	8,312	7,902
Foreign	Charlee SQM Thailand Co. Ltd.	Associate	Thailand	Sale of products	3,798	5,557
Foreign	Charlee SQM Thailand Co. Ltd.	Associate	Thailand	Dividends	-	296
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Sale of products	-	1,187
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Dividends	-	286
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile		-	34

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Foreign	Kowa Company Ltd.	Other related parties	Japan	Sale of services		
				Sale of products	91,678	62,543
Foreign	Kowa Company Ltd.	Other related parties	Japan	Services received		(933 )
Foreign	SQM Vitas Brasil Agroindustria	Joint control or significant influence	Brazil	Sale of products	17,686	32,019
Foreign	SQM Vitas Peru S.A.C.	Joint control or significant influence	Peru	Sale of products	22,090	34,586
Foreign	SQM Vitas Southern Africa Pty.	Joint control or significant influence	South Africa	Sale of products	-	2,187
Foreign	SQM Vitas Fzco.	Joint venture	United Arab Emirates	Sale of products	965	1,060
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint venture	China	Sale of products	9,950	22,624
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint venture	China	Sale of services	257	-
Foreign	Coromandel SQM India	Joint venture	India	Sale of products	4,630	4,012
Foreign	SQM Vitas Spain	Joint venture	Spain	Sale of products	5,528	8,587
Foreign	SQM Vitas Plantacote B.V.	Joint venture	Netherlands	Sale of products	49	27
Foreign	SQM Star Qingdao Corp Nutrition Co., Ltd.	Joint venture	China	Sale of products	166	-
Foreign	SQM Vitas Holland B.V.	Joint venture	Holland	Sale of products	634	

**Note 9 Related party disclosures (continued)**

9.5

Trade receivables due from related parties, current:

Tax ID N°	Company	Nature	Country of origin	Currency	12/31/2016	12/31/2015
					ThUS\$	ThUS\$
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Ch\$	-	377
Foreign	Charlee SQM Thailand Co. Ltd.	Associate	Thailand	US\$	1.315	2.338
Foreign	Ajay Europe S.A.R.L.	Associate	France	Euro	3.801	3.031
Foreign	Ajay North America LLC.	Associate	United States	US\$	3.095	2.538
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	Arab Emirates dirham	764	772
Foreign	Doktor Tarsa Tarim Sanayi AS	Associate	Turkey	YTL	-	9.314
Foreign	Kowa Company Ltd.	Jointly controlled entity	Japan	US\$	34.377	23.465
96.511.530-7	Soc.de Inversiones Pampa Calichera	Jointly controlled entity	Chile	US\$	6	6
Foreign	SQM Vitas Brasil Agroindustria	Joint venture	Brazil	US\$	9.580	19.156
Foreign	SQM Vitas Peru S.A.C.	Joint venture	Peru	US\$	13.318	16.026
Foreign	Coromandel SQM India	Joint venture	India	Indian rupee	1.177	750
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint venture	China	US\$	14.547	21.464
79.049.778-9	Callegari Agrícola S.A.	Other related parties	Chile	Ch\$	41	52
Foreign	SQM Vitas Fzco.	Joint venture	United Arab Emirates	Arab Emirates dirham	97	-
Foreign	SQM Vitas Spain	Joint venture	Spain	Euro	-	566
Foreign	SQM Vitas Plantacote B.V.	Joint venture	Holland	Euro	91	-
Foreign	SQM Star Qingdao Corp Nutrition Co., Ltd.	Joint venture	China	US\$	48	52
Foreign	Plantacote N.V.	Associate	Belgium	Euro	2	-
Total					82.259	99.907

9.6

Trade payables due to related parties, current:

Tax ID No.	Company.	Nature	Country of origin	Currency	12/31/2016	12/31/2015
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				<b>ThUS\$</b>	<b>ThUS\$</b>	
Foreign	Doktor Tarsa Tarim Sanayi AS	Associate	Turkey	YTL	7	-
Foreign	SQM Vitas Fzco.	Joint venture	Arab Emirates	Arab Emirates dirham	-	251
Foreign	SQM Vitas Plantacote B.V.	Joint venture	Holland	Euro	-	184
Total as of to-date					7	435

**Note 9 Related party disclosures (continued)**

9.7

Board of Directors and Senior Management

1) Board of directors

SQM S.A. is managed by a Board of Directors which is composed of 8 regular directors, 2 of which are independent 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 26, 2016.

As of December 31, 2016, the Company has the following Committees:

Directors' Committee: composed of Hans Dieter Linneberg A. and Edward J. Waitzer, Julio Rebolledo D. Such Committee performs the duties contained in Article 50 bis of Law No. 18.046, the Chilean "Securities Act".

- Audit Committee: composed of Hans Dieter Linneberg A. and Edward J. Waitzer, Julio Rebolledo D.

Health, Safety and Environmental Matters Committee: composed of Mrs. Joanne L. Boyes, Gonzalo Guerrero Y. and Arnfinn F. Prugger.

Corporate Governance Committee: composed of Edward J. Waitzer, Robert A. Kirkpatrick, and Hans Dieter Linneberg A.

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.

**Note 9 Related party disclosures (continued)**

**9.7 Board of Directors and Senior Management, continued**

2)

Directors' Compensation

Directors' compensation is detailed as follows:

a) The payment of a fixed, gross and monthly amount of three hundred Unidades de Fomento (inflation-adjusted units) in favor the Chairman of the Board of Directors of SQM S.A. and of two hundred Unidades de Fomento in favor of each of the remaining seven directors of SQM S.A. regardless of the number of Meetings held or not held during the related month and for the periods between May 1, 2016 and April 30, 2017.

b) 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 0.135% of profit for the period effectively earned by the Company during fiscal year 2016.

c) 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 0.06% of profit for the period effectively earned by the Company during fiscal years 2016.

d) The fixed and variable amounts indicated above will not be subject to any challenge between them and those expressed in percentages will be paid after the related General Shareholders' Meeting of SQM S.A. approves the Balance Sheet, Financial Statements, Annual Report, the Account Inspectors' Report and Independent Auditor's Report of SQM S.A. for the commercial year ended December 31, 2016.

e) The amounts expressed in UF will be paid in accordance with the value determined by the Chilean Superintendence of Banks and Financial Institutions (SBIF), the Central Bank of Chile (Banco Central de Chile) or another relevant institution replacing them during the last day of the calendar year applicable. The amounts reflected in or referred to in U.S. dollars will be converted to Chilean pesos and paid in Chilean pesos in accordance with the exchange rate with which the dividend declared for the commercial year 2016 is paid.

f) Therefore, the remunerations and profit sharing paid to members of the Board of Directors and Audit Committee during 2016 amount to ThUS\$2,292 (ThUS\$ 2,769 as of December 31, 2015).

3) Audit Committee

The remuneration of Directors Committee is composed of:

The payment of a fixed, gross and monthly amount of three seventy-five Unidades de Fomento (inflation-adjusted a)units) in favor the three Directors that are members of the Director's Committee regardless of the number of Meetings held or not held during the related month and for the periods between May 1, 2016 and April 30, 2017.

b) A payment in domestic currency in favor of each of the three Directors consisting of a variable and gross amount equivalent to 0.02% of profit for the period effectively earned by the Company during fiscal year 2016 resulting after deducting the relevant amount for the concept of the amortization of gain from bargain purchase and regardless of the number of Meetings held or not held by the Directors' Committee during such year.



**Note 9 Related party disclosures (continued)**

**9.7 Board of Directors and Senior Management, continued**

The fixed and variable amounts indicated above will not be subject to any challenge between them and those expressed in percentages will be paid after the related General Shareholders' Meeting of SQM S.A. approves the  
c) Balance Sheet, Financial Statements, Annual Report, the Account Inspectors' Report and Independent Auditor's Report of SQM S.A. for the commercial year ended December 31, 2016.

The amounts expressed in UF will be paid in accordance with the value determined by the Chilean Superintendence of Banks and Financial Institutions (SBIF), the Central Bank of Chile (Banco Central de Chile) or another relevant  
d) institution replacing them during the last day of the calendar year applicable. The amounts reflected in or referred to in U.S. dollars will be converted to Chilean pesos and paid in Chilean pesos in accordance with the exchange rate with which the dividend declared for the commercial year 2016 is paid.

4) Corporate Governance Committee, Health, Safety and Environmental Matters Committee and other Company's Committees

Remuneration of such committees is composed of the payment of a fixed, gross, monthly amount of UF 50 for each director comprising such committees, regardless of the number of meetings held or not held during the related month or year.

5) No guarantees have been constituted in favor of the directors.

6) Senior management compensation:

As of December 31, 2016, the global compensation paid to the 105 main executives amounts to ThUS\$20,439 and  
a) the global compensation paid to the 103 main executives as of December 31, 2015 amounted to ThUS\$19,355. This includes monthly fixed salary and variable performance bonuses.

The Company has a bonuses intermediate and biannual plan for compliance target and level of individual  
b) 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.

**Note 9 Related party disclosures (continued)**

**9.7 Board of Directors and Senior Management, continued**

7) 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).

8) No guarantees have been constituted in favor of the Company's management.

9) The Company's Managers and Directors do not receive or have not received any benefit during the period ended December 31, 2016 and the year ended December 31, 2015 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.

**9.8 Key management personnel compensation**

	12/31/2016	12/31/2015
	ThUS\$	ThUS\$
Key management personnel compensation	20,439	19,355

## Note 10 Financial instruments

Financial instruments in accordance with IAS 39 are detailed as follows:

10.1	Types of other financial assets	
	12/31/2016	12/31/2015
Description of other financial assets	ThUS\$	ThUS\$
Other current financial assets (1)	284,160	617,267
Derivatives (2)	4,095	19,058
Hedging assets	934	-
Total other current financial assets	289,189	636,325
Other non-current financial assets (3)	14,099	486
Total other non-current financial assets	14,099	486

(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).

(3) The detail of other financial assets, non-current is as follows:

	12/31/2016	12/31/2015
	ThUS\$	ThUS\$
Non-current investments not accounted for using the equity method of accounting, classified as available for sale	6,899	444
Hedging assets	7,156	-
Other financial assets, non-current	44	42
Total other financial assets, non-current	14,099	486

**Detail of other current financial assets**

Institution	12/31/2016	12/31/2015
	ThUS\$	ThUS\$
Banco Santander	54,364	175,433
Banco de Crédito e Inversiones	40,627	97,739
Banco de Chile	-	20,049
Corpbanca	19,247	122,951
Banco Itaú	44,722	80,830
Banco Security	15,007	24,861
Morgan Stanley	3,150	8,200
Scotiabank Sud Americano	107,043	78,180
HSBC Bank Chile	-	9,024
Total	284,160	617,267

**Note 10 Financial instruments, (continued)**

10.2

Trade and other receivables

	12/31/2016			12/31/2015		
	Current ThUS\$	Non-current ThUS\$	Total ThUS\$	Current ThUS\$	Non-current ThUS\$	Total ThUS\$
Trade receivables	344,839	-	344,839	279,590	-	279,590
Prepayments	6,621	-	6,621	9,155	-	9,155
Other receivables	17,301	1,840	19,141	13,480	1,050	14,530
Total trade and other receivables	368,761	1,840	370,601	302,225	1,050	303,275

	12/31/2016			12/31/2015		
	Assets before allowance ThUS\$	Allowance for doubtful trade receivables ThUS\$	Assets for trade receivables, net ThUS\$	Assets before allowance ThUS\$	Allowance for doubtful trade receivables ThUS\$	Assets for trade receivables, net ThUS\$
Receivables related to credit operations, current	361,656	(16,817)	344,839	294,525	(14,935)	279,590
Trade receivables, current	361,656	(16,817)	344,839	294,525	(14,935)	279,590
Prepayments, current	9,421	(2,800)	6,621	11,955	(2,800)	9,155
Other receivables, current	19,300	(1,999)	17,301	15,476	(1,996)	13,480
Current trade and other receivables	390,377	(21,616)	368,761	321,956	(19,731)	302,225
Other receivables, non-current	1,840	-	1,840	1,050	-	1,050
Non-current receivables	1,840	-	1,840	1,050	-	1,050
Total trade and other receivables	392,217	(21,616)	370,601	323,006	(19,731)	303,275

**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 maintaining insurance policies for certain accounts as deemed necessary by management.

**Unsecuritized portfolio**

As of December 31, 2016 and December 31, 2015, the detail of the unsecuritized portfolio is as follows:

12/31/2016

	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	1,943	2,502	1,666	1,324	1,473	372	290	227	221	1,903	11,921
Portfolio under no renegotiated terms	298,872	18,511	5,097	2,951	3,441	1,010	643	522	309	25,849	357,205
Number of customers under renegotiated terms portfolio	22	333	155	30	17	9	3	19	5	218	811
Portfolio under renegotiated terms, gross	947	602	83	62	118	5	8	33	33	2,560	4,451
Total gross portfolio	299,819	19,113	5,180	3,013	3,559	1,015	651	555	342	28,409	361,656

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	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	3,653	698	388	2,617	565	241	253	667	311	1,836	11,229
Portfolio under no renegotiated terms	249,892	13,268	1,484	9,572	2,720	19	264	6,159	1,067	6,340	290,785
Number of customers under renegotiated terms portfolio	17	1	551	38	8	1	3	7	6	235	867
Portfolio under renegotiated terms, gross	540	10	625	13	170	15	259	35	293	1,780	3,740
Total gross portfolio	250,432	13,278	2,109	9,585	2,890	34	523	6,194	1,360	8,120	294,525

**Note 10 Financial instruments, (continued)****10.2 Trade and other receivables, continued**

The detail of allowances is as follows:

	<b>12/31/2016</b>	<b>12/31/2015</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Provision and write-offs		
Allowance for portfolio under no renegotiated terms	19,428	18,980
Allowance for portfolio with renegotiated terms	2,193	2,356
Write-offs for the period	(5	) (1,605
Total	21,616	19,731

**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, 2016, the notional amount of cash flows in Cross Currency Swap contracts agreed upon in US dollars amounted to ThUS\$320,155 and as of December 31, 2015 such contracts amounted to ThUS\$331,853.

Hedging assets with underlying debt	Derivative instruments (Fwds)	Effect on profit or loss for the period	Hedging reserve in gross equity	Deferred tax hedging reserve in equity	Hedging reserve in equity
	ThUS\$	Derivative instruments	ThUS\$	ThUS\$	ThUS\$
		ThUS\$			
December 31, 2016	830	789	41	(9	) 32



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Hedging liabilities with underlying debt	Derivative instruments (CCS)	Effect on profit or loss for the period Derivative instruments	Hedging reserve in gross equity	Deferred tax hedging reserve in equity	Hedging reserve in equity
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
December 31, 2016	43,235	28,108	(29 )	5	(24 )

Hedging liabilities with underlying investments	Derivative instruments (CCS)	Effect on profit or loss for the period Derivative instruments	Hedging reserve in gross equity	Deferred tax hedging reserve in equity	Hedging reserve in equity
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
December 31, 2016	218	(294 )	76	(19 )	57

**Note 10 Financial instruments (continued)****10.3 Hedging assets and liabilities, continued**

Hedging liabilities	Derivative instruments (CCS) ThUS\$	Effect on profit or loss for the period Derivative instruments ThUS\$	Hedging reserve in gross equity ThUS\$	Deferred tax hedging reserve in equity ThUS\$	Hedging reserve in equity ThUS\$
December 31, 2015	74,786	(29,245 )	86	96	182

The balances in the “effect on profit or loss” column consider the interim effects of the contracts in force As of December 31, 2016 and December 31, 2015.

Derivative contract maturities are detailed as follows:

Series	Contract amount ThUS\$	Currency	Maturity date
C	51,315	UF	12/01/2026
H	191,638	UF	01/05/2018
M	46,463	UF	02/01/2017
O	68,339	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.

**Note 10 Financial instruments (continued)****10.3 Hedging assets and liabilities, continued**

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% and 125%.

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, 2016 and December 31, 2015, the detail is as follows:

	12/31/2016			12/31/2015		
	Current ThUS\$	Non-current ThUS\$	Total ThUS\$	Current ThUS\$	Non-current ThUS\$	Total ThUS\$
Bank borrowings	101,270	-	101,270	178,183	140,000	318,183
Obligations with the public (bonds)	58,973	1,059,706	1,118,679	221,092	1,077,172	1,298,264

Derivatives	1,920	-	1,920	981	-	981
Hedging liabilities	16,981	33,732	50,713	1,774	73,031	74,805
Total	179,144	1,093,438	1,272,582	402,030	1,290,203	1,692,233

### Current and non-current bank borrowings

As of December 31, 2016 and December 31, 2015, the detail is as follows:

	12/31/2016	12/31/2015
	ThUS\$	ThUS\$
Long-term bank borrowings	-	140,000
Short-term bank borrowings	101,270	97,079
Current portion of long-term bank borrowings	-	81,104
Short-term borrowings and current portion of long-term borrowings	101,270	178,183
Total bank borrowings	101,270	318,183

**Note 10 Financial instruments (continued)****10.4 Financial liabilities, continued**

## a) Bank borrowings, current:

As of December 31, 2016 and December 31, 2015, the detail of this caption is as follows:

Debtor			Creditor			Currency or adjustment	Repayment	Effective	Nominal
Tax ID No	Company	Country	Tax ID No.	Financial institution	Country	index	rate	rate	rate
93.007.000-9	SQM.S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US\$	Upon maturity	1.00%	1.00%
93.007.000-9	SQM.S.A.	Chile	97.030.000-7	Banco Estado	Chile	US\$	Upon maturity	4.3 %	4.3 %
93.007.000-9	SQM.S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US\$	Upon maturity	0.74%	0.85%
93.007.000-9	SQM.S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US\$	Upon maturity	0.74%	0.84%
79.626.800-K	SQM Salar S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US\$	Upon maturity	1.34%	0.84%
79.947.100-0	SQM Industrial S.A.	Chile	97.030.000-7	Banco Estado	Chile	US\$	Upon maturity	1.20%	1.20%

Debtor	Creditor	12/31/2016			12/31/2016			Subtotal	Borrowing costs	Total
		Nominal amounts	Up to 90 days	90 days to 1 year	Total	Current amounts	Up to 90 days			
Company	Financial institution	90 days	90 days to 1 year	Total	90 days	90 days to 1 year	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM.S.A.	Scotiabank Sud Americano	-	20,000	20,000	30	20,000	20,030	-	20,030	
SQM.S.A.	Banco Estado	-	20,412	20,412	-	20,919	20,919	-	20,919	
SQM.S.A.	Scotiabank Sud Americano	-	17,000	17,000	-	17,057	17,057	-	17,057	
SQM.S.A.	Scotiabank Sud Americano	-	3,000	3,000	-	3,010	3,010	-	3,010	
SQM Salar S.A.	Scotiabank Sud Americano	-	20,000	20,000	-	20,042	20,042	-	20,042	
	Banco Estado	20,000	-	20,000	20,212	-	20,212	-	20,212	

SQM  
Industrial  
S.A.  
Total

20,000	80,412	100,412	20,242	81,028	101,270	-	101,270
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**Note 10 Financial instruments (continued)****10.4 Financial liabilities, continued**

Debtor		Creditor			Currency or adjustment	Repayment	Effective	Nominal	
Tax ID No	Company	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	0.57 %	0.57 %
93.007.000-9	SQM.S.A.	Chile	97.030.000-7	Banco Estado	Chile	US\$	Upon maturity	0.70 %	0.70 %
93.007.000-9	SQM.S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US\$	Upon maturity	0.58 %	0.58 %
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US\$	Upon maturity	1.94 %	2.54 %
79.626.800-K	SQM Salar S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US\$	Upon maturity	0.57 %	0.57 %
79.947.100-0	SQM Industrial S.A.	Chile	97.030.000-7	Banco Estado	Chile	US\$	Upon maturity	0.44 %	0.44 %
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US\$	Upon maturity	1.43 %	1.30 %
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York)	United States	US\$	Upon maturity	1.18 %	1.05 %
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	Canada	US\$	Upon maturity	1.75 %	1.39 %

Debtor	Creditor	12/31/2015			12/31/2015			<b>Borrowing</b>	
		Nominal amounts		Total	Current amounts		Subtotal	costs	Total
Company	Financial institution	Up to 90 days	90 days to 1 year	ThUS\$	Up to 90 days	90 days to 1 year	ThUS\$	ThUS\$	ThUS\$
SQM.S.A.	Scotiabank Sud Americano	-	20,000	20,000	13	20,000	20,013	-	20,013
SQM.S.A.	Banco Estado	-	20,000	20,000	9	20,000	20,009	-	20,009
SQM.S.A.	Scotiabank Sud Americano	-	17,000	17,000	8	17,000	17,008	-	17,008



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SQM S.A.	Banco Estado NY Branch	-	-	-	1,067	-	1,067	-	1,067
SQM Salar S.A.	Scotiabank Sud Americano	-	20,000	20,000	16	20,000	20,016	-	20,016
SQM Industrial S.A.	Banco Estado	20,000	-	20,000	20,032	-	20,032	-	20,032
Royal Seed Trading Corporation A.V.V.	Bank of America	-	40,000	40,000	-	40,137	40,137	(49 )	40,088
Royal Seed Trading Corporation A.V.V.	The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York)	-	20,000	20,000	-	20,052	20,052	(54 )	19,998
Royal Seed Trading Corporation A.V.V.	Export Development Canada	-	20,000	20,000	-	20,010	20,010	(58 )	19,952
Total		20,000	157,000	177,000	21,145	157,199	178,344	(161 )	178,183

**Note 10 Financial instruments (continued)****10.4****Financial liabilities, continued**

b) Unsecured obligations, current:

As of December 31, 2016 and December 31, 2015, 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	Repayment	Effective	
Tax ID No.	Company	País				Payment of interest			
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	10/21/2016	US\$	Semiannual	Upon maturity	1.97%
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	1/28/2017	US\$	Semiannual	Upon maturity	3.61%
93.007.000-9	SQM S.A.	Chile	-	ThUS\$300,000	10/3/2016	US\$	Semiannual	Upon maturity	2.48%
93.007.000-9	SQM S.A.	Chile	446	C	12/1/2016	UF	Semiannual	Semiannual	1.34%
93.007.000-9	SQM S.A.	Chile	564	H	1/5/2017	UF	Semiannual	Semiannual	2.47%
93.007.000-9	SQM S.A.	Chile	700	M	2/1/2017	UF	Semiannual	Upon maturity	0.69%
93.007.000-9	SQM S.A.	Chile	699	O	2/1/2017	UF	Semiannual	Upon maturity	3.00%

Company	Country	Series	12/31/2016 Nominal maturities			12/31/2016 Current maturities			Bond issuance costs	Total
			Up to 90 days	91 days to 1 year	Total	Up to 90 days	91 days to 1 year	Subtotal		
			ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM S.A,	Chile	ThUS\$250,000	-	-	-	-	2,674	2,674	(386 )	2,288
	Chile	ThUS\$250,000	-	-	-	4,649	-	4,649	(433 )	4,216

SQM S,A, SQM S,A, SQM S,A, SQM S,A, SQM S,A, SQM S,A, Total	Chile	ThUS\$300,000	-	-	-	-	2,658	2,658	(615 )	2,043
	Chile	C		5,903	5,903	-	6,098	6,098	-	6,098
	Chile	H	-	-	-	3,726	-	3,726	(139 )	3,587
	Chile	M	39,356	-	39,356	39,893	-	39,893	(11 )	39,882
	Chile	O	-	-	-	926	-	926	(67 )	859
			39,356	5,903	45,259	49,194	11,430	60,624	(1,651 )	58,973

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.

**Note 10 Financial instruments (continued)**

**10.4 Financial liabilities, continued**

Debtor	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Periodicity	Payment of interest	Repayment
Tax ID No.	Company País						
93.007.000-9	SQM S.A. Chile -	ThUS\$200,000	4/15/2016	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A. Chile -	ThUS\$250,000	4/21/2016	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A. Chile -	ThUS\$250,000	1/28/2016	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A. Chile -	ThUS\$300,000	4/3/2016	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A. Chile 446	C	6/1/2016	UF	Semiannual		Semiannual
93.007.000-9	SQM S.A. Chile 564	H	1/5/2016	UF	Semiannual		Semiannual
93.007.000-9	SQM S.A. Chile 700	M	2/1/2016	UF	Semiannual		Upon maturity
93.007.000-9	SQM S.A. Chile 699	O	2/1/2016	UF	Semiannual		Upon maturity

Company	Country	Series	12/31/2015 Nominal maturities			12/31/2015 Current maturities			Bond issuance costs	Total
			Up to 90 days	91 days to 1 year	Total	Up to 90 days	91 days to 1 year	Subtotal		
			ThUS\$	US\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
SQM S,A,	Chile	ThUS\$200,000	-	200,000	200,000	-	202,586	202,586	(73 )	202,513
SQM S,A,	Chile	ThUS\$250,000	-	-	-	-	2,674	2,674	(386 )	2,288
SQM S,A,	Chile	ThUS\$250,000	-	-	-	4,648	-	4,648	(433 )	4,215
SQM S,A,	Chile	ThUS\$300,000	-	-	-	-	2,658	2,658	(614 )	2,044
SQM S,A,	Chile	C	-	5,413	5,413	-	5,610	5,610	-	5,610
SQM S,A,	Chile	H	-	-	-	3,417	-	3,417	(139 )	3,278
SQM S,A,	Chile	M	-	-	-	492	-	492	(130 )	362
SQM S,A,	Chile	O	-	-	-	849	-	849	(67 )	782
Total			-	205,413	205,413	9,406	213,528	222,934	(1,842 )	221,092

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.



**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, 2016 and December 31, 2015 is detailed as follows:

Tax ID No.	Company	Country	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Periodicity	Payment of interest	Repayment
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	04/21/2020	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	01/28/2025	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A.	Chile	-	ThUS\$300,000	04/03/2023	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A.	Chile	446	C	12/01/2026	UF	Semiannual		Semiannual
93.007.000-9	SQM S.A.	Chile	564	H	01/05/2030	UF	Semiannual		Semiannual
93.007.000-9	SQM S.A.	Chile	699	O	02/01/2033	UF	Semiannual		Upon maturity

**Nominal non-current maturities  
12/31/2016**

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	<b>Non-current maturities 12/31/2016</b>					
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years	Subtotal
MUS\$250	-	250,000	-	-	-	250,000	-	250,000	-	-	-	250,000
MUS\$250	-	-	-	-	250,000	250,000	-	-	-	-	250,000	250,000
MUS\$300	-	-	-	-	300,000	300,000	-	-	-	-	300,000	300,000
C	5,903	5,903	5,903	5,903	29,519	53,131	5,903	5,903	5,903	5,903	29,519	53,131
H	-	-	-	-	157,426	157,426	-	-	-	-	157,426	157,426
O	-	-	-	-	59,035	59,035	-	-	-	-	59,035	59,035
Total	5,903	255,903	5,903	5,903	795,980	1,069,592	5,903	255,903	5,903	5,903	795,980	1,069,592





**Note 10 Financial instruments (continued)****10.4 Financial liabilities, continued**

## d) Non-current unsecured interest-bearing bonds, continued

As of December 31, 2016 and December 31, 2015, the breakdown of unsecured interest-bearing liabilities, non-current is as follows:

Tax ID No.	Company	Country	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Periodicity	Payment of interest	Repayment
93.007.000-9	SQM S.A.	Chile	-	ThUS\$200,000	04/15/2016	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	04/21/2020	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A.	Chile	-	ThUS\$250,000	01/28/2025	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A.	Chile	-	ThUS\$300,000	04/03/2023	US\$	Semiannual		Upon maturity
93.007.000-9	SQM S.A.	Chile	446	C	12/01/2026	UF	Semiannual		Semiannual
93.007.000-9	SQM S.A.	Chile	564	H	01/05/2030	UF	Semiannual		Semiannual
93.007.000-9	SQM S.A.	Chile	700	M	02/01/2017	UF	Semiannual		Upon maturity
93.007.000-9	SQM S.A.	Chile	699	O	02/01/2033	UF	Semiannual		Upon maturity

Nominal non-current maturities  
12/31/2015

Series	Nominal non-current maturities 12/31/2015						Non-current maturities 12/31/2015					
	Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years	Total	Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years	Subtotal
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
MUS\$250	-	-	250,000	-	-	250,000	-	-	250,000	-	-	250,000
MUS\$250	-	-	-	-	250,000	250,000	-	-	-	-	250,000	250,000
MUS\$300	-	-	-	-	300,000	300,000	-	-	-	-	300,000	300,000
C	5,413	5,413	5,413	5,413	32,482	54,134	5,413	5,413	5,413	5,413	32,482	54,134

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H	-	-	-	-	144,357	144,357	-	-	-	-	144,357	144,357
M	36,089	-	-	-	-	36,089	36,089	-	-	-	-	36,089
O	-	-	-	-	54,134	54,134	-	-	-	-	54,134	54,134
Total	41,502	5,413	255,413	5,413	780,973	1,088,714	41,502	5,413	255,413	5,413	780,973	1,088,714

**Note 10 Financial instruments (continued)**

**10.4 Financial liabilities, continued**

e) Additional information

**Bonds**

On the 30 of September 2016 and the 31st of December 2015, short term bonds of ThUS\$58,973 and ThUS\$221,092 respectively were classified as short-term, consisting of the current portion due plus accrued interest to date, debt is presented net of bond issuance costs. The non-current portion consisted of ThUS\$1,059,706 on the 31 of December 2016 and ThUS\$1,077,172 on the 31<sup>st</sup> December 2015, 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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, the Company has made the following payments with a charge to the Series C bonds:

Payments made	12/31/2016	12/31/2015
	ThUS\$	ThUS\$
Principal payment	5,729	5,729
Interest payment	3,275	3,570

**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, 2016 and December 31, 2015, the Company has made the following payments with a charge to the Single series bonds:

	<b>12/31/2016</b>	<b>12/31/2015</b>
Payments made		
	<b>ThUS\$</b>	<b>ThUS\$</b>
Payments of principal owed	200,000	-
Payments of interest	6,125	12,250

**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, 2016 and December 31, 2015, the Company has made the following payments with a charge to the Series G and H bonds:

	<b>12/31/2016</b>	<b>12/31/2015</b>
Payments made		
	<b>ThUS\$</b>	<b>ThUS\$</b>
Payments of interest, Series H bonds	7,289	7,696

**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, 2016 and December 31, 2015, the detail of payments charged to the line of single series bonds, second issue is as follows:

	<b>12/31/2016</b>	<b>12/31/2015</b>
Payments made		
	<b>ThUS\$</b>	<b>ThUS\$</b>
Interest payment	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, 2016, and December 31, 2015 the Company has made the following payments with a charge to the Series M and O bonds:

	<b>12/31/2016</b>	<b>12/31/2015</b>
Payments made		
	<b>ThUS\$</b>	<b>ThUS\$</b>
Payment of interest, Series M bonds	1,242	1,248

Payment of interest, Series O bonds      2,142      2,153

**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, 2016 and December 31, 2015, the following payments have been made with a debit to the line of single-series bonds, third issue:

	<b>12/31/2016</b>	<b>12/31/2015</b>
Payments made		
	<b>ThUS\$</b>	<b>ThUS\$</b>
Payment of interest	10,875	10,875

**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, 2016 and December 31, 2015, the following payments have been made.

	<b>12/31/2016</b>	<b>12/31/2015</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Payments made		
Payment of interest	10,938	8,203

10.5

Trade and other payables

	12/31/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Accounts payable	200,215	-	200,215	136,668	-	136,668
Other accounts payable	281	-	281	172	-	172
Total	200,496	-	200,496	136,840	-	136,840

Purchase commitments held by the Company are recognized as liabilities when the goods and services are received by the Company. As of December 31, 2016, the Company has purchase orders amounting to ThUS\$19,959 (ThUS\$15,888 as of December 31, 2015).





**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	12/31/2016 ThUS\$	Effect on profit or loss as of 12/31/2016 ThUS\$	12/31/2015 ThUS\$	Effect on profit or loss as of 12/31/2015 ThUS\$
Current				
Derivative instruments (IRS)	-	(229 )	283	(242 )
	-	(229 )	283	(242 )

Balances in the column effect on profit or loss consider the effects of agreements which were in force as of December 31, 2016, including derivatives, received during the year.

**Note 10 Financial instruments (continued)**

10.7

## Financial asset and liability categories

## a) Financial Assets

Description of financial assets	12/31/2016			12/31/2015		
	Current Amount ThUS\$	Non-current Amount ThUS\$	Total Amount ThUS\$	Current Amount ThUS\$	Non-current Amount ThUS\$	Total Amount ThUS\$
Financial assets measured at amortized cost	284,160	44	284,204	617,267	-	617,267
Loans and receivables measured at amortized cost	368,761	1,840	370,601	302,225	1,050	303,275
Total financial assets measured at amortized cost	652,921	1,884	654,805	919,492	1,536	921,028
Financial assets at fair value through profit or loss	5,029	7,156	12,185	19,058	-	19,058
Financial assets classified as available for sale at fair value through equity	-	6,899	6,899			
Total financial assets at fair value	5,029	14,055	19,084	19,058	-	19,058
Total financial assets	657,950	15,939	673,889	938,550	1,536	940,086

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**Note 10 Financial instruments (continued)****10.7 Financial asset and liability categories (continued)**

## b) Financial liabilities

Description of financial liabilities	12/31/2016			12/31/2015		
	Current Amount ThUS\$	Non-current Amount ThUS\$	Total Amount ThUS\$	Current Amount ThUS\$	Non-current Amount ThUS\$	Total Amount ThUS\$
Financial liabilities at fair value through profit or loss	18,900	33,732	52,632	2,755	73,031	75,786
Financial liabilities at fair value through profit or loss	18,900	33,732	52,632	2,755	73,031	75,786
Financial liabilities measured at amortized cost	360,740	1,059,706	1,420,446	536,115	1,217,172	1,753,287
Total financial liabilities measured at amortized cost	360,740	1,059,706	1,420,446	536,115	1,217,172	1,753,287
Total financial liabilities	379,640	1,093,438	1,473,078	538,870	1,290,203	1,829,073

**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 present market value of secured and unsecured long-term obligations; bonds denominated in local currency (Ch\$/UF) and foreign currency (US\$), credits denominated in foreign currency (US\$), which is classified under Level 2 in the fair value hierarchy established by IFRS.

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').

**Note 10 Financial instruments (continued)****10.8 Fair value measurement of assets and liabilities, continued****Fair value hierarchy**

The fair value hierarchy is detailed as follows:

- a) **Level 1:** using quoted prices (unadjusted) only in active markets.
- b) **Level 2:** when in any phase in the valuation process inputs other than quoted prices have been used in Level 1 that are observable directly in markets.
- c) **Level 3:** inputs for the asset or liability that are not based on observable market data.

The valuation technique used for determining fair value of our hedging instruments is that indicated in Level 2.

	Fair value	Measurement methodology		
	12/31/2016 ThUS\$	Level 1 ThUS\$	Level 2 ThUS\$	Level 3 ThUS\$
Financial assets				
Investment				
Shares	6,879	6,879	-	-
Non-hedging derivatives				
Forwards	924	-	924	-
Options	426	-	426	-
Swaps	2,745	-	2,745	-
Hedging derivatives				
Swaps	8,090	-	8,090	-
Other	64	-	64	-
Financial liabilities				
Non-hedging derivatives				
Forwards	1,557	1,557	-	-
Options	363	363	-	-
Hedging derivatives				
Swaps	50,713	50,713	-	-





**Note 10 Financial instruments (continued)****10.8 Fair value measurement of assets and liabilities, continued**

	Fair value 12/31/2015 ThUS\$	Measurement methodology		
		Level 1 ThUS\$	Level 2 ThUS\$	Level 3 ThUS\$
Financial assets				
Investment				
Investment in companies	424	424	-	-
Non-hedging derivatives				
Forwards	18,710	-	18,710	-
Options	349	-	349	-
Other	63	-	63	-
Financial liabilities				
Non-hedging derivatives				
Forwards	601	-	601	-
Options	5643	-	5643	-
Hedging derivatives				
Swaps	74,805	-	74,805	-

**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, 2016 and December 31, 2015, assets pledged as guarantees are as follows:

	<b>12/31/2016</b>	<b>12/31/2015</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Restricted cash		
Isapre Norte Grande Ltda.	685	496
Total	685	496

**Note 10 Financial instruments (continued)**

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.

The fair value of trade receivables, current is considered to be equal to the carrying amount due to the maturity of such accounts at short-term.

- The fair value of other current financial liabilities are considered to be 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.

- The fair value of debt is considered in Level 2.

For forward and swap contracts, fair value is determined using quoted market prices of financial instruments with similar characteristics.

**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:

	12/31/2016		12/31/2015	
	Carrying value	Fair value	Carrying value	Fair value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	514,669	514,669	527,259	527,259
Current trade and other receivables	368,761	368,761	302,225	302,225
Receivables due from related parties, current	82,259	82,259	99,907	99,907
Other financial assets, current:				
- Time deposits	284,160	284,160	617,267	617,267
- Derivative instruments	4,095	4,095	19,058	19,058
- Hedging assets	934	934	-	-
<b>Total other current financial assets</b>	<b>289,189</b>	<b>289,189</b>	<b>636,325</b>	<b>636,325</b>
Non-Current Trade Receivables	1,840	1,840	1,050	1,050
Other non-current financial assets:	14,099	14,099	486	486
<b>Other non-current financial assets:</b>	<b>14,099</b>	<b>14,099</b>	<b>486</b>	<b>486</b>
Other financial liabilities, current:				
- Bank loans	101,270	101,270	178,183	178,183
- Derivative instruments	1,920	1,920	981	981
- Hedging liabilities	16,981	16,981	1,774	1,774
- Unsecured obligations	58,973	58,973	221,092	221,092
<b>Other financial liabilities, current</b>	<b>179,144</b>	<b>179,144</b>	<b>402,030</b>	<b>402,030</b>
Current and non-current accounts payable	200,496	200,496	136,840	136,840
Payables due to related parties, non-current	7	7	435	435
Other non-current financial liabilities:				
- Bank loans	-	-	140,000	160,265
- Unsecured obligations	1,059,706	1,195,512	1,077,172	1,221,002
- Non-current hedging liabilities	33,732	33,732	73,031	73,031
<b>Other non-current financial liabilities:</b>	<b>1,093,438</b>	<b>1,229,244</b>	<b>1,290,203</b>	<b>1,454,298</b>

**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.

## Note 11 Equity-accounted investees

## 11.1 Investments in associates recognized according to the equity method of accounting

As of December 31, 2016 and December 31, 2015, 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	
	12/31/2016 ThUS\$	12/31/2015 ThUS\$	12/31/2016 ThUS\$	12/31/2015 ThUS\$	12/31/2016 ThUS\$	12/31/2015 ThUS\$	12/31/2016 ThUS\$	12/31/2015 ThUS\$
Sales de Magnesio Ltda.	-	1,535	-	819	-	-	-	819
Abu Dhabi Fertilizer Industries WWL	13,343	11,766	1,482	1,455	-	455	1,482	1,910
Doktor Tarsa Tarim Sanayi AS	16,712	15,032	4,026	2,505	590	-	4,616	2,505
Ajay North America	13,457	12,913	2,794	3,600	-	-	2,794	3,600
Ajay Europe SARL	7,373	7,202	1,132	1,732	(7 )	(21 )	1,126	1,711
SQM Eastmed Turkey	-	70	(100 )	(4 )	-	-	-	-