CHEMICAL & MINING CO OF CHILE INC
Form 6-K
March 18, 2013

UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16

OF THE SECURITIES AND EXCHANGE ACT OF 1934

Includes SQM's consolidated financial statements as of December 31, 2012, 2011, and 2010, together with management's discussion and analysis of financial condition and results of operations and a discussion of its business.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

(Exact name of registrant as specified in its charter)

CHEMICAL AND MINING COMPANY OF CHILE INC.

(Translation of registrant's name into English)

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

(Address and phone number of principal executive offices)

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 x Form 40-F ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82_____

Management's discussion and analysis of

financial condition and results of operations

Overview of our results of operations

We divide our operations into the production and sale of the following product lines:

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

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

Factors affecting our results of operations

Our results of operations substantially depend on:

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trends in demand for and supply of our products, including global economic conditions, which impact prices and volumes;

- efficient operations of our facilities, particularly as some of them run at production capacity;

- our ability to accomplish our capital expenditures program in a timely manner;

- the levels of our inventories;

- trends in the exchange rate between the U.S. dollar and Chilean peso, as a significant portion of the cost of sales is in Chilean pesos, and trends in the exchange rate between the U.S. dollar and the euro, as a significant portion of our sales is denominated in euros; and

- energy, logistics, raw materials, labor and maintenance costs.

Our revenues totaled US$2,429.2 million during 2012, representing an increase of 13.2% from revenues of US$2,145.3 million in 2011. Gross margin reached US$1,028.6 million (42.3% of revenues), 20.3% higher than gross revenues of US$854.8 million (39.8% of revenues) in 2011. Profit attributable to controlling interests increased by 18.9% to US$649.2 million in 2012, compared to US$545.8 million in 2011.

Our sales volumes in the specialty plant nutrition product line in 2012 decreased by 8.1% compared to 2011. The decrease was a result of increased supply in the market and low market growth mainly due to economic uncertainty in Europe, one of the most important markets for the product line. In general, the specialty plant nutrition markets are less volatile than commodity and fertilizer markets, but future improvement in this product line will depend on the behavior of the market for potassium based fertilizers such as potassium chloride. Potassium chloride is an important raw material in the production of potassium nitrate, a specialty fertilizer and, as a result, prices of the two products are related. We feel confident in the future of specialty plant nutrient market as food quality requirements increase, and land and fresh water scarcity impacts some parts of the world. We suspect market growth to be led primarily by potassium nitrate, and we believe we are prepared to meet the growing market demand in the future.

Our sales volumes in the iodine product line decreased by 10.0% in 2012, as a result of new supply by competitors in the market, and as we returned to normal operational inventory. This volume decrease was more than offset by prices that were more than 40% higher than the average prices in this product line during 2011, thus increasing margins in the iodine segment. This increase in average prices in 2012 was attributable to an increase in demand which was met by new supply in 2012, which stabilized average prices at higher levels compared to 2011. We continue to be a world leader in the iodine market, and these special market conditions have created unique opportunities for us. We expect to maintain our efforts to assure that world iodine needs are met in the future.

Our sales volumes in the lithium product line increased by 12% in 2012 compared to 2011. Along with increased sales volumes, we saw increased prices in this product line during 2012 when compared to 2011, resulting in increased margins in this product line by nearly 30%. The increase in sales volumes and prices were principally attributable to stronger demand and higher costs for marginal producers compared to 2011. We believe the lithium market is positioned to grow in the short and long term due to the development of new technologies, as well as strong growth in industrial applications. We expect world lithium production to increase in the near future, as a number of new projects have been announced and have begun procurement.

Our sales volumes in the potassium product line increased by almost 10% in 2012 compared to the prior year, as we took advantage of our developed distribution network. Our average prices in the potassium market remained relatively stable as compared to 2011. In the fourth quarter of 2012, the potassium market saw major contracts close at lower prices than seen earlier in 2012; during the first quarter of 2013, prices have remained stable. We expect market sales volumes to increase during 2013, but we expect that price pressures will have an impact on potassium revenues in the near term.

Our sales volumes in the industrial chemicals product line increased by 52% in 2012 compared to 2011. The increase was driven by new alternative energy projects that utilize industrial-grade sodium and potassium nitrate in solar thermal energy storage. As a result of the uncertain financial situation in Europe and continued slow growth in the United States, the market has seen higher financing costs for projects in Europe and the United States. As a result, we anticipate some project delays which, in turn, we expect will have an impact on short term sales in the industrial chemicals product line. We remain confident in the long-term prospects in the solar thermal energy storage market, and expect to see industrial chemicals sales volumes in 2014 exceed volumes seen in 2013.

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Our profit for the fourth quarter of 2012 declined by 10.8% from the comparable period in 2011 and was 14.2% lower than our profit for the third quarter of 2012, due principally to the decline in average prices in the potassium market during the fourth quarter of 2012, which affected our specialty plant nutrients product line and potassium product line, and decreased sales volumes in our iodine product line as a result of new supply by competitors in the market. Although potassium prices have remained stable in 2013 to date at the levels reached during the fourth quarter of 2012, we expect pressure on potassium prices to have an impact on our overall profits during the near term. The effect of the volume decrease in our iodine product line was partially offset by prices that were more than 40% higher for 2012 than the average prices in this product line during 2011. As mentioned above, increased supply entered the market in 2012, and we expect to see additional new supply in 2013.

The following table sets forth our revenues and the percentage accounted for by each of our product lines for each of the years indicated:

	Year Ended December 31,							
	2012		2011		2010		2009	
(in millions of U.S. dollars)	US$	%	US$	%	US$	%	US$	%
Specialty plant nutrients	675.3	28	721.7	34	603.7	33	527.0	37
Iodine and its derivatives	578.1	24	454.5	21	316.3	17	190.9	13
Lithium and its derivatives	222.2	9	183.4	9	150.8	8	117.8	8
Potassium	605.1	25	555.7	26	528.2	29	399.1	28
Industrial chemicals	245.2	10	139.5	7	149.7	8	115.4	8
Other commodity fertilizers[(1)]	103.2	4	90.5	4	81.8	5	88.5	6
Total	2,429.2	100	2,145.3	100	1,830.4	100	1,438.7	100

(1) Primarily consists of imported fertilizers distributed in Chile.

The following table sets forth certain of our financial information and the percentage of our revenues of such financial information for each of the years indicated:

	Year Ended December 31,					
	2012		2011		2010	
(in millions of U.S. dollars)	US$	%	US$	%	US$	%
Revenues	2,429.2	100.0	2,145.3	100.0	1,830.4	100.0
Cost of sales	(1,400.6)	57.7	(1,290.5)	60.2	(1,204.4)	65.8
Gross profit	1,028.6	42.3	854.8	39.8	626.0	34.2
Other income	12.7	0.5	47.7	2.2	6.5	0.4
Administrative expenses	(106.4)	4.4	(91.8)	4.3	(78.8)	4.3
Other expenses	(34.6)	1.4	(63.0)	2.9	(36.2)	2.0
Other gains (losses)	0.7	—	5.8	0.3	(7.0)	0.4
Finance income	29.1	1.2	23.2	1.1	12.9	0.7
Finance expenses	(54.1)	2.2	39.3	1.8	(35.0)	1.9
Equity income of associates and joint ventures accounted for using the equity method	24.4	1.0	21.8	1.0	10.7	0.6
Foreign currency exchange differences	(26.8)	1.1	(25.3)	1.2	(5.8)	0.3
Income before income tax expense	873.5	36.0	733.8	34.2	493.3	27.0
Income tax expense	(216.1)	8.9	(179.7)	8.4	(106.0)	5.8
Profit attributable to:						
Controlling interests	649.2	26.7	545.8	25.4	382.1	20.9
Non-controlling interests	8.2	0.3	8.4	0.4	5.1	0.3
Profit for the year	657.4	27.1	554.1	25.8	387.3	21.2

Results of operations—year ended December 31, 2012 compared to year ended December 31, 2011

Revenues

During 2012, we generated total revenues of US$2,429.2 million, a 13.2% increase compared to US$2,145.3 million in 2011.

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

Specialty plant nutrition

Specialty plant nutrition revenues for 2012 totaled US$675.3 million, a 6.4% decrease compared to US$721.7 million in 2011. Set forth below are sales volume data for the specified years by product category in this product line.

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(in Th. MT)	2012	2011	% Change
Potassium nitrate and sodium potassium nitrate	469.3	551.1	(15)%
Specialty blends	197.5	189.3	4 %
Other specialty plant nutrients (*)	89.0	86.7	3 %
Sodium nitrate	24.4	22.2	10 %

* Includes trading of other specialty fertilizers.

Market supplies of the specialty plant nutrition market increased during 2012, as a significant competitor returned to normal production levels. In general, the specialty plant nutrition markets are less volatile than commodity and fertilizer markets, but future improvement in this product line will depend on the behavior of the market for potassium based fertilizers such as potassium chloride.

Our overall sales volumes in the specialty plant nutrition product line in 2012 decreased compared to 2011. This was a result of increased supply in the market and low market growth due mainly to the financial situation in Europe, one of the most important markets for this product line. Prices within our specialty plant nutrition product line increased by almost 2% in 2012 as compared to 2011.

Iodine and its derivatives

Revenues for iodine and its derivatives during 2012 totaled US$578.1 million, a 27.2% increase compared to US$454.5 million in 2011. Set forth below are sales volume data for the specified years.

(in Th. MT)	2012	2011	% Change
Iodine and its derivatives	11.0	12.2	(10)%

Overall market sales volumes of iodine reached new levels in 2012 mainly as a result of increased demand. Strong demand was led primarily by X-ray contrast media and pharmaceutical applications. Increased supply entered the market in 2012, and we expect to see additional new supply in 2013.

Our sales volumes decreased by approximately 10% in 2012, as a result of new market supply, and as we returned to normal operational inventory. These volume decreases were more than offset by prices that were more than 40% higher than average prices during 2011, increasing gross profit in the iodine product line by over 38%.

Lithium and its derivatives

Revenues for lithium and its derivatives totaled US$222.2 million during 2012, a 21.2% increase compared to US$183.4 million in 2011. Set forth below are sales volume data for the specified years.

(in Th. MT)	2012	2011	**% Change**	
Lithium and its derivatives	45.7	40.7	12	%

The lithium market continued to grow in 2012, primarily due to growth in the rechargeable battery and lubricating grease markets, as has been the trend in recent years.

Our sales volumes in the lithium segment increased by 12% in 2012, as compared to 2011. We believe we supply over one-third of the world lithium chemical market, and aim to maintain this market share in coming years.

Along with increased volumes, we saw increased prices of approximately 8% in this product line during 2012 as compared to the previous year, increasing our gross margin by approximately 30% as compared with 2011.

We believe we are the lowest cost producer of lithium in the world. We produce lithium as a by-product of potassium chloride, which gives us a unique competitive advantage.

Potassium

Potassium revenues for 2012 totaled US$605.1 million, an 8.9% increase as compared to US$555.7 million in 2011. Set forth below are sales volume data for the specified years.

(in Th. MT)	2012	2011	% Change
Potassium chloride and potassium sulfate	1,209.5	1,103.4	10 %

We estimate that market sales volumes of potassium chloride decreased by 12% in 2012 as compared to 2011. Despite favorable economic conditions of relevant crops, demand was mainly affected by economic uncertainty in Europe and the behavior of influential buyers in China and India.

We increased our sales volumes in this product line approximately 10% compared to 2011, as we took advantage of our developed distribution network. Average prices in the potassium market remained relatively stable as compared to 2011. In the fourth quarter of 2012, the potassium market saw major contracts close at lower prices than seen earlier in 2012; during the first quarter of 2013, prices have remained stable.

Industrial chemicals

Industrial chemicals revenues for 2012 totaled US$245.2 million, a 75.8% increase as compared to US$139.5 million in 2011. Set forth below are sales volume data for the specified years by product category.

(in Th. MT)	2012	2011	% Change
Industrial nitrates	277.7	181.2	53 %
Boric acid	1.8	2.4	(23)%

Industrial chemical demand for traditional applications such as detergents and glass has remained relatively stable as compared to 2011.

New alternative energy projects that utilize industrial-grade sodium and potassium nitrate in solar thermal energy storage had a positive impact on our 2012 industrial chemicals volumes, which increased by over 50% as compared to 2011.

Prices for industrial chemicals increased by 15%, mainly because of the product mix, increasing our gross margins by approximately 48%.

Other products and services

Revenues from sales of other commodity fertilizers and other products totaled US$103.2 million during 2012, a 14.0% increase compared to US$90.5 million in 2011.

Cost of sales

During 2012, cost of sales increased by 8.5% to US$1,400.6 million in 2012 from US$1,290.5 million in 2011, but remained stable as a percentage of revenues, representing 58% of revenues in 2012 as compared to 60% of revenues in 2011. This increase was principally caused by higher volume production and a stronger Chilean peso. Cost of sales includes, among others, the costs of depreciation and amortization.

Gross profit

Gross profit increased by 20.3% from US$854.8 million in 2011 to US$1,028.6 million in 2012, but remained stable as percentage of revenues, representing 42.3% of revenues in 2012 as compared to 39.8% of revenues in 2011. Gross margin was impacted by generally higher average prices in 2012 compared to 2011, led by iodine prices, which increased by 40% on average in 2012 as compared to prices in 2011.

Administrative expenses

Administrative expenses as a percentage of revenues remained stable in 2012 as compared to 2011. Administrative expenses were US$106.4 million (4.4% of revenues) in 2012 and US$91.8 million (4.3% of revenues) in 2011.

Other expenses

Other expenses decreased by 45.1% to US$34.6 million in 2012 from US$63.0 million in 2011. Other expenses represented 1.4% of revenues in 2012 as compared to 2.9% of revenues in 2011. The decrease in other expenses is attributable to a decrease in expenses accounted for as depreciation of assets no longer in use.

Other gains (losses)

Other gains (losses) decreased by 87.9% to a gain of US$0.7 million in 2012 from a gain of US$5.8 million in 2011, but remained stable as a percentage of revenues, representing 0.0% of revenues in 2012 as compared to 0.3% of revenues in 2011. The decrease is attributable in part to a loss in sales of investment in associates and a provision no longer in effect for the suspension of our operations at El Toco mine at the Maria Elena facility.

Finance income

Finance income increased by 25.4% to US$29.1 million in 2012 from US$23.2 million in 2011, but remained stable as a percentage of revenues, representing 1.2% of revenues in 2012 as compared to 1.1% of revenues in 2011.

Finance expenses

Finance expenses increased by 37.7% to US$54.1 million in 2012 from US$39.3 million in 2011, but remained stable as a percentage of revenues, representing 1.8% of revenues in 2011 as compared to 2.1% of revenues in 2012. The increase in finance expenses was due to a net increase in indebtedness during 2012 and a decrease in capitalized interest related to ongoing capital expenditure projects as compared to 2011.

Equity income of associates and joint ventures accounted for using the equity method

Equity income of associates and joint ventures accounted for using the equity method increased by 11.9% to US$24.4 million in 2012 from US$21.8 million in 2011, but remained stable as a percentage of revenues, representing 1.0% of revenues both in 2012 and in 2011.

Foreign currency exchange differences

Losses from foreign currency exchange differences increased by 5.9% to a loss of US$26.8 million in 2012 from a loss of US$25.3 million in 2011, but remained stable as a percentage of revenues, representing 1.1% of revenues in 2012 as compared to 1.2% of revenues in 2011. Since most of our operations are in Chile, part of our costs of sales are related to the Chilean peso. Although we have an active hedging program and policy, we are subject to currency fluctuations. During 2012, the Chilean peso appreciated by 7.6% against the U.S. dollar.

Income tax expense

In 2012, income tax expense increased by 20.3% to US$216.1 million, representing an effective consolidated tax rate of 24.7%, compared to income tax expense of US$179.7 million in 2011. This increase was a result of an increase in gross profit of 20.3% from 2011 to 2012.

Profit for the year

Profit for the year increased by 18.6% to US$657.4 million in 2012 from US$554.1 million in 2011, as a result of the foregoing factors.

Results of operations—year ended December 31, 2011 compared to year ended December 31, 2010

Revenues

During 2011, we generated total revenues of US$2,145.3 million, a 17.2% increase compared to US$1,830.4 million in 2010.

The main factors causing the increase in revenues and the variation in the different product lines are described below:

Specialty plant nutrition

Specialty plant nutrition revenues for 2011 totaled US$721.7 million, a 19.5% increase compared to US$603.7 million in 2010. Set forth below are sales volume data for the specified years by product category in this product line.

(in Th. MT)	2011	2010	% change
Potassium nitrate and sodium potassium nitrate	551.1	534.7	3 %
Specialty blends	189.3	176.3	7 %
Other specialty plant nutrients(*)	86.7	87.6	(1)%
Sodium nitrate	22.2	16.8	32 %

* Includes trading of other specialty fertilizers.

Market sales volumes of fertilizer showed a significant improvement in 2011 over 2010 levels, and our specialty plant nutrition product line was no exception. The specialty plant nutrition market showed the same upward trend as the potash market. Additionally, tight supply issues in the potassium nitrate market created opportunities to increase sales volumes, and this, coupled with strong growth in demand in potassium, led to increased prices in 2011. North American and European markets were demand drivers during 2011.

Average prices in 2011 increased by 14% over average prices in 2010. We also had improved margins as a result of increased production from the highly efficient facility in Coya Sur.

Iodine and its derivatives

Revenues for iodine and its derivatives during 2011 totaled US$454.5 million, a 43.7% increase compared to US$316.3 million in 2010. Set forth below are sales volume data for the specified years.

(in Th. MT)	2011	2010	% change
Iodine and its derivatives	12.2	11.9	3 %

Iodine markets surpassed previous records and reached historical levels in 2011. Demand increased in most applications, but specifically in the X-ray contrast media market and for pharmaceutical uses. Weakened supply also had an impact on the iodine markets in 2011, driving spot prices to unprecedented highs. As a result of a strong demand recovery, together with a tightened availability from other suppliers, iodine prices increased substantially during 2011, and SQM saw an increase in average prices for iodine of almost 40%.

We continue to be a world leader in the iodine market, and we were uniquely positioned to take advantage of increased demands in the iodine markets and meet the shortfall in supply in 2011.

Lithium and its derivatives

Revenues for lithium and its derivatives totaled US$183.4 million during 2011, a 21.6% increase as compared to US$150.8 million in 2010. Set forth below are sales volume data for the specified years.

(in Th. MT)	2011	2010	% change
Lithium and its derivatives	40.7	32.4	26 %

The lithium market continued to grow in 2011, primarily due to growth in the rechargeable battery and lubricating grease markets. Lithium sales exceeded expectations in 2011. Prices in this product line remained relatively stable throughout 2011.

Potassium

Potassium revenues for 2011 totaled US$555.7 million, a 5.2% increase as compared to US$528.21 million in 2010. Set forth below are sales volume data for the specified years.

(in Th. MT)	2011	2010	% change
Potassium chloride & Potassium Sulfate	1,103.4	1,273.0	(13)%

The potassium chloride market continued to be robust in 2011, as farmers continued to be motivated to maximize yields and improve soil productivity through optimal fertilization. Additionally, world demand for commodity products continues to expand as the world population grows and the demand for more and better quality food increases.

Prices in the fertilizer market continued to increase over the course of 2011, and average prices in the potassium product line were 21% higher in 2011 as compared to 2010.

Industrial chemicals

Industrial chemicals revenues for 2011 totaled US$139.5 million, a 6.8% decrease from US$149.7 million in 2010. Set forth below are sales volume data for the specified years by product category.

(in Th. MT)	2011	2010	% change
Industrial nitrates	181.2	198.9	(9)%
Boric acid	2.4	2.6	(9)%

Industrial chemical demand for traditional applications such as explosives, detergents and glass, among others, remained relatively stable in 2011 as compared to 2010. Average prices for industrial chemicals in 2011 saw a slight increase compared to 2010.

Other products and services

Revenues from sales of other commodity fertilizers and other products totaled US$90.5 million during 2011, a 10.6% increase compared to US$81.8 million in 2010.

Cost of sales

During 2011, cost of sales increased by 7.1% to US$1,290.5 in 2011 from from US$1,204.4 million in 2010, but decreased as a percentage of revenues, representing 60% of revenues in 2011 as compared to 66% of revenues in 2010. This cost of sales increase was mainly caused by higher energy prices and a stronger Chilean peso. Cost of sales includes, among others, the costs of depreciation and amortization.

Gross profit

Gross profit increased by 36.5% from US$626.0 million in 2010 to US$854.8 million in 2011. As a percentage of revenues, gross profit increased from 34.2% of revenues in 2010 to 39.8% of revenues in 2011. Gross margin increased mainly as a result of higher average prices of potash (approximately 20%) and iodine (approximately 40%) in 2011as compared to 2010.

Administrative expenses

Administratives expenses as a percentage of revenues remained unchanged in 2011 as compared to 2010. Administrative expenses were US$91.8 million in 2011 and US$78.8 million in 2010, representing 4.3% of revenues in both years.

Other expenses

Other expenses increased by 74.0% to US$63.0 million in 2011 from US$36.2 million in 2010. Other expenses represented 2.9% of revenues in 2011 as compared to 2.0% of revenues in 2010. The increase in other expenses is attributable in part to the recognition of depreciation of certain assets that we no longer use.

Other gains (losses)

Other gains (losses) increased to a gain of US$5.8 million in 2011 from a loss of US$7.0 million in 2010, but remained stable as a percentage of revenues, representing 0.3% of revenues in 2011 as compared to 0.4% of revenues in 2010. This increase is attributable in part to the provision relating to the temporary suspension of our operations at El Toco mine at the Maria Elena facility.

Finance income

Finance income increased by 79.8% to US$23.2 million in 2011 from US$12.9 million in 2010, but remained stable as a percentage of revenues, representing 1.1% of revenues in 2011 as compared to 0.7% of revenues in 2010. The increase was mainly due to an increase in cash and cash equivalents in 2011, together with higher investment yields in Chile in 2011.

Finance expenses

Finance expenses increased by 12.3% to US$39.3 million in 2011 from US$35.0 million in 2010, but remained stable as a percentage of revenues, representing 1.8% of revenues in 2011 as compared to 1.9% of revenues in 2010.

Equity income of associates and joint ventures accounted for using the equity method

Equity income of associates and joint ventures accounted for using the equity method increased by 103.7% to US$21.8 million in 2011 from US$10.7 million in 2010, but remained relatively stable as a percentage of revenues, representing 1.0% of revenues in 2011 as compared to 0.6% of revenues in 2010.

Foreign currency exchange differences

Losses from foreign currency exchange differences increased to a loss of US$25.3 million in 2011 from a loss of US$5.8 million in 2010, partly due to significant depreciations in the euro and South African rand. Although we have an active hedging program and policy, we are still subject to exchange rate fluctuations.

Income tax expense

In 2011, income tax expense increased by 69.5% to US$179.7 million, representing an effective consolidated tax rate of 24.5%, as compared to income tax expense of US$106.0 million in 2010. This increase was a result of an increase in the Chilean corporate tax rate from 17% in 2010 to 20% in 2011, as well as an increase in gross profit of 36.5% from 2010 to 2011.

Profit for the year

Profit for the year increased by 43.1% to US$554.1 million in 2011 from US$387.3 million in 2010, as a result of the foregoing factors.

Liquidity and capital resources

As of December 31, 2012, we had US$568.5 million of cash and cash equivalents and time deposits. In addition, as of December 31, 2012, we had unused uncommitted working capital credit lines amounting to US$530.0 million.

Shareholders' equity increased from US$1,812.8 million as of December 31, 2011 to US$2,132.8 million as of December 31, 2012. Our ratio of total liabilities to total equity (including non-controlling interest) on a consolidated basis decreased from 1.08 as of December 31, 2011 to 1.02 as of December 31, 2012.

We evaluate from time to time our cash requirements to fund capital expenditures, dividend payouts and increases in working capital. As debt requirements also depend on the level of accounts receivables and inventories, we cannot accurately determine the amount of debt we will require.

The table below sets forth our cash flows for 2012, 2011, and 2010:

(in millions of U.S. dollars)	2012	2011	2010
Net cash from (used in):			
Net cash from operating activities	650.2	571.3	618.5

Net cash used in financing activities	(197.7)	(105.2)	(254.2)
Net cash used in investing activities	(562.9)	(516.2)	(236.8)
Effects of exchange rate fluctuations on cash and cash equivalents	(10.3)	(29.6)	21.5
Net increase (decrease) in cash and cash equivalents	(120.6)	(79.7)	149.0

We operate a capital-intensive business that requires significant investments in revenue-generating assets. Our growth strategy has included the purchase of production facilities and equipment and has also included the improvement and expansion of existing facilities. Funds for capital expenditures and working capital requirements have been obtained from net cash from by operating activities, borrowings under credit facilities and issuance of debt securities.

Our capital expenditures, including the purchase of property, plant and equipment, amounted to approximately US$446.0 million in 2012. For 2013, we expect total capital expenditures of approximately US$500.0 million, which amount may be increased or decreased based on market conditions. See “Business—Business strategy—Capital expenditure program.”

Our other major use of funds is the payment of dividends. We paid dividends of US$334.8 million and US$277.3 million during 2012 and 2011, respectively. Our current dividend policy, as approved by shareholders, is to pay 50% of our profit for each fiscal year in dividends. Under Chilean law, the minimum dividend payout is 30% of profit for each fiscal year.

Financing activities

Our current ratio (current assets divided by current liabilities) was 3.69 as of December 31, 2012. The following table sets forth key information about our outstanding long- and short-term debt as of December 31, 2012.

Debt Instrument[1][2]	Interest rate	Issue date	Maturity date	Amortization
Series O Bond — UF 1.50 million	3.80 %	Apr. 4, 2012	Feb. 1, 2033	Bullet
Series H Bond — UF 4 00 million	4.90 %	Jan. 13, 2009	Jan. 5, 2030	Semiannual, beginning in 2019
Series C Bond — UF 2.1 million	4.00 %	Jan. 24, 2006	Dec. 1 , 2026	Semiannual, beginning in 2007
5.50% Notes due 2020 — US$250 million	5.50 %	Apr. 21, 2010	Apr. 21, 2020	Bullet
Series M Bond — UF 1.00 million	3.30 %	Apr. 4, 2012	Feb. 1, 2017	Bullet
Bilateral loan — US$140 million	2.69 %	Sep. 13, 2012	Sep. 13, 2017	Bullet
6.125% Notes due 2016 — US$200 million	6.13 %	Apr. 5, 2006	Apr. 15, 2016	Bullet
Bilateral loan — US$40 million	1.52 %	Oct. 6, 2011	Oct. 6, 2016	Bullet
Bilateral loan — US$50 million	1.26 %	Oct. 12, 2011	Oct. 12, 2016	Semiannual, beginning in 2014
Bilateral loan — US$50 million	1.46 %	Dec. 21, 2011	Dec. 21, 2016	Semiannual, beginning in 2014
Bilateral loan — US$50 million	1.62 %	Oct. 19, 2012	Oct. 19, 2015	Bullet
Series G Bond — CH$21,000 million	7.00 %	Jan. 13, 2009	Jan. 5, 2014	Bullet
Series I Bond — UF 1.50 million	3.00 %	May 8, 2009	Apr. 1, 2014	Bullet
Series J Bond — CH$52,000 million	5.50 %	May. 8, 2009	Apr. 1, 2014	Bullet
Bilateral loan — US$50 million	1.54 %	Sep. 12, 2011	Sep. 12, 2014	Bullet
Bilateral loan — US$20 million[3]	1.04 %	Apr. 19, 2012	Jan. 16, 2013	Bullet
Bilateral loan — US$20 million[4]	1.03 %	May 4, 2012	Feb. 28, 2013	Bullet
Bilateral loan — US$20 million	1.90 %	May 15, 2012	May 10, 2013	Bullet
Bilateral loan — US$20 million	1.64 %	Jun. 25, 2012	Jun. 20, 2013	Bullet
Bilateral loan — US$20 million	1.70 %	Jun. 29, 2012	Jun. 24, 2013	Bullet
Bilateral loan — US$20 million	1.09 %	Dec. 3, 2012	Aug. 30, 2013	Bullet

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

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

(3) On January 16, 2013, we repaid a short term bank loan, in the principal amount of US$20 million, with a term of nine months and an annual interest rate of approximately LIBOR + 0.72%, and we entered into a short term bank loan, in the principal amount of US$20 million, with a term of eight months and an annual interest rate of approximately LIBOR + 0.315%.

(4) On February 28, 2013, we repaid a short term bank loan, in the principal amount of US$20 million, with a term of 10 months and an annual interest rate of approximately LIBOR + 0.72%, and we entered into a short term bank loan, in an amount of US$20 million with a term of nine months and an annual interest rate of approximately LIBOR 3M + 0.35%.

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As of December 31, 2012, we had total debt of US$1,599 million, compared to total debt of US$1,398.03 million as of December 31, 2011. Taking into account the effects of financial derivatives, our total debt amounted to US$1,498.39 million as of December 31, 2012 and US$1,341.93 million as of December 31, 2011. Of the total debt as of December 31, 2012, US$152.84 million was short-term debt. All of our UF and Ch$ local bonds, as of December 31, 2012, were hedged with cross-currency swaps to the U.S. dollar.

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

The following table sets forth the maturities of our long-term debt by year as of December 31, 2012:

Maturity[(1)] **(in millions of U.S. dollars)**	Amount
2013	7.14
2014	300.67
2015	97.14
2016	287.14
2017	194.74
2018	7.14
2019 and thereafter	568.92
Total	1,462.89

(1) Only the principal amount has been included. For the UF- and Ch$-denominated local bonds, the amounts presented reflect the real U.S. dollar obligation as of December 31, 2012, not including the effects of the cross currency swaps that hedge these bonds to the U.S. dollar and which had, as of December 31, 2012, a market value of US$100.6 million in favor of SQM.

Derivative financial instruments and hedging

We use derivative financial instruments, including foreign currency forwards and options contracts as well as cross currency and interest rate swaps, to mitigate the risks associated with fluctuations in interest and exchange rates. Such derivative financial instruments are initially recognized at fair value as of the date of the derivative contract and are subsequently remeasured at fair value quarterly. Derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Any gain or loss that arises from the changes of the fair value of derivatives during the year that does not qualify for hedge accounting is recorded directly to the statement of income. The fair value of cross currency and interest rate swaps is calculated using market information to estimate their net present values, which later are confirmed with the corresponding counterparty.

Off-balance sheet arrangements

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, retained or contingent interests in transferred assets, derivative instruments or other contingent arrangements that would expose us to material continuing risks, contingent liabilities, or any other obligations arising out of a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us or that engages in leasing, hedging or research and development services with us.

Market risk analysis

We are exposed to market risk from changes in currency exchange rates and interest rates. Through various arrangements described below, we seek to hedge our foreign currency exposures.

For additional information concerning our hedging transactions, see note 9.3 to our audited financial statements included below.

Foreign currency risk

We transact a significant portion of our business in U.S. dollars, and the U.S. dollar is the currency of the primary economic environment in which we operate. In addition, the U.S. dollar is our functional currency for financial statement reporting purposes. A significant portion of our costs, however, is related to the Chilean peso. Therefore, an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar would affect our costs of production. As of December 31, 2012, the Chilean peso exchange rate was Ch$479.96 per U.S. dollar, while as of December 31, 2011, the Chilean peso exchange rate was Ch$519.20 per U.S. dollar. As of March 15, 2013, the Observed Exchange Rate was Ch$471.10 per U.S. dollar.

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

Interest rate risk

We have outstanding short- and long-term debt that bears interest based on LIBOR plus a spread. Since we are currently hedging only a portion of these liabilities into fixed rates, we are exposed to interest rate risk relating to LIBOR fluctuations. As of December 31, 2012, approximately 21% our financial debt had LIBOR-based pricing that was not hedged into fixed rates. A significant increase in the rate could materially impact our financial condition and results of operations.

Critical accounting policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, which would potentially result in materially different results under different assumptions and conditions. For more information regarding our critical accounting policies, see note 3 to our see not 3 to our audited consolidated financial statements included below.

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

Trade and other accounts receivable

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

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

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

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

Income tax

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

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

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

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

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

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

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

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

Inventory

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

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

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

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

Obligations related to staff severance indemnities and pension commitments

Our obligations with respect to our employees are established in collective bargaining agreements and individual employment contracts. In the case of our employees in the United States, our obligations are established through a pension plan, which was terminated in 2002 (see note 3.11 to our audited financial statements included below).

These obligations are valued using the actuarial calculation, which considers such hypotheses 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.

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

Actuarial losses and gains that have their origin in deviations between the estimate and the actual behavior of actuarial hypotheses or in the reformulation of established actuarial hypotheses are recorded in equity.

The discount rate used by us for calculating the obligation was 6% for the periods ended as of December 31, 2012.

Our subsidiary SQM North America Corp. has established pension plans for its retired employees that are calculated by measuring the projected obligation of International Accounting Standards ("IAS") using a net salary progressive rate net of adjustments to inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 5.0% interest rate for 2012. The net balance of this obligation is presented in the line item called Noncurrent Employee Benefit Provisions.

Mining development costs

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

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

Asset value impairment

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

- investments recognized using the equity method of accounting;
- property, plant and equipment;

- intangible assets; and

- goodwill.

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

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

Financial derivatives and hedging transactions

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

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

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

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

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

The fair value of derivative instruments used for hedging purposes is shown in note 9.3 to our audited financial statements included below.

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

Fair value hedge

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

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

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

Cash flow hedge

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

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

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

Business

Business overview

We believe that we are the world's largest producer of potassium nitrate, iodine and lithium chemicals. We also produce specialty plant nutrients, iodine and iodine derivatives, lithium and lithium derivatives, potassium chloride, potassium sulfate and certain industrial chemicals (including industrial nitrates and solar salt). Our products are sold in more than 110 countries through our worldwide distribution network, with 89% of our sales in 2012 derived from countries outside Chile.

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

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

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

For the year ended December 31, 2012, we had revenues of US$2,429.2 million, gross profit of US$1,028.6 million and profit attributable to equity holders of SQM of US$649.2 million. Our market capitalization as of December 31, 2012 was approximately US$15.0 billion.

The following table sets forth the percentage breakdown of our revenues for the years ended December 31, 2012, 2011, 2010 and 2009 by product line:

	2012		2011		2010		2009	
Specialty plant nutrients	28	%	34	%	33	%	37	%
Iodine and its derivatives	24	%	21	%	17	%	13	%
Lithium and its derivatives	9	%	9	%	8	%	8	%
Potassium	25	%	26	%	29	%	28	%
Industrial chemicals	10	%	7	%	8	%	8	%
Other commodity fertilizers	4	%	4	%	5	%	6	%
Total	100	%	100	%	100	%	100	%

History

We were formed in 1968 through a joint venture between Compañía Salitrera Anglo Lautaro S.A. (“Anglo Lautaro”) and Corporación de Fomento de la Producción (“Corfo”), a Chilean government entity. Three years after our formation, in 1971, Anglo Lautaro sold all of its shares to Corfo, and we were wholly owned by the Chilean government until 1983. In 1983, Corfo began a process of privatization by selling our shares to the public and subsequently listing such shares on the Santiago Stock Exchange. By 1988, all of our shares were publicly owned. Our Series B ADSs have traded on the NYSE under the ticker symbol “SQM” since 1993.

Since our inception, in addition to producing nitrates, we produced iodine, also found in the caliche ore deposits in northern Chile. Between 1994 and 1999, we invested approximately US$300 million in the development of the Salar de Atacama project in northern Chile. The project involved the construction of a potassium chloride plant, a lithium carbonate plant, a potassium sulfate plant, and a boric acid plant. During 2000 and 2004, we focused on consolidating our business to reduce costs and improve efficiencies.

In 2005, we strengthened our leadership in our core businesses by increasing our capital expenditure program and making advantageous acquisitions and divestitures. During this period we acquired Kemira Emirates Fertiliser Company (“Kefco”) in Dubai and the iodine business of Royal DSM N.V. (“DSM”). We also sold (i) Fertilizantes Olmeca, our Mexican subsidiary, (ii) our butyllithium plant located in Houston, Texas and (iii) our stake in Impronta S.R.L., our Italian subsidiary. These sales allowed us to concentrate our efforts on our core products. In 2007, we completed the construction of a new prilling and granulating plant and, in 2008 we completed our lithium carbonate capacity expansion and began work on the engineering stage of a new potassium nitrate plant.

From 2010 to 2012, we continued to expand our production capacity of potassium products in our operations in the Salar de Atacama. In 2011, we completed the construction of a new potassium nitrate facility in Coya Sur, increasing

our overall production capacity of potassium nitrate by 300,000 metric tons. In addition, in 2008 we entered into a joint venture with Migao Corporation (“Migao”) for the construction of a potassium nitrate plant with a production capacity of 40,000 metric tons per year. This facility was completed and began operating in January 2011.

In the second half of 2011, we effected a corporate reorganization whereby our subsidiary Soquimich European Holding B.V. acquired a 66.6% ownership in Fertilizantes Naturales S.A. (later renamed SQM Iberian S.A.) from Nutrisi Holding N.V. Soquimich European Holding B.V. owned a non-controlling 50% stake in Nutrisi Holding N.V. which was divested following this acquisition in December 2011. The effect of these transactions has been that we indirectly control SQM Iberian S.A. through Soquimich European Holding B.V. SQM Iberian S.A. sells and distributes fertilizers, primarily in Spain.

In 2012, SQM Vitas FZ Company, our joint venture with the French Roullier Group, started the construction of new plants in Brazil (Candeias), Peru and South Africa (Durban) for the production of water soluble fertilizers containing different relative amounts of nitrogen, phosphorus and potassium, and, occasionally, smaller amounts of other chemicals. The Brazilian plant (Candeias Industrial Complex) began operating in March 2012. It has a production capacity of 25,000 metric tons per year, and represented a total investment of US$10 million.

Business strategy

Our general business strategy is to:

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

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

Specialty plant nutrition

Our strategy in our specialty plant nutrients business is to: (i) continue expanding our sales of natural nitrates by continuing to leverage the advantages of our specialty products over commodity-type fertilizers; (ii) selectively expand by increasing our sales of higher margin specialty plant nutrients based on potassium and natural nitrates, particularly soluble potassium nitrate and NPK blends; (iii) pursue investment opportunities in complementary

businesses to enhance our product portfolio, increase production, reduce costs, and add value to, and improve the marketing of, our products; (iv) develop new specialty nutrient blends produced in our mixing plants that are strategically located in or near our principal markets, in order to meet specific customer needs; (v) focus primarily on the markets for plant nutrients in soluble and foliar applications in order to establish a leadership position; (vi) further develop our global distribution and marketing system directly and through strategic alliances with other producers and global or local distributors; and (vii) reduce our production costs through improved processes and higher labor productivity so as to compete more effectively.

Iodine and its derivatives

Our strategy in our iodine business is to (i) maintain our leadership in the iodine market by expanding our production capacity in line with demand growth; (ii) encourage demand growth and develop new iodine derivatives, (iii) participate in iodine recycling projects; and (iv) reduce our production costs through improved processes and higher productivity in order to compete more effectively.

Lithium and its derivatives

Our strategy in our lithium business is to (i) maintain our leadership in the lithium industry as a principal producer and distributor of lithium carbonate and lithium hydroxide; (ii) encourage demand growth, (iii) selectively pursue opportunities in the lithium derivatives business by creating new lithium compounds; and (iv) reduce our production costs through improved processes and higher productivity in order to compete more effectively.

Potassium

Our strategy in our potassium business is to significantly increase our production capacity of potassium chloride and potassium sulfate. Our distribution strategy is to (i) offer a portfolio of potassium products, including potassium sulfate, potassium chloride and other fertilizers to our traditional markets; (ii) create flexibility to offer crystalized (standard) or granular (compacted) form products according to market requirements; and (iii) focus on markets where we have logistical advantages.

Industrial chemicals

Our strategy in our industrial chemical business is to (i) maintain our leadership position in the industrial nitrates market, (ii) encourage demand growth in different applications, (iii) become a long-term, reliable supplier for the thermal storage industry; and (iv) reduce our production costs through improved processes and higher productivity in order to compete more effectively.

New business ventures

From time to time we evaluate opportunities to expand in our current core businesses or within new businesses in which we believe we may have sustainable competitive advantages, both within and outside Chile, and we expect to continue to do so in the future. We are currently exploring concessions for certain metallic minerals. If such minerals are found, we may decide to exploit, sell or enter into a joint venture to extract these resources. We may decide to acquire part or all of the equity of, or undertake joint ventures or other transactions with, other companies involved in our businesses or in other businesses. We are also exploring the possibility of acquiring controlling interests in companies that have mining properties in our core business areas, and that are in early stages of development. Consistent with our business strategy, we will continue to evaluate acquisitions, joint ventures and alliances in our core businesses and, depending on all facts and circumstances, may seek to acquire controlling stakes or other interests in companies with mining properties outside of Chile and Latin America, including in other emerging markets.

In addition we are actively conducting exploration operations in various properties we own for copper, gold and other metals deposits and we have already identified several areas in which we are conducting more targeted exploration. Fiel Rosita, a copper-gold deposit located close to the city of Vallenar, is our most advanced prospect. It is located in the same district as other deposits currently being exploited by other companies. We are completing a preliminary economic assessment, expected in 2013, based on which we will decide whether to conduct a pre-feasibility study or to sell part or all of the deposit. We may decide not to move forward with any potential metallic prospects discovered from our exploration operations.

In parallel to our exploration operations, we have entered into memoranda of understanding, option agreements and similar arrangements with third-party mining companies relating to metallic minerals. In all these agreements, we retain the rights on non-metallic minerals such as nitrate, iodine, potassium, lithium and their respective derivatives.

Capital expenditure program

We regularly review different opportunities to improve our production methods, reduce costs, increase production capacity of existing products and develop new products and markets. Additionally, significant capital expenditures are required every year in order to sustain our production capacity. We are focused on developing new products in response to identified customer demand, as well as new products that can be derived as part of our existing production or other products that could fit our long-term development strategy. Our capital expenditures during the past five years were mainly related to the acquisition of new assets, construction of new facilities and renewal of plant and equipment.

Our capital expenditures include investments aimed at sustaining, improving or increasing production levels, including acquisitions and investments in related companies.

Our capital expenditures for the years ended December 31, 2012, 2011 and 2010 were as follows:

(in millions of U.S. dollars)	2012	2011	2010
Capital Expenditures	446.0	501.1	336.0

During 2010, we had total capital expenditures of US$336.0 million, primarily relating to:

- continued investment in a new potassium nitrate production facility in Coya Sur;

- investments related to increasing production capacity of potassium-based products at the Salar de Atacama;

- upgrades of our railroad system to handle expanded production capacity; and

- various projects designed to maintain production capacity, increase yields and reduce costs.

During 2011, had total capital expenditures of US$501.1 million, primarily relating to:

- increased production capacity of potassium-based products at the Salar de Atacama, with the continued construction and completion of potassium chloride and granulated potassium chloride facilities at the Salar de Atacama;

- increased capacity and efficiencies at nitrate and iodine facilities;

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· optimization of our rail system; and

· various projects designed to maintain production capacity, increase yields and reduce costs.

During 2012, we had total capital expenditures of US$446.0 million, primarily relating to:

· projects designed to increase capacity and efficiencies at nitrate and iodine facilities in the Tarapacá region;

· continued investments related to increasing production capacity of potassium-based products at the Salar de Atacama, including several projects related to production of finished products; and

· various projects designed to maintain production capacity, increase yields and reduce costs.

We have developed a capital expenditure program for 2013 calling for investments totaling approximately US$500.0 million, excluding possible mergers, acquisitions or similar arrangements. Among other things, the program will focus on:

· investments related to increasing production of potassium-based products at the Salar de Atacama;

· continued investments related to increased production capacity and efficiencies at our nitrate and iodine facilities;

· optimization of our muriate of potassium facility at the Salar de Atacama; and

· various projects designed to maintain production capacity, increased yields and reduce costs.

Our products

Specialty plant nutrition

We believe we are the world's largest producer of potassium nitrate. We estimate that our sales accounted for approximately 46% of global potassium nitrate sales by volume in 2012. This estimate does not include potassium

nitrate we produced and sold locally in China, only net imports. During 2012, the potassium nitrate market was stable compared to 2011, despite increases in price. Global sales totaled approximately 0.9 million metric tons in 2012. We also produce the following specialty plant nutrients: sodium nitrate, sodium potassium nitrate and specialty blends (containing various combinations of nitrogen, phosphate and potassium and generally known as “NPK blends”).

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

In particular, our specialty plant nutrients:

- are fully water soluble, allowing their use in hydroponics, fertigation, foliar applications and other advanced agricultural techniques;
- improve the water use efficiency of crops and help conserve water;
- are chlorine-free, which prevents chlorine toxicity in certain crops associated with high levels of chlorine in plant nutrients;
- provide nitrogen in nitric form, thereby allowing crops to absorb nutrients faster than they absorb urea or ammonium-based fertilizers;
- do not release hydrogen after application, thereby avoiding increased soil acidity;
- possess trace elements, which promote disease resistance in plants; and
- are more attractive to customers who prefer products of natural origin.

In 2012, our specialty plant nutrients sales were US$675.3 million, representing 28% of our total sales for that year and a 6.4% decrease from US$721.7 million specialty plant nutrients sales in 2011. This increase was a result of higher demand for premium vegetables and fruits, caused by improved economic conditions, which has reinforced the consumption of specialty fertilizers.

Market

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

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

Worldwide scarcity of water and arable land drives the development of new agricultural techniques to maximize the use of these resources. Irrigation has grown at an average annual rate of 1.5% during last 20 years (a pace equal with population growth). However, micro-irrigation has grown at 10% per year over the same period. Microirrigation systems, which include drip-irrigation and micro-sprinklers, are the most efficient forms of technical irrigation. Global microirrigation acreage is estimated at 10 million hectares, which represents approximately 3% of total worldwide irrigated area. These applications require fully water-soluble plant nutrients. Our nitrate-based specialty plant nutrients provide nitrogen in nitric form, which helps crops absorb these nutrients faster than they absorb urea- or ammonium-based fertilizers, facilitating a more efficient application of nutrients to the plant and thereby increasing the crop’s yield and improving its quality.

Our Products

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

The following table shows our sales volumes and revenues from specialty plant nutrients for 2012, 2011, 2010 and 2009.

Sales Volume (in Th. MT)	2012	2011	2010	2009
Potassium nitrate and sodium potassium nitrate.	469.3	551.1	534.7	392.1
Blended and other specialty plant nutrients[(1)]	286.5	276.0	263.9	256.9
Sodium nitrate	24.4	22.2	16.8	16.5
Revenues (in millions of U.S. dollars)	675.3	721.7	603.7	527.0

(1) Includes blended and other specialty plant nutrients. It also includes Yara's products sold pursuant to our commercial agreement.

Marketing and customers

In 2012, we sold our specialty plant nutrients in close to 90 countries. During the same year, sales of our specialty plant nutrients were exported to the following regions: 18% to customers in Central and South America (not including Chile), 19% to customers in Chile, 27% to customers in North America, 18% to customers in Europe and 18% to customers in other regions. No single customer represented more than 10% of our specialty plant nutrient sales during 2012, and we estimate that our 10 largest customers accounted in the aggregate for approximately 29% of sales during that period.

The following table shows the geographical break down of our sales for 2012, 2011, 2010 and 2009:

Sales volume breakdown	2012	2011	2010	2009
Central and South America	18 %	14 %	14 %	22 %
North America	27 %	24 %	25 %	26 %
Europe	18 %	26 %	22 %	22 %
Chile	19 %	17 %	16 %	10 %

Others	18 %	19 %	23 %	20 %

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

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

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

Our customers are located in both the northern and southern hemispheres. Consequently, we believe there are no seasonal or cyclical factors that can materially affect the sales of our specialty plant nutrient products.

Joint ventures and agreements

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

In November 2001, we signed an agreement with Yara. This agreement allows us to make use of Yara's distribution network in countries where its presence and commercial infrastructure are larger than ours. Similarly, in those markets where our presence is larger, both our specialty plant nutrients and Yara's are marketed through our offices. Both parties, however, maintain an active control over the marketing of their own products.

In 2005, SQM acquired 100% of the shares of Kefco, which has a urea phosphate plant located in Dubai. Urea phosphate is a specialty plant nutrient that is used primarily in drip irrigation systems. The plant has an annual production capacity of 30,000 metric tons.

In 2005, SQM and Yara formed a joint venture called MISR Specialty Fertilizers, for the production of tailor-made liquid NPK (nitrogen-phosphate-potassium) fertilizers. The plant is located in Egypt and has a production capacity of 80,000 metric tons per year. We sold our stake in this joint venture in 2012.

In May 2008, we signed a commitment letter for a joint venture with Migao for the production and distribution of specialty plant nutrients in China. In 2009, we signed a shareholders agreement in connection with this joint venture. Through the joint venture, we constructed a potassium nitrate plant with a production capacity of 40,000 metric tons per year. The plant began operating in January 2011. This joint venture will enable us to increase our presence in China, which represents one of the most important and fastest-growing markets for the fertilizer industry.

In May 2009, our subsidiary Soquimich European Holdings entered into an agreement with Coromandel Fertilizers Ltd. to create a joint venture for the production and distribution of water soluble fertilizers in India. The agreement established a 50⁄50 contribution to the joint venture. As part of the agreement, a new 15,000 metric ton facility was constructed in the city of Kakinada to produce water soluble fertilizers (NPK grades). This new facility required a total investment of approximately US$2.6 million and began operating in January 2012.

In October 2009, SQM S.A. signed an agreement with Qingdao Star Plant Protection Technology Co., Ltd., resulting in the creation of the joint venture SQM Star, for the production, distribution and sale of soluble NPK specialty plant nutrients in China. The agreement, a 50/50 joint venture, entailed a total investment of US$2 million for the construction of a new production plant. The plant, located in the city of Jimo, province of Shangdong, is currently operational and has an annual production capacity of 15,000 metric tons.

In December 2009, we signed an agreement with the French Roullier Group to form the joint venture SQM Vitas. This agreement joins two of the largest companies in the businesses of specialty plant nutrients, specialty animal nutrition and professional hygiene. Peru, Brazil and Dubai are the main focus markets of this joint venture. As part of the agreement, our phosphate plant located in Dubai became part of this joint venture. In September 2010, SQM Vitas implemented a new phosphate line that will allow the production of two of the main water soluble phosphorus products in the world: mono ammonium phosphate and urea phosphate.

In the second half of 2011, we effected a corporate reorganization whereby our subsidiary Soquimich European Holding B.V. acquired a 66.6% ownership in Fertilizantes Naturales S.A. (later renamed SQM Iberian S.A.) from Nutrisi Holding N.V. Soquimich European Holding B.V. owned a non-controlling 50% stake in Nutrisi Holding N.V. which was sold following this acquisition. The effect of these transactions has been that we indirectly control SQM Iberian S.A. through Soquimich European Holding B.V. SQM Iberian S.A. sells and distributes fertilizers, primarily in Spain.

In 2012, SQM Vitas started the construction of new plants in Brazil (Candeias), Peru and South Africa (Durban) for the production of water soluble fertilizers containing different relative amounts of nitrogen, phosphorus and potassium, and at times, smaller amounts of other chemicals. The Brazilian plant (Candeias Industrial Complex) began operating in March 2012. It has a production capacity of 25,000 million tons per year, and represented a total investment of US$10 million.

Between 2010 and 2012, we continued to expand our production capacity of potassium products in our operations in the Salar de Atacama. In 2011, we completed the construction of a new potassium nitrate facility in Coya Sur, increasing our overall production capacity of potassium nitrate by 300,000 metric tons. In addition, as mentioned above, we entered into a joint venture with Migao in 2008 for the construction of a potassium nitrate plant with a production capacity of 40,000 metric tons per year that began operating in January 2011.

Fertilizer sales in Chile

We market specialty plant nutrients in Chile through Soquimich Comercial S.A., either as a standalone product or in blends with other imported products, in particular triple super phosphate (TSP) and diammonium phosphate (DAP).

Soquimich Comercial S.A. sells imported fertilizers to farmers in Chile principally for use in the production of sugar beets, cereals, industrial crops, potatoes, grapes and other fruits. Most of the fertilizers that Soquimich Comercial S.A. imports are purchased on a spot basis from different countries in the world, including China, Mexico and Venezuela.

All contracts and agreements between Soquimich Comercial S.A. and its suppliers of imported fertilizers generally contain standard and customary commercial terms and conditions. During the preceding 10 years, Soquimich Comercial S.A. has experienced no material difficulties in obtaining adequate supplies of such fertilizers at satisfactory prices.

Soquimich Comercial S.A.'s sales of fertilizers represented approximately 30% of total fertilizer sales in Chile during 2012. No single customer represented more than 8% of Soquimich Comercial S.A.'s total fertilizer sales revenues, and its 10 largest customers in total represented less than 43% of its revenues. Revenues generated by Soquimich Comercial S.A. represented 10.6% of our 2012 consolidated revenues. Soquimich Comercial S.A.'s consolidated revenues were approximately US$256 million and US$227 million in 2012 and 2011, respectively.

Competition

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

In the potassium nitrate market our largest competitor is Haifa Chemicals Ltd. ("Haifa"), in Israel, which is a subsidiary of Trans Resources International Inc. We estimate that sales of potassium nitrate by Haifa accounted for approximately 34% of total world sales during 2012 (excluding sales by Chinese producers to the domestic Chinese market), compared to our share of the market which accounted for approximately 46% of global potassium nitrate sales by volume for the period.

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

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

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

Iodine and its derivatives

We believe we are the world’s largest producer of iodine. In 2012, our revenues from iodine and iodine derivatives amounted to US$578.1 million, representing 24% of our total revenues in that year. We estimate that our sales accounted for approximately 34% of world iodine sales by volume in 2012.

Market

Iodine and iodine derivatives are used in a wide range of medical, agricultural and industrial applications as well as in human and animal nutrition products. Iodine and iodine derivatives are used as raw materials or catalysts in the formulation of products such as X-ray contrast media, biocides, antiseptics and disinfectants, pharmaceutical intermediates, polarizing films for LCDs, chemicals, herbicides, organic compounds and pigments. Iodine is also added in the form of potassium iodate or potassium iodide to edible salt to prevent iodine deficiency disorders. Iodine is also added in the form of potassium iodate or potassium iodide to edible salt to prevent iodine deficiency disorders. We have seen consistent growth in the iodine market in recent years, with demand being led by uses related to X-ray contrast media and pharmaceuticals. We estimate that the global market size in 2012 was just under 31,000 metric tons, with almost 60% of supply coming from Chilean producers, including us. Increased supply entered the market in 2012 and we expect to see additional new supply in 2013.

Our products

We produce iodine, and through a joint venture with Ajay North America L.L.C., (“Ajay”), a U.S.-based Company, we produce organic and inorganic iodine derivatives. Ajay-SQM Group (“ASG”), established in the mid-1990s, has production plants in the United States, Chile and France. ASG is the world’s leading inorganic and organic iodine derivatives producer.

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

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

The following table sets forth our total sales and revenues from iodine and iodine derivatives for 2012, 2011, 2010 and 2009:

Sales Volume (in Th. MT)	2012	2011	2010	2009
Iodine and its derivatives	11.0	12.2	11.9	7.2
Revenues (in millions of U.S. dollars)	578.1	454.5	316.3	190.9

Our sales revenues increased from US$454.5 million in 2011 to US$578.1 million in 2012. This increase was primarily attributable to increases in sales volumes and increases in price as a consequence of strong demand growth among most users.

Marketing and customers

In 2012, we sold our iodine products to approximately 300 customers in 60 countries and most of our sales were exports: 31% was sold to customers in Europe, the Middle East and Africa, 36% to customers in North America, 3% to customers in Central and South America and 30% to customers in Asia and other regions. No single customer accounted for more than 8% of our iodine sales in 2012, and we estimate that our 10 largest customers accounted in the aggregate for approximately 47% of sales.

The following table sets forth the geographical breakdown of our sales for 2012, 2011, 2010 and 2009.

Sales breakdown	2012	2011	2010	2009
Europe, Middle East and Africa	31 %	36 %	35 %	31 %
North America	36 %	32 %	33 %	36 %
Central and South America	3 %	3 %	5 %	3 %
Asia and Others	30 %	29 %	27 %	30 %

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

Competition

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

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

Six Chilean companies (SQM; Sirocco Mining Inc., a Canadian company previously known as Atacama Minerals; Atacama Chemical S.A. (Cosayach), controlled by the Chilean holding Inverraz S.A.; ACF Minera S.A. also owned by a Chilean family; Algorta Norte S.A., a joint venture between ACF Minera and Toyota Tsusho; and SCM Bullmine) accounted for approximately 58% of global iodine sales in 2012 (34% by SQM and 24% by the other five Chilean producers).

We estimate that eight Japanese iodine producers accounted for approximately 31% of global iodine sales in 2012, including recycled iodine.

We estimate that iodine producers in the United States (one of which is owned by Ise Chemicals Ltd., a Japanese company) accounted for 4% of world iodine sales in 2012.

Iodine recycling is an increasing trend worldwide. Several Japanese producers have recycling facilities where they recover iodine and iodine derivatives from iodine waste streams. Iodine recycling, mainly related to LCD consumption, has increased over the past few years and currently represents approximately 17% of world iodine sales. It is estimated that approximately 70% to 75% of the world recycling was done by Japanese iodine producers.

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

We estimate that worldwide sales of iodine were slightly less than 31.0 thousand metric tons in 2012.

The prices of iodine and iodine derivative products are determined by market conditions. World iodine prices vary depending upon, among other things, the relationship between supply and demand at any given time. The supply of iodine varies principally depending upon the production of the few major iodine producers, including us, and their respective business strategies. As a result of steadily growing demand, and despite new supply from other Chilean producers, our average iodine sales prices increased to more than US$50 per kilogram in 2012.

Demand for iodine varies depending upon overall levels of economic activity and the level of demand in the medical, pharmaceutical, industrial and other sectors that are the main users of iodine and iodine-derivative products.

The main factors of competition in the sale of iodine and iodine derivative products are reliability, price, quality, customer service and the price and availability of substitutes. We believe we have competitive advantages compared to other producers due to the size and quality of our mining reserves and the available production capacity. We believe our iodine is competitive with that produced by other manufacturers in certain advanced industrial processes. We also believe we benefit competitively from the long-term relationships we have established with our largest customers. While there are substitutes for iodine available for certain applications, such as antiseptics and disinfectants, there are limited cost-effective substitutes currently available for the main nutritional, pharmaceutical, animal feed, and main chemical uses of iodine, which together account for most iodine sales.

Lithium and its derivatives

We believe we are one of the principal producers of lithium carbonate and one of the world’s largest producers of lithium hydroxide. In 2012, our revenues from lithium sales amounted to US$222.2 million, representing 9% of our total revenues. We estimate that our sales accounted for approximately 35% of the sale of global lithium chemicals sales in volume.

Market

Lithium carbonate is used in a variety of applications, including electrochemical materials for batteries, ceramic and enamel frits, heat resistant glass (ceramic glass), primary aluminum smelting process, air conditioning chemicals, continuous casting powder for steel extrusion, synthesis of pharmaceuticals and lithium derivatives.

Lithium hydroxide is primarily used as a raw material in the lubricating grease industry, as well as in the dyes and the battery industries.

Our products

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

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

The following table sets forth our total sales and revenues from lithium carbonate and its derivatives for 2012, 2011, 2010 and 2009:

Sales Volume (in Th. MT)	2012	2011	2010	2009
Lithium and its derivatives	45.7	40.7	32.4	21.3
Revenues (in millions of U.S. dollars)	222.2	183.4	150.8	117.8

Our revenues in 2012 were US$222.2 million, a 21% increase from US$183.4 million in 2011, due to significantly higher sales volumes resulting from an increase in demand in 2012, mainly driven by an increase in demand for rechargeable batteries and by uses related to construction, such as grease and glass. Other producers experienced some supply constraints during part of the year, allowing us to strengthen our position as a leader in lithium carbonate supply.

Marketing and customers

In 2012, we sold our lithium products to over 300 customers in approximately 50 countries. Virtually all of our lithium products were sold overseas: 24% to customers in Europe, the Middle East and Africa, 10% to customers in North America, 64% to customers in Asia and Oceania and 2% to customers in other regions. No single customer accounted for more than 13% of our lithium sales in 2012, and we estimate that our 10 largest customers accounted in aggregate for approximately 50% of sales.

The following table sets forth the geographical breakdown of our sales for 2012, 2011, 2010 and 2009.

Sales breakdown	2012		2011		2010		2009	
Europe, Middle East and Africa	24	%	28	%	34	%	31	%
North America	10	%	10	%	12	%	14	%
Asia and Oceania	64	%	61	%	53	%	53	%
Central and South America	2	%	1	%	1	%	2	%

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

Competition

Our main competitors in the lithium carbonate and lithium hydroxide businesses are Rockwood Lithium ("Rockwood"), a subsidiary of Rockwood Specialties Group Inc., and FMC Corporation ("FMC"). In addition, a number of Chinese producers also contributed to the lithium chemical world market in 2012. Rockwood produces lithium carbonate at its operations in Chile, through Sociedad Chilena del Litio Limitada, and in Nevada, United States. Its production of downstream lithium products is mostly performed in the United States, Germany and Taiwan. FMC has production facilities in Argentina through Minera del Altiplano S.A., where it produces lithium chloride and lithium carbonate. Production of its downstream lithium products is mostly performed in the United States and the United Kingdom.

We believe that lithium production will increase in the near future. A number of new projects to develop lithium deposits have been announced recently, some of which could materialize in the short- to medium-term.

We estimate that worldwide sales of lithium chemicals, expressed as lithium carbonate equivalent (excluding direct use for lithium minerals), amounted to approximately 125,000 metric tons in 2012.

Potassium

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

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

In 2012, our potassium chloride and potassium sulfate revenues amounted to US$605.1 million, representing 25% of our total revenues and a 8.9% increase compared to 2011. We are currently making investments within our potassium products that will enable us to increase our production and sales of these products.

Potassium is one of the three macronutrients that a plant needs to develop. Although potassium does not form part of a plant's structure, it is essential to the development of its basic functions. Potassium chloride is the most commonly used potassium-based fertilizer, and it is used to fertilize crops that can resist high levels of chloride, such as wheat, corn and soybeans, among others.

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

- increased yield and quality;
- increased production of proteins;
- increased photosynthesis;
- intensified transport and storage of assimilates;
- prolonged and more intense assimilation period;

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- improved water efficiency;
- regulated opening and closure of stomata; and
- synthesis of lycopene.

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

Market

During the last decade, the potassium chloride market has experienced rapid growth due to several key factors such as a growing world population, higher demand for protein-based diets and less arable land. All of these factors have contributed to growing demand for fertilizers and, in particular, potassium chloride, as efforts are being made to maximize crop yields and use resources more efficiently. For the last 10 years, the compound annual growth for the global potassium chloride market was approximately 2%.

Demand in the potassium chloride market decreased in 2012. We estimate that demand reached the level of 50 million metric tons for potassium chloride during 2012, a reduction of approximately 10% as compared to 2011. Despite favorable economic conditions for relevant crops, the demand was mainly affected by economic uncertainty. We expect the potassium chloride market to return to levels closer to 55 million during 2013.

Average prices in the potassium market remained relatively stable compared to 2011. The market has seen major industry contracts close at significantly lower prices in the early months of 2012. We believe these price pressures will have an impact on our potassium revenues in the near term.

Our products

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

The following table shows our combined sales volumes and revenues from potassium chloride and potassium sulfate for 2012, 2011, 2010 and 2009:

Sales Volume (in Th. MT)	2012	2011	2010	2009
Potassium chloride and potassium sulfate	1,209.5	1,103.4	1,273.0	690.0
Revenues (in millions of U.S. dollars)	605.1	555.7	528.2	399.1

Marketing and Customers

In 2012, we sold potassium chloride and potassium sulfate in approximately 80 countries, with 5% of our sales to customers in Chile, 42% to customers in other countries in Central and South America, 11% to customers in Africa, 15% to customers in North America and 27% to customers in other regions. No single customer accounted for more than 23% of our sales of potassium chloride and potassium sulfate in 2012, and we estimate that our 10 largest customers accounted in the aggregate for approximately 61% of such sales.

The following table sets forth the geographical breakdown of our sales for 2012, 2011, 2010 and 2009.

Sales breakdown	2012		2011		2010		2009	
Chile	5	%	8	%	6	%	9	%
Central and South America	42	%	32	%	21	%	18	%
Africa	11	%	15	%	16	%	16	%
North America	15	%	11	%	10	%	13	%
Others	27	%	34	%	47	%	44	%

Competition

We estimate that we accounted for less than 3% of global sales of potassium chloride in 2012. Our main competitors are Uralkali Group, PCS, Belaruskali and Mosaic. We believe that in 2012 the principal producers in the market were Uralkali Group, which accounted for approximately 18% of global sales, PCS and Belaruskali, which each accounted for approximately 16% of global sales, and Mosaic, which accounted for approximately 15% of global sales.

In the potassium sulfate market, we have several competitors, of which the most important are K+S KALI GmbH (Germany), Tessenderlo Chemie (Belgium) and Great Salt Lake Minerals Corp. (United States). We believe that those three producers account for approximately 40% of the world production of potassium sulfate.

Industrial chemicals

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

In addition to producing industrial nitrates, we produce and commercialize other industrial chemicals such as boric acid, a by-product of the production of potassium sulfate, and industrial-grade potassium chloride, both of which are sold into industrial markets in crystalline form. In 2012, our revenues from industrial chemicals were US$245.2 million, representing approximately 10% of our total revenues for that year.

Market

Industrial sodium and potassium nitrates are used in a wide range of industrial applications, including the production of glass, ceramics, explosives, charcoal briquettes, metal treatments and various chemical processes. In addition, this product line enjoys long-term growth potential from industrial nitrates for thermal storage in solar energy projects. Solar salts for this specific application contain a blend of 60% sodium nitrate and 40% potassium nitrate by weight ratio.

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

Industrial potassium chloride is mainly used as an additive in oil and gas drilling fluids as well as in the production of carragenine.

Our products

The following table sets forth our sales volumes of industrial chemicals and total revenues for 2012, 2011, 2010 and 2009:

Sales Volume (in Th. MT)	2012	2011	2010	2009
Industrial nitrates	277.7	181.2	98.9	149.2
Boric Acid	1.8	2.4	2.6	3.4
Revenues (in millions of U.S. dollars)	245.2	139.5	149.7	115.4

Sales of industrial chemicals increased from US$139.5 million in 2011 to US$245.2 million in 2012 primarily as a result of an increase in sales volumes of solar salts products due to new alternative energy projects that utilize industrial grade sodium and potassium nitrate solar thermal energy.

Marketing and customers

We sold our industrial nitrate products in 50 countries in 2012, with 49% percent of our sales of industrial chemicals to customers in North America, 37% to customers in Europe, the Middle East and Africa, 7% to customers in Central and South America and 7% to customers in other regions. No single customer accounted for more than 33% of our sales of industrial chemicals in 2012, and we estimate that our 10 largest customers accounted in the aggregate for approximately 70% of such sales.

The following table sets forth the geographical breakdown of our sales for 2012, 2011, 2010 and 2009.

Sales breakdown	2012	2011	2010	2009

North America	49	%	26	%	18	%	30	%
Europe, Middle East and Africa	37	%	52	%	55	%	45	%
Central and South America	7	%	17	%	22	%	18	%
Others	7	%	5	%	5	%	7	%

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

Competition

We believe we are the world's largest producer of industrial sodium and potassium nitrate. In the case of industrial sodium nitrate, we estimate that our sales represented 60% of world demand in 2012 (excluding China and India internal demand, for which we believe reliable estimates are not available). Our competitors are mainly based in Europe and Asia, producing sodium nitrate as a by-product of other production processes. In refined grade sodium nitrate, BASF AG, a German corporation and several producers in China and Eastern Europe are highly competitive in the European and Asian markets. Our industrial sodium nitrate products also compete indirectly with substitute chemicals, including sodium carbonate, sodium hydroxide, sodium sulfate, calcium nitrate and ammonium nitrate, which may be used in certain applications instead of sodium nitrate and are available from a large number of producers worldwide.

Our main competitor in the industrial potassium nitrates business is Haifa; which we estimate had a 25% of the market share. We estimate that our market share was approximately 40% for 2012.

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

In the boric acid market, we are a relatively small producer mainly supplying regional needs.

Other products

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

Production process

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

- caliche ore deposits, which contain nitrates and iodine; and

- salar brines, which contain potassium, lithium, sulfate, boron and magnesium.

Caliche ore deposits

Caliche ore deposits are located in northern Chile. During 2012, we operated three mines in this region: Pedro de Valdivia, El Toco (mining site of Maria Elena production facilities) and Nueva Victoria. In March 2010, operations at El Toco and Pampa Blanca, two of our mines, were temporarily suspended in an effort to optimize inventory of these products due to decreased global demand for nitrates and iodine during the preceding 15 months. In November 2010, mining activities resumed in El Toco. Mining operations at Pampa Blanca have not resumed.

Caliche ore is found under a layer of barren overburden in seams with variable thickness from twenty centimeters to five meters, and with the overburden varying in thickness from half a meter to one and a half meters.

Before proper mining begins, a full exploration stage is carried out, including full geological reconnaissance, sampling and drilling caliche ore to determine the features of each deposit and its quality. Drill-hole samples are properly identified and tested at our chemical laboratories. With the exploration information on a closed grid pattern of drill holes, the ore evaluation stage provides information for mine planning purposes. Mine planning is done on a long-term basis (10 years), medium-term basis (three years) and short-term basis (one year). A mine production plan is a dynamic tool that details daily, weekly and monthly production plans. After drill holes are made, information is updated to offer the most accurate ore supply schedule to the processing plants.

The mining process generally begins with bulldozers first ripping and removing the overburden in the mining area. This process is followed by production drilling and blasting to break the caliche seams. Front-end loaders load the ore on off-road trucks. In the Pedro de Valdivia mine, trucks deliver the ore to stockpiles next to rail loading stations. The stockpiled ore is later loaded onto railcars that take the mineral to the processing facilities.

At the Pedro de Valdivia facility, the ore is crushed and leached to produce concentrated solutions carrying the nitrate and iodine. The crushing of the ore produces a coarse fraction that is leached in a vat system and a fine fraction that is leached by agitation. These are followed by liquid-solid separation, where solids precipitate as sediment and liquids containing nitrate and iodine are sent to be processed. Operations at the El Toco mining site of Maria Elena use a heap leaching production process. In Nueva Victoria and El Toco, the run of mine ore is loaded in heaps and leached to produce concentrated solutions.

Caliche ore-derived products

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

Sodium nitrate

During 2012, sodium nitrate for both agricultural and industrial applications was produced at the Pedro de Valdivia facility using the Guggenheim method, which was originally patented in 1921, and is based on a closed circuit method of leaching vats. This process uses heated brines to leach the crushed caliche in vats and selectively dissolve the contents. The concentrated solution is then cooled, producing sodium nitrate crystals, which can then be separated from the brine using basket centrifuges. After the crystallization process, the brine is pumped to the iodine facilities, where the iodide is separated in a solvent extraction plant. The brine is returned to the vat leaching process. The fine fraction of caliche’s crushing process is leached at ambient temperature with water, producing a weak solution that is pumped to the iodine facilities. After a solvent extraction process, the brine is pumped to solar evaporation ponds in Coya Sur, 15 km south of María Elena.

Our total current crystallized sodium nitrate production capacity at the Pedro de Valdivia facility is approximately 500,000 metric tons per year. Crystallized sodium nitrate is processed further at the Coya Sur and María Elena production plants to produce potassium nitrate in different qualities, sodium potassium nitrate and/or crystallized or prilled nitrates (potassium or sodium), which are transported to our port facilities in Tocopilla by railway for shipping to customer and distributors worldwide.

Potassium nitrate

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

Concentrated nitrate salts were produced at Pampa Blanca until March 2010, and are currently produced at Nueva Victoria by leaching caliche ore in heaps in order to extract solutions that are rich in iodine and nitrates. These solutions are then sent to plants where iodine is extracted through both solvent-extraction and blow out processes. The remaining solutions are subsequently sent to solar evaporation ponds where the solutions are evaporated and rich nitrate salts are produced. These concentrated nitrate salts are then sent to Coya Sur where they are used to produce potassium nitrate.

Our current potassium nitrate production capacity at Coya Sur is approximately 950,000 metric tons per year, including 500,000 metric tons per year of technical grade potassium nitrate. A new potassium nitrate plant began operations in 2011. During 2012, we produced approximately 246,000 tons of potassium nitrate at this plant. This new plant was designed to use raw material salts harvested in Nueva Victoria and potassium salts from the Salar de Atacama.

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

Sodium potassium nitrate

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

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

Iodine and iodine derivatives

We produce iodine at our Pedro de Valdivia, Maria Elena and Nueva Victoria facilities. During 2012, iodine was produced by extracting it from the solutions resulting from the heap leaching of caliche ore at María Elena and Nueva Victoria, including the Iris facility as part of the Nueva Victoria facility, and from the vat leaching of caliche ore at the Pedro de Valdivia facilities. Production of iodine at the Iris plant began in December 2011.

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

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

Prilled iodine is tested for quality control purposes, using international standard procedures that we have implemented, then packed in 20 to 50 kilogram drums or 350 to700 kilogram maxibags and transported by truck to Antofagasta or Iquique for export. Our iodine and iodine derivatives production facilities have qualified under the new ISO-9001:2008 program, providing third-party certification—by TÜV-Rheiland—of the quality management system. The last recertification process was approved in February 2011. Iodine from the Iris plant was certified under ISO-9001:2008 in April 2012.

Our total iodine production in 2012 was approximately 10,900 metric tons: approximately 6,000 metric tons from Nueva Victoria and Iris, 3,200 metric tons from Pedro de Valdivia, and 1,700 metric tons from María Elena. The Nueva Victoria facility is also used for recycling iodine from the potassium iodide contained in the LCD waste solutions imported mainly from Korea. Nueva Victoria is also equipped to toll iodine from iodide delivered from other SQM facilities. We have the flexibility to adjust our production according to market conditions. Our total current production capacity at our iodine production plants is approximately 12,500 metric tons per year.

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

In September 2010, the National Environmental Commission of Chile (*Comisión Nacional del Medioambiente* or "CONAMA") approved the environmental study of our Pampa Hermosa project in the Region of Tarapacá in Chile. This approval allowed us to increase the production capacity of our Nueva Victoria operations from 4,500 to 11,000 metric tons of iodine per year and to produce up to 1.2 million metric tons of nitrates, mine up to 33 million metric tons of caliche per year and use new water rights of up to 570.8 liters per second. During 2012, we made investments in order to increase the water capacity in the Nueva Victoria operations from two water sources approved by the

environmental study of Pampa Hermosa, expand the capacity of solar evaporation ponds and to implement new areas of mining and collection of solutions. Additional expansions may be done from time to time in the future, depending on market conditions.

During 2012, we submitted a request to the CONAMA requesting approval to expand our caliche ore extraction in the region of Antofagasta, which, if approved, is expected to increase production capacity by 10,000 tons of iodine and 1.3 million tons of nitrates per year. The project also requested permission to build a pipeline from the Pacific Ocean to the mining site. Currently, the request is being evaluated by the commission and other governmental agencies.

Salar de Atacama brine deposits

The Salar de Atacama, located approximately 250 kilometers east of Antofagasta, is a salt-encrusted depression in the Atacama desert, within which lies an underground deposit of brines contained in porous sodium chloride rock fed by an underground inflow from the Andes mountains. The brines are estimated to cover a surface of approximately 2,800 square kilometers and contain commercially exploitable deposits of potassium, lithium, sulfates and boron. Concentrations vary at different locations throughout the Salar de Atacama. Our production rights to the Salar de Atacama are pursuant to a lease agreement with Corfo, which expires in 2030. The lease agreement permits the CCHEN to establish a total accumulated extraction limit of 180,100 tons of lithium. More than halfway through the term of the lease agreement, we have extracted less than half of the total accumulated extraction limit of lithium.

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

We process these brines to produce potassium chloride, potassium sulfate, lithium carbonate, lithium hydroxide, lithium chloride, boric acid and bischofite (magnesium chloride).

Potassium chloride

We use potassium chloride in the production of potassium nitrate. Production of our own supplies of potassium chloride provides us with substantial raw material cost savings.

In order to produce potassium chloride, brines from the Salar de Atacama are pumped to solar evaporation ponds. Evaporation of the brines results in a complex crystallized mixture of salts of potassium, sodium and magnesium. Waste sodium chloride salts are removed by precipitation. After further evaporation, the sodium and potassium salts are harvested and sent for treatment at one of the potassium chloride plants where potassium chloride is separated by a grinding, flotation, and filtering process. Potassium salts also containing magnesium are harvested and sent for treatment at one of the cold leach plants where magnesium is removed. Potassium chloride is transferred for

approximately 300 kilometers to our Coya Sur facilities via a dedicated truck transport system, where it is used in the production of potassium nitrate. We sell potassium chloride produced at the Salar de Atacama in excess of our needs to third parties. All of our potassium-related plants in the Salar de Atacama currently have a production capacity in excess of up to 2.6 million metric tons per year. Actual production capacity will depend on volume, metallurgical recovery rates and quality of the mining resources pumped from the Salar de Atacama.

During 2012, we achieved a production capacity of compacted potassium chloride in excess of 1.2 million metric tons per year and we plan to carry out further expansions of production capacity of the compaction plant during 2013.

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

Lithium carbonate and lithium chloride

A portion of the brines remaining after the production of potassium chloride is sent to additional solar concentration ponds adjacent to the potassium chloride production facility. Following additional evaporation, the remaining concentrated solution of lithium chloride is transported by truck to a production facility located near Antofagasta, approximately 230 kilometers from the Salar de Atacama. At the production facility, the solution is purified and treated with sodium carbonate to produce lithium carbonate, which is dried and then, if necessary, compacted and finally packaged for shipment. A portion of this purified lithium chloride solution is packaged and shipped to customers. The production capacity of our lithium carbonate facility is approximately 48,000 metric tons per year. Future production will depend on the actual volumes and quality of the lithium solutions sent by the Salar de Atacama operations, as well as prevailing market conditions.

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

Lithium hydroxide

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

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

Potassium sulfate and boric acid

Approximately 12 kilometers northeast of the potassium chloride facilities at the Salar de Atacama, we use the brines from the Salar de Atacama to produce potassium sulfate, potassium chloride (as a by-product of potassium sulfate process) and boric acid. The plant is located in an area of the Salar de Atacama where high sulfate and potassium concentrations are found in the brines. Brines are pumped to pre-concentration solar evaporation ponds where waste sodium chloride salts are removed by precipitation. After further evaporation, the sulfate and potassium salts are harvested and sent for treatment at the potassium sulfate plant. Potassium sulfate is produced using flotation, concentration and reaction processes, after which it is crystallized, dried and packaged for shipment. Production capacity for the potassium sulfate plant is approximately 340,000 metric tons per year. This capacity is part of the total plant capacity of 2.6 million metric tons per year, in our dual plant complex where we may switch, to some extent, between potassium chloride and potassium sulfate production.

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

Raw materials

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

Other important raw materials are sodium carbonate (used for lithium carbonate production and for the neutralization of iodine solutions), sulfur, sulfuric acid, kerosene, anti-caking and anti-dust agents, ammonium nitrate (used for the preparation of explosives in the mining operations), woven bags for packaging our final products, electricity acquired from electric utilities, and liquefied natural gas and fuel oil in heat generation. Our raw material costs (excluding caliche ore and salar brines and including energy) represented approximately 20% of our cost of sales in 2012.

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

In May 2001, we entered into a 10-year gas supply contract with Distrinor S.A. (a subsidiary of E-CL) for a maximum of 3,850,000 million Btu per year. This gas supply was considered sufficient at the time to satisfy the requirements for the facilities that are connected to a natural gas supply. However, beginning in 2004, the Argentinean government imposed restrictions on the supply of natural gas to Chile and, in 2011, the supply came to a complete stop. In 2010, Chile began to import liquefied natural gas. In 2012, we received liquefied natural gas through this supply stream.

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

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

Chilean government regulations

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

We conduct our mining operations pursuant to exploration concessions and exploitation concessions granted pursuant to applicable Chilean law. Exploitation concessions essentially grant a perpetual right to conduct mining operations in the areas covered by the concessions, provided that annual concession fees are paid (with the exception of the Salar de Atacama rights, which have been leased to us until 2030). Exploration concessions permit us to explore for mineral resources on the land covered thereby for a specified period of time, and to subsequently request a corresponding exploitation concession.

Under Law No. 16,319 that created the CCHEN (*Ley 16.319 que crea la Comisión Chilena de Energía Nuclear*), we have an agreement with the CCHEN regarding the exploitation and sale of lithium from the Salar de Atacama. The agreement sets quotas for the tonnage of lithium authorized to be sold.

We also hold water rights obtained from the Chilean water regulatory authority for the supply of water from rivers or wells near our production facilities sufficient to meet our current and anticipated operating requirements. The Water Code is subject to changes, which could have a material adverse impact on our business, financial condition and results of operations. Law No. 20,017, published on June 16, 2005, modified the Chilean laws relating to water rights. Under certain conditions, these modifications allow the constitution of permanent water rights of up to two liters per second for each well built prior to June 30, 2004, in the locations where we conduct our mining operations. In constituting these new water rights, the law does not consider the availability of water, or how the new rights may affect holders of existing rights. Therefore, the amount of water we can effectively extract based on our existing rights could be reduced if these additional rights are exercised. These and other potential future changes to Chilean laws relating to water rights could have a material adverse impact on our business, financial condition and results of operations.

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

In 2005, the Chilean Congress approved the Royalty Law, which established a royalty tax to be applied to mining activities developed in Chile. In 2010, modifications were made to the law and taxes were increased. In 2012, new modifications to the tax laws were enacted to permanently set the corporate tax rate at 20%. The Chilean government may again decide to levy additional taxes on mining companies or other corporations in Chile, and such taxes could have a material adverse impact on our business, financial condition and results of operations.

In 2006, the Chilean Congress amended the Labor Code, and effective January 15, 2007, certain changes were made affecting companies that hire subcontractors to provide certain services. This new law, known as the Subcontracting Law (*Ley de Subcontratación*), further amends the Labor Accidents Law No. 16,744 to provide that, that when a serious accident in the workplace occurs, a company must halt work at the site where the accident took place until authorities from the SERNAGEOMIN, the Labor Board or the SNA, inspect the site and prescribe the measures such

company must take to prevent future risks. Work may not be resumed until such company has taken the prescribed measures, and the period of time before work may be resumed may last for a number of hours, days, or longer. The effects of this law could have a material adverse effect on our business, financial condition and results of operations.

On December 2, 2009, Law No. 20,393 went into effect, establishing a system of criminal liability for legal entities. The objective of the new regulation is to allow legal entities to be prosecuted for the crimes of (a) asset laundering, (b) financing terrorism and (c) bribery, where such crimes are committed by people who hold relevant positions within a legal entity in order to benefit that legal entity. The law establishes a prevention model that includes, among others, the designation of a person in charge of prevention and the establishment of special programs and policies. The implementation of this model can exempt a company from liability.

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

On January 26, 2010, the Chilean Congress amended the Environmental Law to create the Ministry of Environment, the Environmental Assessment Service and the environmental enforcement superintendence (*Superintendencia del Medioambiente* or "Environmental Enforcement Superintendence"). These changes introduced important amendments to environmental regulations by setting up new agencies and introducing new provisions and procedures applicable to projects whose operations bear an impact on the environment. The new Ministry designs and implements environmental policies relating to environmental conservation, sustainable growth and the protection of Chile's renewable energy resources. In addition, the Ministry is responsible for enacting emission and quality standard regulations, as well as recovery and decontamination plans. The Environmental Assessment Service pursues procedures of the Environmental Impact Assessment System, pursuant to which projects are environmentally approved or rejected. In procedures for obtaining an environmental license, any person, including legal entities and companies, will be allowed to file oppositions and comments. Summary procedures, such as Environmental Impact Statements, allow comments in support or opposition under certain circumstances. Technical reports from governmental agencies are considered to be final. The Environmental Enforcement Superintendence is an independent agency which oversees and coordinates with other governmental agencies in charge of supervision of suspended projects and projects requiring environmental approval. Likewise, it will receive, investigate and decide complaints concerning the infringement of environmental regulations and will sanction violators, deliver injunction orders and levy relevant fines. The Environmental Enforcement Superintendence had its powers suspended until the First Environmental Court was installed in Santiago on December 28, 2012.

There are currently no material legal or administrative proceedings pending against us except as discussed in note 16.1 to our audited financial statements included below and under "Safety, health and environmental regulations in Chile" and we believe that we are in compliance in all material respects with all applicable statutory and administrative

regulations with respect to our business.

Safety, health and environmental regulations in Chile

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

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

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

In November 2011, the Ministry of Mining enacted Law No. 20,551 that Regulates Mine Closure and its Facilities (*Ley que Regula el Cierre de Faenas e Instalaciones Mineras*). This new statute entered in force in November 2012. Its main requirements are related to disclosures to the SERNAGEOMIN regarding decommissioning plans for each mining site and its facilities, along with the estimated cost to implement such plans. There is a requirement to provide a form of financial assurance to the SERNAGEOMIN to secure compliance with the decommissioning plans. There are various types of financial assurance that satisfy the requirement. By November 2014, we have to inform the SERNAGEOMIN of the estimated costs for each of our decommissioning plans and the corresponding financial assurances we propose to provide, which are subject to approval by the SVS.

The Environmental Law was subjected to several important modifications that entered into effect in January 2010, including the creation of the Ministry of the Environment, the Environmental Assessment Service, and the Environmental Enforcement Superintendence. The Environmental Enforcement Superintendence began operations on December 28, 2012. The new and modified Environmental Law replaced the CONAMA with both the Ministry of the Environment, which is currently the governmental agency responsible for coordinating and supervising environmental issues and the Environmental Assessment Service. Under the new Environmental Law, we will continue to be required to conduct environmental impact studies or statements of any future projects or activities (or their significant modifications) that may affect the environment. With the above mentioned modifications to the Environmental Law, the Environmental Assessment Service, together with other public institutions with mandates related to the environment, evaluates environmental impact studies or statements submitted for its approval. The Environmental Enforcement Superintendence is responsible for auditing environmental performance during the construction, operation, and closure of the projects. The Environmental Law also promotes citizen participation in project evaluation and implementation, providing more opportunities during the environmental evaluation process.

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

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

We continuously monitor the impact of our operations on the environment and have made, from time to time, modifications to our facilities in an effort to eliminate any adverse impacts. Also, over time, new environmental standards and regulations have been enacted, which have required minor adjustments or modifications of our operations for full compliance. We anticipate that additional laws and regulations will be enacted over time with

respect to environmental matters. While we believe that we will continue to be in compliance with all applicable environmental regulations of which we are now aware, there can be no assurance that future legislative or regulatory developments will not impose new restrictions on our operations. We are committed to both complying with all applicable environmental regulations and applying an Environmental Management System to continuously improve our environmental performance.

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

Organizational structure

All of our principal operating subsidiaries are essentially wholly-owned, except for Soquimich Comercial S.A., which is approximately 61% owned by us and whose shares are listed and traded on the Santiago Stock Exchange, and Ajay SQM Chile S.A., which is 51% owned by us. The following is a summary of our main subsidiaries as of December 31, 2012. For a list of all our consolidated subsidiaries, see note 2.5 to our audited financial statements included elsewhere below.

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

Concessions, extraction yields and reserves for the caliche ore mines and salar brines

Concessions for the caliche ore mines and salar brines

As of December 31, 2012, approximately 93% of our total mining concessions were held pursuant to exploitation concessions and 7% pursuant to exploration concessions. Of the exploitation concessions, approximately 80% already have been granted pursuant to applicable Chilean law, and approximately 20% are in the process of being granted. Of the exploration concessions, approximately 54% already have been granted pursuant to applicable Chilean law, and approximately 46% are in the process of being granted.

We made payments to the Chilean government for our exploration and exploitation concessions of approximately US$9.6 million in 2012.

Additional mining operations leased in the Salar De Atacama region

As of December 31, 2012, SQM Salar S.A. held exclusive rights to exploit the mineral resources in an area covering approximately 140,000 hectares of land in the Salar de Atacama in northern Chile, of which SQM Salar S.A. is entitled to exploit the mineral resources existing in 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar S.A. pursuant to a lease agreement between Corfo and SQM Salar S.A. (the “Lease Agreement”). Corfo may not unilaterally amend the Lease Agreement, and the rights to exploit the resources cannot be transferred. The Lease Agreement provides that SQM Salar S.A. is responsible for the maintenance of Corfo’s exploitation rights and for annual payments to the Chilean government, and it expires on December 31, 2030. Furthermore, the same lease Agreement permits the CCHEN to establish a total accumulated extraction limit set at,180,100 tons of lithium per year. More than halfway through the term of the lease agreement, we have extracted less than half of the total accumulated extraction limit of lithium. SQM Salar S.A. is required to make lease-royalty payments to Corfo according to specified percentages of the value of production of minerals extracted from the Salar de Atacama brines. SQM Salar S.A. holds an additional 119,023 hectares of constituted exploitation rights in the Salar de Atacama.

In addition, as of December 31, 2012, we held constituted exploration rights covering approximately 52,400 hectares, and we had applied for additional exploration rights covering approximately 54,600 hectares. Exploration rights are valid for a period of two years, after which we can (i) request an exploitation concession for the land, (ii) request an extension of the exploration rights for an additional two years (the extension only applies to a reduced surface area equal to 50% of the initial area), or (iii) cease exploration of the zone covered by the rights. The weighted average age of the assets of our mining facilities at the Salar de Atacama is approximately 6.79 years. Solar energy is the primary source of power used by the Salar de Atacama operation.

Under the terms of the Salar de Atacama project agreement between Corfo and SQM Salar S.A., (the “Project Agreement”), Corfo has agreed that it will not permit any other person to explore, exploit or mine any mineral resources in approximately 147,000 hectares of the Salar de Atacama (which include the 140,000 hectares) mentioned above. The Project Agreement expires on December 31, 2030.

The following table sets forth our constituted exploitation and exploration concessions as of December 31, 2012:

	Exploitation concessions		Exploration concessions		Total	
Mines	Total number	Hectares	Total number	Hectares	Total number	Hectares
Pedro de Valdivia	576	147,302	—	—	576	147,302
EI Toco	611	180,964	5	1,500	616	182,464
Pampa Blanca	465	136,962	—	—	465	136,962
Nueva Victoria	303	78,654	1	1,200	304	79,854
Subtotal Caliche Ore Mines	1,955	543,882	6	2,700	1,961	546,582
Salar de Atacama	409	266,143	178	52,400	587	318,543
Subtotal Mines	2,364	810,025	184	55,100	2,548	865,125
Subtotal other Areas	7,609	1,690,433	224	70,800	7,833	1,761,233
Total	9,973	2,500,458	408	125,900	10,381	2,626,358

Extraction yields

The following table sets forth certain operating data relating to each of our mines for 2012, 2011, 2010 and 2009:

(in thousands, unless otherwise stated)	2012	2011	2010	2009
Pedro de Valdivia				
Metric tons of ore mined	12,027	12,151	11,773	11,631
Average grade nitrate (% by weight)	7.3	7.2	7.4	7.3
Iodine (parts per million (ppm))	406	417	403	363
Metric tons of crystallized nitrate produced	466	454	496	434
Metric tons of iodine produced	3.2	3.1	3.0	2.6
Maria Elena[(1)]				
Metric tons of ore mined	6,787	6,027	307	5,443
Average grade nitrate (% by weight)	6.2	5.9	5.8	6.8
Iodine (ppm)	454	466	443	375
Metric tons of crystallized nitrate produced	–	–	22	155
Metric tons of iodine produced	1.7	0.8	0.2	1.2
Coya Sur[(2)]				
Metric tons of crystallized nitrate produced	491	395	155	193
Pampa Blanca[(1)]				
Metric tons of ore mined	–	–	383	3,785
Iodine (ppm)	–	–	634	645

Metric tons of iodine produced	–	–	0.8	1.2
Nueva Victoria				
Metric tons of ore mined	23,937	18,418	14,252	17,326
Iodine (ppm)	465	457	456	463
Metric tons of iodine produced	6.0	5.2	4.8	5.1

(in thousands, unless otherwise stated)	2012	2011	2010	2009
Salar de Atacama [3]				
Metric tons of lithium carbonate produced	41	38	26	14
Metric tons of potassium chloride and potassium sulfate produced	1,977	1,448	1,409	1,075

(1) Operations at the El Toco and Pampa Blanca mines were temporarily suspended in March 2010. Mining activities resumed at El Toco in November 2010. Operations have not resumed at Pampa Blanca.

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

(3) Lithium carbonate is extracted at the Salar de Atacama and processed at our facilities at the Salar del Carmen.

Reserves for the caliche ore deposits

Our in-house staff of geologists and mining engineers prepares our estimates of caliche ore reserves. The proven and probable reserve figures presented below are estimates, and no assurance can be given that the indicated levels of recovery of nitrates and iodine will be realized.

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

According to our experience in caliche ore, the grid pattern drill-holes with spacing equal to or less than 100 meters produce data on the caliche resources that is sufficiently defined to consider them measured resources and then, adjusting for technical, economic and legal aspects, as proven reserves. These reserves are obtained using the Kriging Method and the application of operating parameters to obtain economically profitable reserves. Similarly, the information obtained from detailed geologic work and samples taken from grid pattern drill-holes with spacing equal to or less than 200 meters can be used to determine indicated resources. By adjusting such indicated resources to account for technical, economic and legal factors, it is possible to calculate probable reserves. Probable reserves are calculated by evaluating polygons and have an uncertainty or error margin greater than that of proven reserves. However, the degree of certainty of probable reserves is high enough to assume continuity between points of observation.

Probable reserves are the economically mineable part of a “mineral resource” and, in some circumstances, a “measured mineral resource.” An indicated mineral resource is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. The

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

The calculation of reserves includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

Proven and probable reserves are determined using extensive drilling, sampling and mine modeling, in order to estimate potential restrictions on production yields, including cut-off grades, ore type, dilution, waste-to-ore ratio and ore depth. Economic feasibility is determined on the basis of this information.

The estimates of proven reserves of caliche ore at each of our mines as of December 31, 2012 are as follows:

Mine	**Proven Reserves[1]** (millions of metric tons)	**Nitrate Average Grade** (percentage by weight)		**Iodine Average Grade** (parts per million)
Pedro de Valdivia	172.3	7.0	%	365
Maria Elena	135.3	7.1	%	414
Pampa Blanca	71.4	5.6	%	544
Nueva Victoria[3]	351.2	5.7	%	451

In addition, the estimates of our probable reserves of caliche ore at each of our principal mines as of December 31, 2012, are as follows:

Mine	**Probable Reserves[1][2]** (millions of metric tons)	**Nitrate Average Grade** (percentage by weight)		**Iodine Average Grade** (parts per million)
Pedro de Valdivia	78.5	6.9	%	488
Maria Elena	98.0	7.3	%	380
Pampa Blanca	447.8	5.8	%	538
Nueva Victoria	59.1	7.6	%	362

Note: Information set forth in the table above was validated in February 2013, by Mrs. Marta Aguilera, a geologist with over 20 years of experience in the field. She is currently employed by SQM as Manager of Non-metallic Geology. Mrs. Aguilera is a Competent Person (*Persona Competente*), as that term is defined under the Competent Person Law.

Notes on Reserves:

(1) The proven and probable reserves set forth in the tables above are shown before losses related to exploitation and mineral treatment. Proven and probable reserves are affected by mining exploitation methods, which result in differences between the estimated reserves that are available for exploitation in the mining plan and the recoverable material that is finally transferred to the leaching vats or heaps. The average mining exploitation factor for our

different mines ranges between 80% and 90%, whereas the average global metallurgical recoveries of processes for nitrate and iodine contained in the recovered material vary between 55% and 65%.

(2) Probable reserves can be expressed as proven reserves using a conversion factor. On average, this conversion factor is higher than 60%. This factor depends on geological conditions and caliche ore continuity, which vary from mine to mine. The difference between the probable reserve amounts and the converted probable reserve amounts is the result of the lower degree of certainty pertaining to probable reserves compared with proven reserves.

The proven and probable reserves shown above are the result of exploration and evaluation of approximately 19.3% of the total caliche-related mining property of SQM. However, we have explored those areas in which we believe there is a higher potential of finding high-grade caliche ore minerals. The remaining 80.7% of this area has not been explored yet or has had limited reconnaissance to determine hypothetical resources. Reserves shown in these tables are calculated based on mining properties that are not involved in any legal disputes between SQM and other parties.

We maintain an ongoing program of exploration and resource evaluation on the land surrounding the mines at Nueva Victoria, Pedro de Valdivia, María Elena and Pampa Blanca and at other sites for which we have the appropriate concessions. In 2012, we continued a basic reconnaissance program on new mining properties including a geological mapping of the surface and spaced drill-hole campaign covering approximately 17,000 hectares. Additionally, we conducted general explorations based on a closer grid pattern of drill-holes over a total area of approximately 9,365 hectares and, in addition, carried out in-depth sampling of approximately 3,563 hectares (771 hectares at Pedro de Valdivia, 206 hectares at Maria Elena and 2,586 hectares at Nueva Victoria). The exploration and development program in 2013 calls for a basic reconnaissance program over a total area of 4,378 hectares, general exploration over a total area of approximately 2,400 hectares and, in addition, in-depth sampling of approximately 1,957 hectares.

Reserves for the Salar de Atacama brines

Our in-house staff of hydro-geologists and mining engineers prepares our estimates of potassium, sulfate, lithium and boron reserves at the Salar de Atacama. We have exploration concessions of approximately 819.2 square kilometers where we have carried out geological exploration, brine sampling and geostastical analysis. We estimate that our proven and probable reserves as of December 31, 2012, based on economic restrictions, geological exploration, brine sampling and geostatistical analysis up to a depth of 100 meters of our total exploration concessions, and additionally, up to a depth of 500 meters over approximately 47% of the same total area, are as follows:

	Proven Reserves [(1)]	**Probable Reserves** [(1)]	**Total**
	(millions of metric tons)	(millions of metric tons)	(millions of metric tons)
Potassium (K+) [(2)]	54.0	18.6	72.6
Sulfate (SO4-2) [(3)]	39.7	2.3	42.0
Lithium (Li+) [(4)]	3.0	3.2	6.2
Boron (B3+) [(5)]	1.1	0.2	1.3

Note: Information set forth in the table above was validated in February 2013, by Mrs. Aguilera, a geologist with over 20 years of experience in the field. She is currently employed by SQM as Manager of Non-metallic Geology. Mrs. Aguilera is a Competent Person (*Persona Competente*), as that term is defined under the Competent Person Law.

Notes on Reserves:

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

(2) Recoveries for potassium vary from 47% to 77%.

(3) Recoveries for sulfate vary from 27% to 45%.

(4) Recoveries for lithium vary from 28% to 40%.

(5) Recoveries for boron vary from 28% to 32%.

The proven and probable reserves are based on drilling, brine sampling and geo-statistic reservoir modeling in order to estimate brine volumes and their composition. To evaluate reserves, we conduct a geostatistical study using the Kriging Method in 2D. We calculate the quality of brine effectively drainable or exploitable in each evaluation unit. We consider chemical parameters to determine the process to be applied to the brines. Based on the chemical characteristics, the volume of brine and drainable porosity, we determine the number of metric tons for each of the chemical ions. Proven reserves are defined as those geographical blocks that comply with a Kriging method estimation error of up to 15%. In the case of probable reserves, the selected blocks must comply with an estimation error between 15% and 35%. Blocks with an error greater than 35% are not considered in the evaluation of reserves. This procedure is used to estimate potential restrictions on production yields and the economic feasibility of producing such commercial products as potassium chloride, potassium sulfate, lithium carbonate and boric acid is determined on the basis of the evaluation.

Ports and water rights

We operate port facilities at Tocopilla in northern Chile for shipment of products and delivery of certain raw materials pursuant to renewable concessions granted by Chilean regulatory authorities, provided that such facilities are used as authorized and annual concession fees are paid by us. We also hold water rights for the supply of water from rivers and wells near our production facilities sufficient to meet our current operational requirements.

Transportation and storage facilities

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

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

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

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

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

Iodine raw material, obtained in the same mines as the nitrates, is processed, bagged and stored exclusively in the facilities of Pedro de Valdivia and Nueva Victoria, and then shipped by truck to Antofagasta, Mejillones or Iquique for vessel container transport or by truck to Santiago, where iodine derivatives are produced.

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

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

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

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

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

Research and development, patents and licenses

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

physical properties of finished products.

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

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

We have patented several production processes for nitrate, iodine, and lithium products. These patents have been filed mainly in the United States, Chile, and in other countries when necessary.

Employees

As of December 31, 2012, we had 5,643 permanent employees, 193 of whom were employed outside of Chile. The average tenure of our permanent employees is approximately 6.5 years.

	As of December 31,			
	2012	2011	2010	2009
Employees in Chile	5,450	4,720	4,073	4.161
Employees outside of Chile	193	182	254	226
Total employees	5,643	4,902	4.327	4.387

As of December 31, 2012, 67% of our permanent employees in Chile were represented by 24 labor unions, which represent their members in collective negotiations with us. Compensation for unionized personnel is established in accordance with the relevant collective bargaining agreements. The terms of most such agreements currently in effect are three years, and expiration dates of such agreements vary from contract to contract. Under these agreements, employees receive a salary according to a scale that depends upon job function, seniority and productivity. Unionized employees also receive certain benefits provided by law and certain benefits provided under the applicable collective bargaining agreement, which vary depending upon the terms of the collective agreement, such as housing allowances and additional death and disability benefits.

In addition, we own all of the equity of Institución de Salud Previsional Norte Grande Limitada (“Isapre Norte Grande”), which is a health care organization that provides medical services primarily to our employees and Sociedad Prestadora de Servicios de Salud Cruz de Norte S.A. (“Prestadora”), which is a hospital in María Elena. We make contributions to Isapre Norte Grande and to Prestadora in accordance with Chilean laws and the provisions of our various collective bargaining agreements, but we are not otherwise responsible for its liabilities.

Non-unionized employees receive individually negotiated salaries, benefits provided for by law and certain additional benefits which we provide.

We provide housing and other facilities and services for employees and their families at the María Elena site.

We do not maintain any pension or retirement programs for our Chilean employees. Most workers in Chile are subject to a national pension law, adopted in 1980, which establishes a system of independent pension plans that are administered by the corresponding Sociedad Administradora de Fondos de Pensiones. We have no liability for the performance of any of these pension plans or any pension payments to be made to our employees. We, however, sponsor staff severance indemnities plans for our employees and employees of our Chilean subsidiaries whereby we commit to provide a lump sum payment to each employee at the end of his/her employment, whether due to death, termination, resignation or retirement.

As in previous years, during 2012, we negotiated collective labor contracts with individual unions one year before their agreement ended. As of December 2012, we have concluded advanced negotiations with 22 labor unions, which represent 96% our total unionized workers, signing new agreements each for durations of three years.

Legal proceedings

We are party to various lawsuits arising in the ordinary course of business. For more information on these lawsuits, see note 16.1 to our audited financial statements included below. We believe it is unlikely that any losses associated with such lawsuits will significantly affect our result of operations, financial position, and cash flows

Index to Financial Statements

Audited Consolidated Financial Statements as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2012, 2011 and 2010

CH$ Chilean pesos
ThCh$ Thousands of Chilean pesos
US$ United States dollars
ThUS$ Thousands of United States dollars
UF The UF is an inflation-indexed, Chilean peso-denominated monetary unit. The UF rate is set daily in advance, based on the change in the Consumer Price Index of the previous month.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

Sociedad Química y Minera de Chile S.A.:

We have audited the accompanying consolidated statement of financial position of Sociedad Química y Minera de Chile S.A. and subsidiaries ("the Company") as of December 31, 2010 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sociedad Química y Minera de Chile S.A. and subsidiaries as of December 31, 2010, and the consolidated results of their operations and their cash flows for the year ended December 31, 2010, in conformity with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB")

ERNST & YOUNG LTDA.
Santiago, Chile, March 01, 2011

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$	As of December 31, 2010 ThUS$
Current assets				
Cash and cash equivalents	6.1	324,353	444,992	524,652
Current financial assets	9.1	316,103	169,261	76,178
Other non-financial assets	20	67,820	63,792	44,442
Trade and other accounts receivable	9.2	510,616	412,062	375,945
Trade receivables due from related parties	8.3	101,372	117,139	36,172
Inventories	7.0	896,236	744,402	605,101
Deferred tax assets	23.1	30,234	4,765	32,773
Total current assets		2,246,734	1,956,413	1,695,263
Non-current assets				
Non-current financial assets	9.1	29,492	30,488	92,674
Other non-current non-financial assets	20	17,682	24,651	24,157
Trade receivables, non-current	9.2	1,311	1,070	1,102
Investments accounted for using the equity method	10.1	70,298	60,694	62,271
Intangible assets other than goodwill	11	24,013	4,316	3,270
Goodwill	11	38,388	38,605	38,388
Property, plant and equipment	12	1,988,290	1,755,042	1,453,973
Investment property	12	-	-	1,373
Deferred tax assets	23.4	223	304	365
Total non-current assets		2,169,697	1,915,170	1,677,573
Total assets		4,416,431	3,871,583	3,372,836

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

Liabilities and Equity	Note	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$	As of December 31, 2010 ThUS$
Liabilities				
Current liabilities				
Current financial liabilities	9.4	152,843	161,008	187,555
Trade and other accounts payable	9.5	207,944	183,032	152,147
Trade accounts payable due to related parties	8.3	19	873	3,538
Other current provisions	15.1	18,489	16,937	15,014
Current tax liabilities	23.2	23,624	75,418	7,113
Current accruals for employee benefits	13.1	33,974	30,074	44,011
Other current non-financial liabilities	15.3	172,200	161,961	67,459
Total current liabilities		609,093	629,303	476,837
Non-current liabilities				
Non-current financial liabilities	9.4	1,446,194	1,237,027	1,090,188
Other non-current provisions	15.1	7,357	8,595	5,500
Deferred tax liabilities	23.4	125,445	98,594	100,781
Non-current accruals for employee benefits	13.1	40,896	33,684	28,710
Total non-current liabilities		1,619,892	1,377,900	1,225,179
Total liabilities		2,228,985	2,007,203	1,702,016
Equity	14			
Share capital		477,386	477,386	477,386
Retained earnings		1,676,169	1,351,560	1,155,131
Other reserves		(20,772)	(16,112)	(9,713)
Equity attributable to controlling interests		2,132,783	1,812,834	1,622,804
Non-controlling interest		54,663	51,546	48,016
Total equity		2,187,446	1,864,380	1,670,820
Total liabilities and equity		4,416,431	3,871,583	3,372,836

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

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

CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended December 31, 2012 ThUS$	2011 ThUS$	2010 ThUS$
Revenues	22.1	2,429,160	2,145,286	1,830,413
Cost of sales	22.2	(1,400,567)	(1,290,494)	(1,204,410)
Gross profit		1,028,593	854,792	626,003
Other income	22.3	12,702	47,681	6,545
Administrative expenses	22.4	(106,442)	(91,760)	(78,819)
Other expenses	22.5	(34,628)	(63,047)	(36,212)
Other gains (losses)	22.6	683	5,787	(6,979)
Income from operating activities		900,908	753,453	510,538
Finance income		29,068	23,210	12,930
Finance expenses		(54,095)	(39,335)	(35,042)
Equity income of associates and joint ventures accounted for using the equity method		24,357	21,808	10,681
Foreign currency exchange differences	18	(26,787)	(25,307)	(5,807)
Income before income tax expense		873,451	733,829	493,300
Income tax expense	23.4	(216,082)	(179,710)	(106,029)
Profit for the year		657,369	554,119	387,271
Profit attributable to				
Controlling interests		649,167	545,758	382,122
Non-controlling interests		8,202	8,361	5,149
Profit for the year		657,369	554,119	387,271

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

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

CONSOLIDATED STATEMENT OF INCOME (continued)

	Note	Year ended December 31, 2012 US$	2011 US$	2010 US$
Earnings per common share				
Basic earnings per share (US$ per share)	17	2.47	2.07	1.45
Diluted common shares				
Diluted earnings per share (US$ per share)	17	2.47	2.07	1.45

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2012	2011	2010
	ThUS$	ThUS$	ThUS$
Statement of comprehensive income			
Profit for the year	657,369	554,119	387,271
Components of other comprehensive income before taxes			
Gain (loss) from foreign currency translation differences	982	(2,890)	663
Cash flow hedges			
Loss from cash flow hedges	(7,872)	(1,241)	(1,474)
Actuarial gains (losses) from defined benefit plans	711	(918)	1,020
Other	-	(1,677)	-
Comprehensive income before income tax	(6,179)	(6,726)	209
Income taxes associated with other comprehensive income	1,580	218	251
Other comprehensive income (loss)	(4,599)	(6,508)	460
Total comprehensive income	652,770	547,611	387,731
Comprehensive income attributable to			
Controlling interests	644,507	539,359	382,215
Non-controlling interest	8,263	8,252	5,516
Total comprehensive income	652,770	547,611	387,731

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,		
	2012	2011	2010
	ThUS$	ThUS$	ThUS$
Cash flows from operating activities			
Profit for the period	657,369	554,119	387,271
Adjustment to reconcile profit for the period			
Adjustment for decreases (increases) in inventories	(167,826)	(147,238)	26,545
Adjustment for decreases (increases) in trade receivables	(52,993)	(135,401)	(18,266)
Adjustment for increases in other receivables from operating activities	(57,300)	(37,393)	(21,614)
Adjustment for increases in trade payables	(49,025)	(44,566)	(84,731)
Adjustment for increases in other payables from operating activities	(204,067)	(72,976)	(12,083)
Adjustment for depreciation and amortization	196,158	195,897	143,940
Adjustment for provisions	33,657	23,055	9,927
Adjustment for income tax expense	216,082	179,710	106,029
Adjustment for unrealized foreign currency translation loss	26,787	25,307	5,807
Adjustment for undistributed profit from associates	(24,357)	(21,808)	(10,681)
Other adjustments	67,044	50,689	91,259
Reconciling adjustments	(15,840)	15,276	236,132
Net cash flows provided by operating activities	641,529	569,395	623,403
Dividends received	15,126	4,299	1,774
Interest paid	(6,449)	(2,349)	(6,655)
Net cash flows provided by operating activities	650,206	571,345	618,522
Cash flows used in investing activities			
Cash flows from changes in ownership interest in subsidiaries and investments	961	5,736	-
Payments to acquire interest in joint ventures	(197)	(4,909)	(3,500)
Loans to related parties	(4,000)	-	-
Proceeds from the sale of property, plant and equipment	2,050	43,231	1,433
Acquisition of property, plant and equipment	(445,984)	(501,118)	(335,997)
Cash advances and loans granted to third parties	(623)	83	1,275
Net (purchases) sales of short term financial assets	(115,092)	(59,251)	99,980
Net cash used in investing activities	(562,885)	(516,228)	(236,809)

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	Year ended December 31, 2012 ThUS$	2011 ThUS$	2010 ThUS$
Cash flows used in financing activities				
Proceeds from the issuance of long-term loans		366,502	550,000	564,000
Repayment of loans		(220,000)	(370,000)	(632,540)
Dividends paid		(334,762)	(277,334)	(175,539)
Other cash outflows		(9,437)	(7,862)	(10,156)
Net cash used in financing activities		(197,697)	(105,196)	(254,235)
Net increase (decrease) in cash and cash equivalents before the effect of changes in exchange rates		(110,376)	(50,079)	127,478
Effects of exchange rate fluctuations on cash and costs equivalents		(10,263)	(29,581)	21,535
Net increase (decrease) in cash and cash equivalents		(120,639)	(79,660)	149,013
Cash and cash equivalents at beginning of period		444,992	524,652	375,639
Cash and cash equivalents at end of period	6	324,353	444,992	524,652

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

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other reserves	Subtotal other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interest	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Equity at January 1, 2012	477,386	(1,251)	(10,230)	(2,954)	(1,677)	(16,112)	1,351,560	1,812,834	51,546	1,864,380
Profit	-	-	-	-	-	-	649,167	649,167	8,202	657,369
Other comprehensive income (loss)	-	921	(6,292)	711	-	(4,660)	-	(4,660)	61	(4,599)
Comprehensive income (loss)	-	921	(6,292)	711	-	(4,660)	649,167	644,507	8,263	652,770
Dividends declared	-	-	-	-	-	-	(324,558)	(324,558)	(5,146)	(329,704)
Increase (decrease) in transfers and other changes	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in equity	-	921	(6,292)	711	-	(4,660)	324,609	319,949	3,117	323,066
Equity as of December 31, 2012	477,386	(330)	(16,522)	(2,243)	(1,677)	(20,772)	1,676,169	2,132,783	54,663	2,187,446

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

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other reserves	Subtotal other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interest	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Equity at January 1, 2011	477,386	1,530	(9,207)	(2,036)	-	(9,713)	1,155,131	1,622,804	48,016	1,670,820
Profit (loss)	-	-	-	-	-	-	545,758	545,758	8,361	554,119
Other comprehensive income (loss)	-	(2,781)	(1,023)	(918)	(1,677)	(6,399)	-	(6,399)	(109)	(6,508)
Comprehensive income (loss)	-	(2,781)	(1,023)	(918)	(1,677)	(6,399)	545,758	539,359	8,252	547,611
Dividends declared	-	-	-	-	-	-	(349,329)	(349,329)	(3,706)	(353,035)
Increase (decrease) from transfers and other changes	-	-	-	-	-	-	-	-	(1,016)	(1,016)
Increase (decrease) in equity	-	(2,781)	(1,023)	(918)	(1,677)	(6,399)	196,429	190,030	3,530	193,560
Equity as of December 31, 2011	477,386	(1,251)	(10,230)	(2,954)	(1,677)	(16,112)	1,351,560	1,812,834	51,546	1,864,380

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

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

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Subtotal Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interest	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Equity at January 1, 2010	477,386	1,234	(7,984)	(3,056)	(9,806)	951,173	1,418,753	45,697	1,464,450
Restated opening balance of equity	477,386	1,234	(7,984)	(3,056)	(9,806)	951,173	1,418,753	45,697	1,464,450
Profit (loss)	-	-	-	-	-	382,122	382,122	5,149	387,271
Other comprehensive income (loss)	-	296	(1,223)	1,020	93	-	93	367	460
Comprehensive income (loss)	-	296	(1,223)	1,020	93	382,122	382,215	5,516	387,731
Dividends declared	-	-	-	-	-	(178,164)	(178,164)	-	(178,164)
Increase (decrease) from transfers and other changes	-	-	-	-	-	-	-	(3,197)	(3,197)
Increase (decrease) in equity	-	296	(1,223)	1,020	93	203,958	204,051	2,319	206,370
Equity as of December 31, 2010	477,386	1,530	(9,207)	(2,036)	(9,713)	1,155,131	1,622,804	48,016	1,670,820

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

Notes to the consolidated financial statements as of December 31, 2012

Note 1 – Identification and Activities of the Company and Subsidiaries

1.1 Historical background

Sociedad Química y Minera de Chile S.A. (the “Company” or “SQM”) is an open stock corporation organized under the laws of the Republic of Chile, Tax Identification N° 93.007.000-9. The Company was constituted by public deed issued on June 17, 1968 by the Notary Public of Santiago, Mr. Sergio Rodríguez Garcés. Its existence was approved by Decree No. 1,164 on June 22, 1968 by the Ministry of Finance, and it was registered on June 29, 1968 in the Registry of Commerce of Santiago, on page 4,537 N° 1,992. SQM's headquarters are located at El Trovador 4285, Fl. 6, Las Condes, Santiago, Chile. The Company's telephone number is +56 2 425-2000.

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, Former Florencia office w/n - Sierra Gorda, Anibal Pinto 3228 - Antofagasta, Kilometer 1378 5 Norte Highway - Antofagasta, Coya Sur Plant w/n - Maria Elena, kilometer 1760 5 Norte Highway - Pozo Almonte, Pampa Yumbes w/n - Tal-tal.

1.3 Codes of main activities

The codes of the main activities as established by the SVS include codes:

- 1700 Mining
- 2200 Chemical products
- 1300 Investment

1.4 Description of the nature of operations and main activities

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

Notes to the consolidated financial statements as of December 31, 2012

Note 1 – Identification and Activities of the Company and Subsidiaries (continued)

1.4 Description of the nature of operations and main activities, continued

From the Company´s caliche ore deposits, the Company produces 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, it extracts brines rich in potassium, lithium, sulfate and boron in order to produce potassium chloride, potassium sulfate, lithium solutions, boric acid and bischofite (magnesium chloride). The Company produces lithium carbonate and lithium hydroxide at its plant near the city of Antofagasta, Chile, from solutions delivered from the Salar de Atacama. The Company markets all of these products through an established worldwide distribution network, in more than 110 countries worldwide and generates most of its revenue from foreign countries.

The Company´s products are divided into six categories, which are also classified as operating segments: specialty plant nutrition, iodine and derivatives, lithium and derivatives, industrial chemicals, potassium, and other products and services, each of which is described below.

Specialty plant nutrients: This segment is characterized by being closely related to its customers for which employs specialized staff who provide expert advice in best practices for fertilization according to each type of crop, soil and climate. Within this segment, potassium derivative products and specially potassium nitrate have a leading role in their contribution crop to development ensuring improvements in post-crop life, in addition to improving quality, flavor and fruit color. 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 and derivatives: The Company is the largest producer of iodine in the world, which is a product widely used in the pharmaceutical, technology and nutrition industries. Additionally, iodine is used as X-ray contrast media and polarizing film for LCD displays.

Lithium and derivatives: 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 adress challenges such as the efficient use of energy and raw materials. Lithium is not only used for rechargeable batteries and in new technologies for electric vehicles, but is also used in industrial applications to lower melting temperature and to help reduce energy costs.

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Notes to the consolidated financial statements as of December 31, 2012

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 products are used as supplies for a number of production processes. SQM has more than 30 years of experience participating in this segment producing sodium nitrate, potassium nitrate, boric acid and potassium chloride. Industrial nitrates have increased in importance over the last few years due to their use as storage means for thermal energy at solar energy plants, which are widely used in countries such as Spain and the United States in their search for decreasing CO_2 emissions.

Potassium: Potassium is a primary essential macro-nutrient, and even though it does not form part of the plant's structure, has a significant role for developing basic crop functions, improving quality, increasing post-crop life, improving flavor, its amount of vitamins and its physical appearance. This segment also includes potassium chlorate and potassium sulfate, both extracted from the salt layer located under the Salar de Atacama.

Other products and services: Includes revenues from commodities, provision of services, interest, royalties and dividends.

1.5 Other background

Employees

As of December 31, 2012, 2011 and 2010, the Company's permanent employees were 5,643, 4,902 and 4,327, respectively.

Notes to the consolidated financial statements as of December 31, 2012

Note 1 – Identification and Activities of the Company and Subsidiaries (continued)

1.5 Other background, continued

Main shareholders

The table below provides certain information about the beneficial ownership of shareholder with more than 5% of outstanding Series A and Series B shares of SQM as of December 31, 2012, 2011 and 2010. The information below is derived from the Company´s records and reports controlled by Central Securities Depository and reported to the SVS and the Chilean Santiago Stock Exchange.

Shareholders as of 12/31/2012	Number of Series A shares with ownership	% of Series A shares	Number of Series B shares with ownership	% of Series B shares B	Total % of shares
Inversiones El Boldo Limitada	44,751,196	31.33 %	17,571,676	14.60 %	23.68 %
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,558,830	31.20 %	9,003,799	7.48 %	20.35 %
The Bank of New York	-	-	46,559,106	38.68 %	17.69 %
Inversiones RAC Chile Limitada	19,200,242	13.44 %	2,699,773	2.24 %	8.32 %
Potasios de Chile S.A.(*)	17,919,147	12.55 %	-	-	6.81 %
Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16 %	-	-	3.34 %
Banco Itau on behalf of investors	-	-	4,579,293	3.80 %	1.74 %
Inversiones La Esperanza Limitada	3,693,977	2.59 %	-	-	1.40 %
Banco Santander on behalf of foreign investors	-	-	3,238,105	2.69 %	1.23 %
Banco de Chile for other non residents	-	-	3,082,612	2.56 %	1.17 %

(*) Total Pampa Group 30.50%

Shareholders as of 12/31/2011	Number of Series	% of Series	Number of Series B	% of Series B	Total % of

	A shares with ownership	A shares		shares with ownership	shares B		shares	
Inversiones El Boldo Limitada	44,751,196	31.33	%	17,571,676	14.60	%	23.68	%
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,758,830	31.34	%	12,241,799	10.17	%	21.66	%
The Bank of New York	-	-		42,036,912	34.92	%	15.97	%
Inversiones RAC Chile Limitada	19,200,242	13.44	%	2,699,773	2.24	%	8.32	%
Potasios de Chile S.A.(*)	18,179,147	12.73	%	156,780	0.13	%	6.97	%
Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16	%	-	-		3.34	%
Banchile Corredores de Bolsa S.A.	136,919	0.10	%	4,890,193	4.06	%	1.91	%
Corpbanca Corredores de Bolsa S.A.	11,189	0.01	%	4,264,250	3.54	%	1.62	%
Inversiones La Esperanza Limitada	3,693,977	2.59	%	-	-		1.40	%
Banco Itau on behalf of investors	-	-		3,693,080	3.07	%	1.40	%

(*) Total Pampa Group 31.97%

Notes to the consolidated financial statements as of December 31, 2012

Note 1 – Identification and Activities of the Company and Subsidiaries (continued)

1.5 Other background, continued

Main shareholders, continued

Shareholders as of 12/31/2010	Number of Series A shares with ownership	% of Series A shares	Number of Series B shares with ownership	% of Series B shares B	Total % of shares
Sociedad de Inversiones Pampa Calichera S.A.(*)	55,437,977	38,82 %	8,903,774	7.40 %	24.45 %
Inversiones El Boldo Limitada	44,746,513	31.33 %	17,576,359	14.60 %	23.68 %
The Bank of New York	-	-	45,345,530	37.67 %	17.23 %
Inversiones RAC Chile Limitada	19,200,242	13.44 %	2,699,773	2.24 %	8.32 %
Inversiones Global Mining (Chile) Limitada (*)	13,798,539	9,66 %	-	-	5.24 %
Banchile Corredores de Bolsa S.A.	131,914	0.09 %	5,178,641	4.30 %	2.02 %
Larrain Vial S.A. Corredora de Bolsa	2,549,382	1.79 %	2,369,576	1.97 %	1.87 %
Inversiones La Esperanza Limitada	3,693,977	2.59 %	-	—	1.40 %
AFP Provida S.A.			3,109,256	2.58 %	1.18 %
Banco Itau on behalf of investors	-	-	2,874,819	2.39 %	1.09 %

(*) Total Pampa Group 29.69%

Notes to the consolidated financial statements as of December 31, 2012

Note 2 - Bases of presentation for consolidated financial statements (continued)

2.1 Financial statements

The consolidated financial statements of Sociedad Química y Minera de Chile S.A. and subsidiaries, have been prepared in accordance with International Financial Reporting Standards (IFRS) and represent the full, explicit issued by the International Accounting Standards Board (IASB).

The accounting policies used in the preparation of these consolidated Financial Statements are described below and comply with each IFRS in force at their date of presentation.

2.2 Basis of measurement

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

- inventories are recorded at the lower of cost and net realizable value;
- other current and non-current financial liabilities are carried at amortized cost;
- financial derivatives are presented at fair value; and
- staff severance indemnities and pension commitments are recorded at actuarial value.

Notes to the consolidated financial statements as of December 31, 2012

Note 2 - Bases of presentation for consolidated financial statements (continued)

2.3 Accounting pronouncements

Accounting pronouncements

At the date of these consolidated financial statements, the following accounting pronouncements have been issued by the IASB for which term application date is not yet effective.

	Standards	Mandatory application for periods beginning:
IAS 19	Employee Benefits	January 1, 2013
IAS 27	Separate Financial Statements	January 1, 2013
IAS 28	Associates and Joint Ventures	January 1, 2013
IFRS 9	Financial Instruments	January 1, 2013
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

IAS 19 Revised "Employee Benefits"

Issued in June 2011, supersedes IAS 19 (1998). This revised standard amends the recognition and measurement of defined benefit plan expenses and termination benefits. Additionally, it includes amendments to disclosures of all employee benefits.

IAS 27 "Separate Financial Statements"

Issued in May 2011, supersedes IAS 27 (2008). The scope of this standard is restricted solely to separate financial statements, given that the aspects linked to the definition of control and consolidation were removed and included in IFRS 10. Its early adoption is allowed together with IFRS 10, IFRS 11 and IFRS 12 and the amendment to IAS 28.

IAS 28 "Associates and Joint Ventures"

Issued in May 2011, supersedes IAS 28 (2003). It includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. Its early adoption is allowed together with IFRS 10, IFRS 11 and IFRS 12 and the amendment to IAS 27.

IFRS 9 “Financial Instruments”

Issued in December 2009, amends the classification and measurement of financial assets.

Subsequently, this standard was amended in November 2010 to include the treatment and classification of financial liabilities. Early adoption is permitted.

IFRS 10 “Consolidated Financial Statements”

Issued in May 2011, supersedes SIC 12 “Consolidation – Special Purpose Entities” and portions of IAS 27 “Consolidated Financial Statements”. It establishes clarifications and new parameters for the definition of control, as well as the preparation of consolidated financial statements. Its early adoption is permitted together with IFRS 11, IFRS 12 and amendments to IAS 27 and IAS 28.

Notes to the consolidated financial statements as of December 31, 2012

Note 2 - Bases of presentation for consolidated financial statements (continued)

2.3 Accounting pronouncements, continued

IFRS 11 "Joint Arrangements"

Issued in May 2011, supersedes IAS 31 "Interests in Joint Ventures" and SIC 13 "Joint Controlled Entities". Its amendments include the elimination of the concept of jointly-controlled assets and the possibility of proportional consolidation of entities under common control. Its early adoption is permitted together with IFRS 10, IFRS 12 and amendments to IAS 27 and IAS 28.

IFRS 12 "Disclosure of Interests in Other Entities"

Issued in May 2011, is applicable for entities with investments in subsidiaries, joint ventures and associates. Its early adoption is permitted together with IFRS 10, IFRS 11 and amendments to IAS 27 and IAS 28.

IFRS 13 "Fair Value Measurement"

Issued in May 2011, gathers in one single standard the method for measuring fair value of assets and liabilities and disclosures required for this purpose and incorporates new concepts and clarifications for measurement.

		Mandatory
	Improvements and Amendments	**application for:**
IAS 1	Presentation of Financial Statements	July 1, 2012
IFRS 7	Financial Instruments: Information to be disclosed	January 1, 2013
IAS 32	Financial Instruments: Presentation	January 1, 2014
IAS 16	Property, Plant and Equipment	January 1, 2013
IAS 32	Financial Instruments: Presentation	January 1, 2013
IAS 34	Intermediate Financial Information	January 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Agreements	January 1, 2013
IFRS 12	Disclosures of participation in other entities	January 1, 2013

IAS 1 “Presentation of Financial Statements”

Issued in June 2011, the main amendment is that it requires that items in Other Comprehensive Income must be classified and grouped by assessing whether they will be reclassified to subsequent periods. Early adoption of the new classification requirements is permitted.

IFRS 7 “Financial Instruments: Information to be disclosed”

Issued in December 2011. Improves disclosures of compensation of financial assets and liabilities, in order to increase the convergence between IFRS and Generally Accepted Accounting Principles in the United States. These disclosures are centered on quantitative information related to financial instruments, which are included in the consolidated financial statements. Its early adoption is permitted.

IAS 32 “Financial Instruments: Presentation”

Issued in December 2011. Explains the requirements for the compensation of financial assets and liabilities. Specifically, it indicates that the right to compensation must be available as of the date of the financial statements and not dependent on a future event. The right to compensation also must be legally binding for the counterpary in the normal course of the business, as well as in cases of non payment, insolvency, or bankruptcy. Its early adoption is permitted.

Notes to the consolidated financial statements as of December 31, 2012

Note 2 - Bases of presentation for consolidated financial statements (continued)

IAS 16 “Property, Plant, and Equipment”

Issued in May 2012. Clarifies that spare parts and service equipment should be classified as Property, Plant, and Equipment, instead of inventories, whenever it meets the definition of Property, Plant, and Equipment.

IAS 32 “Presentation of Financial Instruments”

Issued in May 2012. Clarifies that the treatment of income taxes related to equity distributions and transaction costs.

IAS 34 “Intermediate Financial Information”

Issued in May 2012. Clarifies the requirements to present assets and liabilities by segments, during interim periods, confirming the same requirements applicable to the annual financial statements.

IFRS 10 Consolidated Financial Statements, IFRS 11 “Joint Agreements”, IFRS 12 Disclosures of participation in other entities”

Issued in June 2012. Clarifies that it is necessary to apply these standards on the first day of the annual period in which the regulations are adopted. Therefore, it could be necessary to make modifications to comparative information presented in such periods, if the evaluation of control over investments results in that recognized according to IAS 27/SIC 12.

Management is currently evaluating the adoption of the standards, amendments and interpretations described above; however, they are not expected to have a significant impact on the consolidated financial statements.

Notes to the consolidated financial statements as of December 31, 2012

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

2.4 Transactions in foreign currency

(a) 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 primary economic environment in which it operates.

Consequently, the term foreign currency is defined as any currency other than the U.S. Dollar.

The conversion of the financial statements of foreign subsidiaries with functional currency other than the U.S. Dollars is performed as follows:

- Assets and liabilities using the exchange rate prevailing on the closing date of the consolidated financial statements.
- Statement of income account items using average exchange rates for the year.
- Equity accounts are stated at the historical exchange rate on the transaction date.

Foreign currency translation differences which arise from the conversion of financial statements of subsidiaries are recorded in the account "Foreign currency translation differences" within equity.

(b) Basis of conversion

Domestic subsidiaries:

Assets and liabilities denominated in Chilean Pesos and other currencies other than U.S. Dollar as of December 31, 2012 and December 31, 2011 have been translated to U.S. Dollars at the exchange rates prevailing on those dates. The corresponding Chilean Pesos were converted at Ch$479,96, Ch$519.20 and Ch$468.01 per US$1.00 as of December 31, 2012, 2011 and 2010 respectively.

The values of the UF (a Chilean Peso-denominated, inflation-indexed monetary unit) used to convert the UF denominated assets and liabilities as of December 31, 2012 amounted to Ch$22,840.75 (US$47,59), Ch$22,294.03 (US$42.94) and Ch$21,455.55 (US$45.84) as of December 31, 2012, 2011 and 2010 respectively.

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Notes to the consolidated financial statements as of December 31, 2012

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

2.4 Transactions in foreign currency, (continued)

Foreign subsidiaries

The exchange rates used to translate the monetary assets and liabilities expressed in foreign currencies at the closing date of each period in respect to the U.S. Dollar are as follows:

	12/31/2012 US$	12/31/2011 US$	12/31/2010 US$
Brazilian Real	2.04	1.88	1.66
New Peruvian Sol	2.75	2.77	2.81
Argentinean Peso	4.92	4.30	3.98
Japanese Yen	86.58	77.74	81.49
Euro	0.76	0.77	0.75
Mexican Peso	12.99	13.98	12.38
Australian Dollar	1.05	1.03	1.01
Pound Sterling	0.62	0.64	0.64
South African Rand	8.47	8.10	6.63
Ecuadorian Dollar	1.00	1.00	1.00
Chilean Peso	479.96	519.20	468.01
UF	47.59	42.94	45.84

(c) Transactions and balances

Non-monetary transactions and balances denominated in a currency other than the U.S. Dollar are translated using the exchange rate in at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate of the functional currency prevailing at the closing date of the Consolidated Statement of Financial Position. All differences are recorded to the Statement of Income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These items are recognized in Other Comprehensive Income upon the disposal of the investment, at which time they are recognized in the Statement of Income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in Other Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Notes to the consolidated financial statements as of December 31, 2012

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

2.4 Transactions in foreign currency, continued

(d) Group entities

The profit or loss, assets and liabilities of all entities with a functional currency other than the U.S. Dollar are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing date exchange rate as of the date of the Consolidated Statement of Financial Position.
- Income and expenses are translated at average exchange rates for the year.
- All resulting foreign currency exchange differences are recognized in the foreign currency translation difference reserve in Equity.

In consolidation, foreign currency exchange differences which arise from the conversion of a net investment in foreign entities are recorded Equity (other reserves). At the disposal date, these exchange differences are recognized in the Statement of Comprehensive Income as part of the gain or loss from the sale.

2.5 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Company has the ability to govern financial and operating policies generally, accompanying a shareholding of more than one half of the voting rights. The Company also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstance where the size of the group’s voting rights relative to the size and dispersion of holding of other shareholders give the Company power to govern the financial and operating policies.

Subsidiaries are consolidated from the date in which control is transferred to the Company and are excluded from consolidation on the date in which this control ceases to exit.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated. All subsidiaries apply the same accounting policies as described in Note 3.

Non-controlling interest represent the portion of a subsidiary is net assets and operating results not owned directly or indirectly by the parent company.

Notes to the consolidated financial statements as of December 31, 2012

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

2.5 Basis of consolidation, continued

Companies included in consolidation:

TAX ID No.	Foreign subsidiaries	Country of origin	Functional currency	Ownership interest 12/31/2012 Direct	Indirect	Total
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US$	0.0000	100.0000	100.0000
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US$	0.0000	100.0000	100.0000
Foreign	SQM North America Corp.	USA	US$	40.0000	60.0000	100.0000
Foreign	SQM Europe N.V.	Belgium	US$	0.8600	99.1400	100.0000
Foreign	Soquimich S.R.L. Argentina	Argentina	US$	0.0000	100.0000	100.0000
Foreign	Soquimich European Holding B.V.	The Netherlands	US$	0.0000	100.0000	100.0000
Foreign	SQM Corporation N.V.	Dutch Antilles	US$	0.0002	99.9998	100.0000
Foreign	SQI Corporation N.V.	Dutch Antilles	US$	0.0159	99.9841	100.0000
Foreign	SQM Comercial De México S.A. De C.V.	Mexico	US$	0.0013	99.9987	100.0000
Foreign	North American Trading Company	USA	US$	0.0000	100.0000	100.0000
Foreign	Administración Y Servicios Santiago S.A. De C.V.	Mexico	US$	0.0000	100.0000	100.0000
Foreign	SQM Perú S.A.	Peru	US$	0.9800	99.0200	100.0000
Foreign	SQM Ecuador S.A.	Ecuador	US$	0.0040	99.9960	100.0000
Foreign	SQM Nitratos Mexico S.A. De C.V.	Mexico	US$	0.0000	51.0000	51.0000
Foreign	SQMC Holding Corporation L.L.P.	USA.	US$	0.1000	99.9000	100.0000
Foreign	SQM Investment Corporation N.V.	Dutch Antilles	US$	1.0000	99.0000	100.0000
Foreign	SQM Brasil Limitada	Brazil	US$	2.7900	97.2100	100.0000
Foreign	SQM France S.A.	France	US$	0.0000	100.0000	100.0000

Notes to the consolidated financial statements as of December 31, 2012

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

2.5 Basis of consolidation, continued

Companies included in consolidation:

				Ownership interest 12/31/2012				
TAX ID No.	Foreign subsidiaries	Country of origin	Functional currency	Direct	Indirect	Total	12/31/2011 Total	12/31/2010 Total
Foreign	SQM Japan Co. Ltd.	Japan	US$	1.0000	99.0000	100.0000	100.0000	100.0000
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	US$	1.6700	98.3300	100.0000	100.0000	100.0000
Foreign	SQM Oceania Pty Limited	Australia	US$	0.0000	100.0000	100.0000	100.0000	100.0000
Foreign	Rs Agro-Chemical Trading A.V.V.	Aruba	US$	98.3333	1.6667	100.0000	100.0000	100.0000
Foreign	SQM Indonesia S.A.	Indonesia	US$	0.0000	80.0000	80.0000	80.0000	80.0000
Foreign	SQM Virginia L.L.C.	USA	US$	0.0000	100.0000	100.0000	100.0000	100.0000
Foreign	SQM Italia SRL	Italy	US$	0.0000	100.0000	100.0000	100.0000	100.0000
Foreign	Comercial Caimán Internacional S.A.	Cayman Islands	US$	0.0000	100.0000	100.0000	100.0000	100.0000
Foreign	SQM Africa Pty.	South Africa	US$	0.0000	100.0000	100.0000	100.0000	100.0000
Foreign	SQM Lithium Specialties LLC	USA	US$	0.0000	100.0000	100.0000	100.0000	100.0000
Foreign	SQM Iberian S.A.(a)	Spain	US$	0.0000	100.0000	100.0000	100.0000	66.6750
Foreign	Iodine Minera B.V.	The Netherlands	US$	0.0000	100.0000	100.0000	100.0000	100.0000
Foreign	SQM Agro India Pvt. Ltd.	India	US$	0.0000	100.0000	100.0000	100.0000	100.0000
Foreign	SQM Beijing Commercial Co. Ltd.	China	US$	0.0000	100.0000	100.0000	100.0000	100.0000
96.801.610-5	Comercial Hydro S.A	Chile	US$	0.0000	60.6383	60.6383	60.6383	60.6383
96.651.060-9	SQM Potasio S.A.	Chile	US$	99.9999	0.0000	99.9974	99.9974	99.9974

Notes to the consolidated financial statements as of December 31, 2012

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

2.5 Basis of consolidation, continued

Companies included in consolidation:

TAX ID No.	Foreign subsidiaries	Country of origin	Functional currency	Ownership interest 12/31/2012 Direct	Indirect	Total	12/31/2011 Total	12/31/2010 Total
96.592.190-7	SQM Nitratos S.A.	Chile	US$	99.9999	0.0001	100.0000	100.0000	100.0000
96.592.180-K	Ajay SQM Chile S.A.	Chile	US$	51.0000	0.0000	51.0000	51.0000	51.0000
86.630.200-6	SQMC Internacional Ltda.	Chile	Chilean peso	0.0000	60.6381	60.6381	60.6381	60.6381
79.947.100-0	SQM Industrial S.A.	Chile	US$	99.0470	0.9530	100.0000	100.0000	100.0000
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Chilean peso	1.0000	99.0000	100.0000	100.0000	100.0000
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Chilean peso	1.0000	99.0000	100.0000	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	100.0000
79.768.170-9	Soquimich Comercial S.A.	Chile	US$	0.0000	60.6383	60.6383	60.6383	60.6383
79.626.800-K	SQM Salar S.A.	Chile	US$	18.1800	81.8200	100.0000	100.0000	100.0000
78.602.530-3	Minera Nueva Victoria Ltda.(b)	Chile	US$	-	-	-	100.0000	100.0000
78.053.910-0	Proinsa Ltda.	Chile	Chilean peso	0.0000	60.5800	60.5800	60.5800	60.5800
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Chilean peso	0.0000	100.0000	100.0000	100.0000	100.0000
76.425.380-9	Exploraciones Mineras S.A.	Chile	US$	0.2691	99.7309	100.0000	100.0000	100.0000
76.064.419-6	Comercial Agrorama Ltda. (c)	Chile	Chilean peso	0.0000	42.4468	42.4468	42.4468	42.4468
76.145.229-0	Agrorama S.A. (d)	Chile		0.0000	60.6377	60.6377	60.6377	-

	Chilean peso

(a) On December 14, 2011, Fertilizantes Naturales S.A. changed its legal name to SQM Iberian S.A.

(b) Effective November 30, 2012, this entity was merged with SQM Potasio S.A.

(c) Comercial Agrorama Ltda. is consolidated as the Company has control through its subsidiary Soquimich Comercial S.A.

(d) This subsidiary was incorporated on April 7, 2011.

Notes to the consolidated financial statements as of December 31, 2012

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

2.5 Basis of consolidation, continued

(b) Equity accounted investments

Interests in companies in which control is exercised together with another company (joint ventures) or in which the Company has significant influence (associated companies) are accounted for using the equity method. Significant influence is assumed to exist when the Company has interest exceeding 20% of the investee's equity. Under the equity method, the investment is initially recognize at cost, and the carrying amount is increased or decreased to recognize the Company’s share of the profit or loss of the investee after the acquisition date. The Company’s investments include goodwill identified upon acquisition.

The Company’s share of post acquisition profit or loss is recognized in the Statement of Income. When the Company’s share of losses in an investee equals or exceeds its interest, the Company does not recognize further losses unless it has incurred a legal or constructive obligations or made payments on behalf of the investee.

The Company determines at each reporting date whether there is any objective evidence that the investments are impaired. If impaired, the Company recognizes an impairment loss in the Statement of Income as the difference between the recoverable amount of the investee and its carrying value.

Unrealized profits and losses resulting from transactions with investees are recognized in the consolidated financial statements to the extent of unrelated investor’s interest in the investee. Unrealized losses are eliminated unless the transaction provides evidence of loss from impairment of the assets transferred. The reporting dates and accounting policies of the investees are consistent with those adopted by the Company.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating reserves and assessing performance of the operating segments, has been identified as a committee comprised of the Chief Executive Officer, and the Executive

Vice President & Chief Operating Officer. The following operating segments are based on the information provided to the CODM and the organizational structure of the Company:

- Specialty plant nutrients
- Industrial chemicals
- Iodine and derivatives
- Lithium and derivatives
- Potassium
- Other products and services

Notes to the consolidated financial statements as of December 31, 2012

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

2.7 Significant accounting judgments, estimates and assumptions

Significant accounting judgments, estimates and assumptions by management to prepare these consolidated fiancial statements include:

- The useful lives of tangible and intangible assets and their residual values.
- Impairment evaluations of certain assets, including trade and other accounts recivaible.
- Assumptions used for impairment the actuarial calculation of liabilities for employee pensions and staff severance indemnities.
- Inventory provisions allowances on slow-moving obsolete in inventories.
- Future costs for and the timing of the closure of mining facilities.
- The determination of the fair value of certain financial and non-financial assets and derivative financial instruments.
- The determination and allocation of fair values in business combinations.

Although these estimates have been made considering information available as of the date of preparation of these consolidated financial statements, it is possible that future events may require their modification. Changes would be recorded prospectively, recognizing the effects of any changes in estimates in future consolidated financial statements. There have been no significant changes in the methodology or assumptions used in these estimates.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies

3.1 Cash and cash equivalents

Cash equivalents consist of short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to low risk of change in value, with original maturities of three months or less from the date of acquisition.

3.2 Financial assets

The Company classifies its financial assets under the following categories: at fair value through profit or loss, loans and trade receivables, financial assets held-to-maturity and financial assets available-for-sale. The classification depends on the purpose for which financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

At each reporting date management assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset or group of assets (a “loss event”) and that loss event or events has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired mainly for the purpose of being sold in the short-term. Derivatives are also classified as acquired for trading unless they are designated as hedges. Assets under this category are classified as current assets if expected to be settled within 12 months, and their changes in fair value are directly recognized in profit or loss.

(b) Loans and trade receivables

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments not quoted in any active market. These are included in current assets, except for maturities greater than 12 months from the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables consist of "trade and other accounts receivable" and "cash and cash equivalents" in the Statement of Financial Position (notes 6.1 and 9.2).

(c) Financial assets held to maturity

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities which management has the positive intention and ability of holding to maturity. If a significant amount of financial assets held to maturity were to be sold, the full category would be reclassified as available for sale. Assets in this category are stated at amortized cost.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies (continued)

3.3 Financial derivatives and hedge transactions

Derivatives are recognized initially at fair value as of the date in which the derivative contract is entered into and subsequently remeasured at fair value. The method for recognizing the resulting gain or loss depends on whether the derivative has been designated as a hedge instrument and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

(a) Fair value hedges of recognized assets and liabilities or firm commitments (fair value hedges).

(b) Hedging a forecasted risk associated with a recognized asset or liability or a highly possible forecasted transaction (cash flow hedge).

At hedge inception, the Company documents the relationship between hedging instruments and hedged items, as well as their risk management objectives, and the strategy for undertaking different hedging transactions. The Company also documents its evaluation both at hedge inception and at each reporting period, whether derivatives used in hedging transactions are highly effective in offsetting changes in fair values or in cash flows of hedged items.

The fair value of derivative instruments used for hedging purposes is shown in Note 10.3. (Hedge assets). Movements in the cash flow hedge reserve are classified as a non-current asset or liability if the remaining hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Other derivatives are classified as a current asset or current liability, with the change in their fair value recognized directly in profit or loss.

(a) Fair value hedge

Changes in the fair value derivatives that are designated and qualify as fair value hedges are recorded to profit or loss, as applicable. The change in the fair value of the hedged asset or liability attributable to hedged risk is also recognized in profit or loss.

For fair value hedges related to assets or liabilities 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 to profit or loss at its fair value attributable to the hedged risk.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies (continued)

If the hedge no longer meets the criteria for hedge accounting, the fair value not amortized is immediately recognized in profit or loss.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other reserves within equity. The gain or loss related to the ineffective portion is immediately recognized in profit or loss.

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

Should the expected firm transaction or commitment no longer be expected to occur, amounts previously recognized in equity are transferred to profit or loss. If a hedge instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any amounts previously recognized in equity are maintained in equity until the expected firm transaction is ultimately recognized in profit or loss.

3.4 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 receivables arise from sales involving products and services to customers.

These assets are initially recognized at their fair value, which is equivalent to their face 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 amounts which are owed to it according to the original terms of receivables.

3.5 Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is determined based on the weighted average method. The cost of finished goods and products-in-process includes direct costs of materials, direct labor, and other direct costs and related overheads incurred to transform raw materials into finished products, including expenses incurred in transporting inventories to their current location and condition. Net realizable value represents is the estimated sales price in the ordinary course of business less all estimated costs expected to be incurred in the sales and distribution process.

The Company evaluates the net realizable value of inventories at the end of each reporting period, recording a provision with a charge to income when circumstances are warranted. When the circumstances previously causing the reserve 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, the previous estimate is modified accordingly. Provisions on the Company's inventories are made based on a technical studies covering the different variables affecting finished products such as density and humidity, among other factors.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies (continued)

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

3.6 Intangible assets

Intangible assets consist of goodwill, water rights, rights of ways related to electric lines, and computer software licenses.

(a) Goodwill

Goodwill represents the excess of the consideration transferred over the net fair value of assets acquired and liabilities assumed in the acquisition of subsidiaries.

For purposes of impairment testing, goodwill acquired in a business combination is allocated to each cash generating unit “CGU”, which is expected to benefit from the synergies of the combination. Each CGU to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are conducted annually, or more frequently if events or changes in circumstances indicate a potential for impairment. The carrying value of goodwill is compared to its recoverable amount, which is the higher of value in use and the fair valueless cost to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Water rights

Acquired water rights represent water from natural sources and are recorded at acquisition cost. Depending on the contractual terms, water rights can be granted on a perpetual basis or be subject to a fixed term. Water rights with a

contractual fixed term are amortized over the life of the agreement. Water rights granted on a perpetual basis are not amortized; however, they are subject to an annual impairment assessment.

(c) Right of way for electric lines

As required for the operation of industrial plants, the Company acquires rights of ways in order to install wires for electric lines on third party land. Amounts paid are capitalized and charged to income according to their contractual lives.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies (continued)

(d) Computer software

Acquired computer software licenses are capitalized based on initial acquisition costs and costs incurred to prepare them for their intended use. These costs are amortized over their estimated useful lives.

Expenses related to internally developed IT programs are recognized when incurred. Costs directly attributable to the development of unique and identifiable IT programs are recognized as intangible assets to the extent such IT will generate future economic benefits. IT development costs are amortized over their estimated useful lives, which does generally not exceed three years.

3.7 Property, plant and equipment

Property, plant and equipment assets are stated at acquisition cost, net of accumulated depreciation, amortization and impairment losses that they might have experienced. Acquisition cost includes the following when applicable:

(a) Interest expense incurred during the construction period directly attributable to the acquisition, construction or production of qualifying assets, includes those that require a substantial period prior to being ready for their intended use. The interest rate used to capitalize interest corresponds to the project's specific financing or, should this not exist, the average borrowing rate of Company. Interest expenses are not capitalized for periods which exceed the normal term of acquisition, construction or installation of the asset, such as in the case of delays, interruptions, or temporary suspension of the project due to technical, financial, or other issues.

(b) Future costs the Company will incur related to the closure of its facilities at the end of their useful life are recorded at the present value of expected future disbursements required to settle the obligation.

Construction-in-progress is transferred to property, plant and equipment in operation once the assets are available for their intended use and the related depreciation and amortization begins on that date.

Extension, modernization or improvement costs that represent an increase in productive, capacity or efficiency, or an extension of the useful lives of property, plant and equipment are capitalized as a an increase in the cost of the related assets. All maintenance, preservation and repair expenses are charged to expense as incurred.

Property, plant and equipment components are depreciated using the straight-line method over estimated useful lives. When components of property, plant and equipment have different useful lives, these components are recorded and depreciated separately. The useful lives are reviewed annually and revised as necessary. The useful lives used for the depreciation and amortization of assets included in property, plant and equipment are presented below.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies (continued)

Types of property, plant and equipment	Life minimum	Life maximum
Buildings	3	60
Plant and equipment	3	35
Information technology equipment	3	10
Fixtures and fittings	3	35
Moto vehicles	5	10
Other property, plant and equipment	2	30

Gains or losses 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 net sales value and its carrying value.

The Company obtains property rights and mining concessions from the Chilean Ministry of Mining. Property rights are generally obtained through payment of mining licenses and minor registration expenses, along with annual license fees. Annual license fees are recorded as prepaid expenses and amortized over their twelve month effective period. Amounts attributable to mining concessions acquired from third parties, which are not from the Chilean State, are recorded at their acquisition cost.

3.8 Impairment of non-financial assets

Assets subject to depreciation and amortization are reviewed for impairment whenever events or changes circumstances indicate that the carrying value may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. An impairment loss is recognized for the excess of the carrying 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 CGU, less selling costs and its value in use. Assets other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial liabilities

The Company classifies its financial liabilities under the following categories: at fair value through profit or loss, trade payables, interest-bearing loans, or derivatives designated as hedging instruments. Management determines the classification of its financial liabilities at the time of initial recognition.

Financial debt obligations are recorded at face value and as non-current when their maturity is greater than 12 months and as current when maturity is less than twelve months. Interest expenses is recognized in profit and loss when incurred.

Financial liabilities are derecognized when the obligation is repaid, settled or expires.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies (continued)

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value when these are held for trading or designated in their initial recognition at fair value through profit or loss. This category includes derivative instruments not designated for hedge accounting.

(b) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from to suppliers. Trade payables are initially recognized at fair value and are subsequently stated at their amortized cost using the effective interest rate method.

(c) Interest-bearing loans

Loans are initially recognized at fair value and are subsequently stated at amortized cost using the effective interest rate method. Amortized cost is calculated considering any premium or discount from the acquisition and includes transaction costs which are an integral part of the effective interest rate.

3.10 Current and deferred taxes

Corporate income tax for the year is determined as the aggregate of current taxes from all of the consolidated companies. Current taxes are calculated on the basis of the tax laws enacted or substantively enacted as of the Statement of Financial Position in the countries where the Company and its subsidiaries operate and generate taxable income.

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

In conformity with current Chilean tax regulations, the provision for corporate income tax and taxes on mining activity is recognized on an accrual basis, presenting the net balances of accumulated monthly tax provisional payments for the fiscal period and 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.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies (continued)

The carrying value 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, deferred tax assets that are not recognized were evaluated and not recognized if it was not more likely than not, that future taxable income will not 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and the deferred tax is related to the same tax entity and authority, and there is intention to settle the balances on a net basis.

3.11 Obligations related to employee termination benefits and pension commitments

Obligations to the Company’s employees are established in accordance with agreements in force and formalized through collective employment agreements and individual employment contracts. In the case of certain United States employees, benefit obligations are in accordance with a defined benefit pension plan, which was terminated in 2002. Liabilities for these obligations are recognized in the Statement of Financial Position using values established by actuarial calculations, which consider various assumptions including mortality rates, employee turnover, interest rates, retirement dates, future salary increases, and inflation.

Actuarial gains and losses generated by changes in previously defined obligations are directly recorded in profit or loss for the year. Actuarial gains and losses and gains resulting from differences between the estimate and actual behavior of the actuarial assumptions are recorded in equity in other comprehensive in the period in which they arise.

3.12 Share based payments

The Company has a cash settled shared based payment plan whereby executives and senior management receive cash payments based on changes in the Company's share price over a vesting period. The fair value of the vested portion of the awards is recorded as a liability and premeasured each reporting period using a Black Scholes model. Changes in the fair value of the awards are recorded directly to profit and loss for the period.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies (continued)

3.13 Other provisions

Provisions are recognized for environmental restoration, legal claims and other matters when the Company has a present legal or constructive obligation as the result of a past event; it is probable that resources must be used to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to required to settle the obligation using pretax discount rate that reflects the liability's specific risks

The increase in the provision over time is recognized as a finance cost.

3.14 Revenue recognition

Revenue includes the fair value of considerations received or receivable for the sale of goods and services. Revenue is presented net of value added tax and rebates and discounts. Revenue is recognized when its amount can be reliably measured, it is probable that the future economic benefits will flow to the Company, and the specific conditions for each type of revenue related activity have been met, as follows:

(a) Sale of goods

Sales of goods are recognized when the Company has delivered products to the customer, the customer has total discretion on the distribution channel and the price at which products are sold 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, the acceptance period has ended, or 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 other credits 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) Sales of services

Revenue associated with the rendering of services consist primary of rental income and related services provided, and is recognized considering the degree of completion of the service as of each reporting date provided that the results can be reliably estimated.

Notes to the consolidated financial statements as of December 31, 2012

Note 3 – Significant accounting policies (continued)

3.15 Exploration expenses

Exploration expenses are capitalized pending determination of the economic viability. Exploration expenses related to non economically minable reserves are charged to expense. Exploration expenses associated with the future development of economically mineable mineral reserves are capitalized as other non-financial assets until such time as mined. Expenses associated with mineral reserves in development are reclassified to Inventory and amortized according to the estimated mineral content.

3.16 Research and development costs

Research and development costs are expensed in the period incurred, with the exception of property, plant and equipment acquired for use in research and development activities.

3.17 Environmental expenditures

Amounts incurred for environmental protection and improvement as recorded as environmental expenses in profit and loss. The cost of facilities, machinery and equipment used for the same purpose are considered property, plant and equipment and capitalized as such.

3.18 Minimum dividend

According to the Chilean Corporations Act, a publicly traded corporation must pay dividends according to the policy decided at the General Shareholders' Meeting each year, with a minimum of 30% of the net income for the year if the corporation does not have unabsorbed accumulated deficit from prior years, unless it otherwise decided by unanimous vote of the shareholders.

3.19 Earnings per share

Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The Company has not conducted any type of operation, which would give rise to a potential dilutive effect on its earnings per share.

There have been no significant changes in accounting policies during 2012.

Notes to the consolidated financial statements as of December 31, 2012

Note 4 – Financial risk management

4.1 Risk Management Policy

The Financial Risk Management Policy of the Company is oriented towards safeguarding the stability and sustainability of Sociedad Química y Minera de Chile S.A. and subsidiaries in relation to all such relevant financial uncertainty components.

The operations of the Company are subject to certain financial risk factors that may affect the financial position or results of the same. Among these risks, the most relevant are market risk, liquidity risk, foreign exchange rate risk, bad debt risk, and interest rate risk.

There may be additional unknown risks or other known risks that might also affect the commercial operations, the business, the financial position or the results of the Company, but the Company believes at this time they are not significant.

The financial risk management structure includes identifying, determining, analyzing, quantifying, measuring and controlling these events. Management, in particular Finance Management, is responsible for constantly assessing the financial risk. The Company uses derivatives to hedge a significant portion of these risks.

4.2 Risk Factors

4.2.1 Market Risk

Market risks are those uncertainties associated with fluctuations of market variables that affect the assets and liabilities of the Company, such as:

a) Country risk

The economic position of the countries where the Company has a presence may affect its financial position. For example, the sales carried out in emerging markets expose SQM to risks related to economic conditions and trends in those countries. On the other hand, inventories may also be affected by the economic situation of these countries and/or the global economy, amongst other probable economic impacts.

b) Price volatility risk

The prices of the products of the Company are affected by the fluctuations of international prices of fertilizers and chemical products and changes in productive capacities or market demand, all of which might affect the Company's business, financial condition and operational results.

Notes to the consolidated financial statements as of December 31, 2012

Note 4 – Financial Risk Management (Continued)

c) Commodities price risk

The Company is exposed to changes in the prices of raw materials and energy which may have an impact on its production costs, thus giving rise to instability in the results.

At present, the Company has direct annual expenses of approximately US$130 million related to oil related products, natural gas and equivalents, and approximately US$60 million for electricity. Variations of 10% in the prices of energy the Company requires to operate would involve in the short term movement of costs amounting to US$19 million.

4.2.2 Uncollectible Accounts Risks

A contraction of the global economy and the potentially negative effects in the financial position of the Company´s clients may extend the accounts receivable collection time for SQM, increasing the Company bad debt exposure. While measures have been taken in order to minimize this risk, the global economy may trigger losses that might have a material adverse effect on the business, financial position or the results of the Company's operations.

To mitigate these risks, SQM actively controls debt collections and uses measures such as, credit insurance, letters of credit, and prepayments with regard to certain accounts receivable.

4.2.3 Foreign Exchange Risk

As a result of its influence in the determination of prices, its relationship with costs of sales, and since a significant part of our business is carried out in U.S. Dollars, the functional currency of SQM is the U.S. Dollar. However, the global business activities of the Company expose it to foreign exchange fluctuations of several currencies with respect to the U.S. Dollar. Therefore, SQM has hedge contracts to mitigate the exposure of its main balance mismatches (net assets) in currencies other than the U.S. Dollar against foreign exchange fluctuations. Those contracts are periodically updated depending upon the mismatch amount to be covered in these currencies.

A significant portion of the costs of the Company, particularly wages, is related to the Chilean Peso. Therefore, an increase or decrease in the exchange rate against the U.S. Dollar would affect the net income of SQM. At December 31, 2012, approximately US$440 million of the costs of the Company are related to the Chilean Peso. A significant portion of the effect of such obligations in the balance is covered by operations of derivatives that hedge the mismatch of balance in this currency.

At December 31, 2011, the Company had outstanding derivative instruments designated as hedging currency and interest rate risks associated with all Chilean Peso- and UF-denominated bonds obligations, with a fair value of US$ 56.1 million. As of December 31, 2012, the fair value was US$100.6 million, in each case in favor of SQM.

Notes to the consolidated financial statements as of December 31, 2012

Note 4 – Financial Risk Management, Objectives and Policies (continued)

On December 31, 2012, the Chilean Peso to U.S. Dollar exchange rate was Ch$ 479.96 for US$ 1.00, at December 31, 2011 it was Ch$ 519.20 for US$ 1.00 and at December 31, 2010 it was Ch$ 468.01 for US$ 1.00.

4.2.4 Interest rate risk

Interest rate fluctuations, due to the uncertain future behavior of markets, may have a material impact on the financial results of the Company.

The Company has short and long term debts valued at LIBOR plus a spread. The Company is partially exposed to fluctuations of this rate, as SQM currently holds hedging derivative instruments to hedge a portion of its liabilities subject to LIBOR rate fluctuations.

As of December 31, 2012, approximately 21% of the Company’s current financial obligations were subject to LIBOR rate fluctuation and therefore, significant increases in the rate may impact its financial position. A 100 basis points variation in this rate may trigger variations in financial expenses of approximately US$3.1 million. Notwithstanding, this effect is significantly counter-balanced by the returns of the Company’s investments that also relate to LIBOR.

In addition, as of December 31, 2012, the Company's total financial debt is primarily long-term, with 8% of maturities less than 12 months, which decreases the exposure to changes in the interest rates.

Notes to the consolidated financial statements as of December 31, 2012

Note 4 – Financial Risk Management, Objectives and Policies (continued)

4.2.5 Liquidity Risk

Liquidity risk relates to funding requirements to comply with payment obligations. The Company´s objective is to keep financial flexibility by comfortably balancing funding requirements and cash flows from the regular business conduct, bank loans, public bonds, short term investments, and negotiable instruments, 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 contraction and expansion periods that are not foreseeable in the long term and may affect SQM's access to financial resources. These factors may have a material adverse impact on the business, financial position, and operational results of the Company.

SQM constantly monitors that its obligations and investments match, taking care as part of its financial risk management strategy of the obligations and investments maturities from a conservative perspective. As of December 31, 2012, the Company had non-committed and available working capital bank credit lines for a total of US$530 million.

The position in other cash and cash equivalents generated by the Company is invested in highly liquid mutual funds which have an AAA risk rating.

4.3 Risk Measurement

The Company has methods to measure the effectiveness and efficiency of corporate risk strategies, both prospectively and retrospectively.

Note 5 – Background of consolidated companies

5.1 Parent's separate assets and liabilities

The assets and liabilities of the legal entity Sociedad Química y Minera de Chile S.A. before the effects of consolidation consists of the following:

	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Assets	3,908,259	3,626,748	3,338,594
Liabilities	(1,775,476)	(1,813,914)	(1,715,791)
Total	2,132,783	1,812,834	1,622,803

5.2 Controlling entity

In accordance with the Company's By-Laws, no shareholder can control more than 32% of the Company's voting shares; therefore, there is no controlling shareholder.

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.3 Joint arrangements of the controlling interest

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A. and Global Mining Investments (Chile) S.A. together form the Pampa Group, and are the owners of 30.50% of SQM ’s issued, subscribed and fully-paid shares as of December 31, 2012. Additionally, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada. Kochi S.A. and La Esperanza Delaware Corporation, together the Kowa Group, are the owners of 2.08% of SQM S.A.’s currently issued, subscribed and fully-paid shares as of December 31, 2012.

In December 2006, the Pampa and Kowa groups entered into a joint venture agreement in regards to the management of their ownership of the Company’s shares. However, both the Pampa Group and the Kowa Group have informed SQM, the SVS, and the relevant stock markets in Chile and the United States that they are not currently, nor have they ever been, related parties between themselves. Therefore, neither the Pampa Group, nor the Kowa Group individually control more than 32% of the voting right shares of SQM S.A.

Detail of effective concentration

Tax ID Number	Name	Ownership interest %
96.511.530-7	Sociedad de Inversiones Pampa Calichera S.A.	20.35
96.863.960-9	Global Mining Investments (Chile) S.A.	3.34
76.165.311-5	Potasios de Chile S.A.	6.81
Total Pampa Group		30.50
79.798.650-k	Inversiones la Esperanza (Chile) Ltda.	1.40
59.046.730-8	Kowa Co Ltd.	0.30
96.518.570-4	Kochi S.A.	0.29
59.023.690-k	La Esperanza Delaware Corporation	0.09
Total Kowa Group		2.08

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries

Financial information as of December 31, 2012 of the companies in which the group exerts control and significant influence is as follows:

12/31/2012

				Ownership interest			As
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	Th
SQM Nitratos S.A.	96.592.190-7	Chile	US$	99.9999	0.0001	100.0000	73
Proinsa Ltda.	78.053.910-0	Chile	Chilean peso	-	60.5800	60.5800	22
SQMC Internacional Ltda.	86.630.200-6	Chile	Chilean peso	-	60.6381	60.6381	29
SQM Potasio S.A.	96.651.060-9	Chile	US$	99.9974	-	99.9999	1,
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Chile	US$	0.0003	99.9997	100.0000	35
Isapre Norte Grande Ltda.	79.906.120-1	Chile	Chilean peso	1.0000	99.0000	100.0000	1,
Ajay SQM Chile S.A.	96.592.180-K	Chile	US$	51.0000	-	51.0000	26
Almacenes y Depósitos Ltda.	79.876.080-7	Chile	Chilean peso	1.0000	99.0000	100.0000	45
SQM Salar S.A.	79.626.800-K	Chile	US$	18.1800	81.8200	100.0000	1,
SQM Industrial S.A.	79.947.100-0	Chile	US$	99.0470	0.9530	100.0000	1,
Exploraciones Mineras S.A.	76.425.380-9	Chile	US$	0.2691	99.7309	100.0000	31
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	76.534.490-5	Chile	Chilean peso	-	100.0000	100.0000	1,
Soquimich Comercial S.A.	79.768.170-9	Chile	US$	-	60.6383	60.6383	18
Comercial Agrorama Ltda.	76.064.419-6	Chile	Chilean peso	-	42.4468	42.4468	17
Comercial Hydro S.A.	96.801.610-5	Chile	Chilean peso	-	60.6383	60.6383	8,
Agrorama S.A.	76.145.229-0	Chile	Chilean peso	-	60.6377	60.6377	14
SQM North America Corp.	Foreign	United States	US$	40.0000	60.0000	100.0000	31

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2012

				Ownership interest			Assets
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	ThUS
RS Agro Chemical Trading A.V.V.	Foreign	Aruba	US$	98.3333	1.6667	100.0000	5,214
Nitratos Naturais do Chile Ltda.	Foreign	Brazil	US$	-	100.0000	100.0000	290
Nitrate Corporation of Chile Ltd.	Foreign	United Kingdom	US$	-	100.0000	100.0000	5,076
SQM Corporation N.V.	Foreign	Dutch Antilles	US$	0.0002	99.9998	100.0000	86,95
SQM Perú S.A.	Foreign	Peru	US$	0.9800	99.0200	100.0000	904
SQM Ecuador S.A.	Foreign	Ecuador	US$	0.0040	99.9960	100.0000	19,41
SQM Brasil Ltda.	Foreign	Brazil	US$	2.7900	97.2100	100.0000	723
SQI Corporation N.V.	Foreign	Dutch Antilles	US$	0.0159	99.9841	100.0000	17
SQMC Holding Corporation L.L.P.	Foreign	Aruba	US$	0.1000	99.9000	100.0000	24,59
SQM Japan Co. Ltd.	Foreign	Japan	US$	1.0000	99.0000	100.0000	2,476
SQM Europe N.V.	Foreign	Belgium	US$	0.8600	99.1400	100.0000	391,5
SQM Italia SRL	Foreign	Italy	US$	-	100.0000	100.0000	1,360
SQM Indonesia S.A.	Foreign	Indonesia	US$	-	80.0000	80.0000	5
North American Trading Company	Foreign	United States	US$	-	100.0000	100.0000	305
SQM Virginia LLC	Foreign	United States	US$	-	100.0000	100.0000	29,20
SQM Comercial de México S.A. de C.V.	Foreign	Mexico	US$	0.0013	99.9987	100.0000	79,09

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2012

				Ownership interest			Assets
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	ThUS$
SQM investment Corporation N.V.	Foreign	Dutch Antilles	US$	1.0000	99.0000	100.0000	64,264
Royal Seed Trading Corporation A.V.V.	Foreign	Aruba	US$	1.6700	98.3300	100.0000	242,707
SQM Lithium Specialties LLP	Foreign	United States	US$	-	100.0000	100.0000	15,785
Soquimich SRL Argentina	Foreign	Argentina	US$	-	100.0000	100.0000	422
Comercial Caimán Internacional S.A.	Foreign	Panama	US$	-	100.0000	100.0000	333
SQM France S.A.	Foreign	France	US$	-	100.0000	100.0000	351
Administración y Servicios Santiago S.A. de C.V.	Foreign	Mexico	US$	-	100.0000	100.0000	50
SQM Nitratos México S.A. de C.V.	Foreign	Mexico	US$	-	51.0000	51.0000	33
Soquimich European Holding B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	179,048
SQM Iberian S.A	Foreign	Spain	US$	-	100.0000	100.0000	81,429
Iodine Minera B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	16,929
SQM Africa Pty Ltd.	Foreign	South Africa	US$	-	100.0000	100.0000	98,127
SQM Oceania Pty Ltd.	Foreign	Australia	US$	-	100.0000	100.0000	5,621
SQM Agro India Pvt. Ltd.	Foreign	India	US$	-	100.0000	100.0000	18
SQM Beijing Commercial Co. Ltd.	Foreign	China	US$	-	100.0000	100.0000	3,637
Total							7.805.6

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2011

				Ownership interest			A
Subsidiary	Tax ID No.	**Country of incorporation**	**Functional currency**	Direct	Indirect	Total	Th
SQM Nitratos S.A.	96.592.190-7	Chile	US$	99.9999	0.0001	100.0000	8
Proinsa Ltda.	78.053.910-0	Chile	Chilean peso	-	60.5800	60.5800	2
SQMC Internacional Ltda.	86.630.200-6	Chile	Chilean peso	-	60.6381	60.6381	2
SQM Potasio S.A.	96.651.060-9	Chile	US$	99.9974	-	99.9974	7
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Chile	US$	0.0003	99.9997	100.0000	2
Isapre Norte Grande Ltda.	79.906.120-1	Chile	Chilean peso	1.0000	99.0000	100.0000	1
Ajay SQM Chile S.A.	96.592.180-K	Chile	US$	51.0000	-	51.0000	2
Almacenes y Depósitos Ltda.	79.876.080-7	Chile	Chilean peso	1.0000	99.0000	100.0000	4
SQM Salar S.A.	79.626.800-K	Chile	US$	18.1800	81.8200	100.0000	1
SQM Industrial S.A.	79.947.100-0	Chile	US$	99.0470	0.9530	100.0000	1
Minera Nueva Victoria S.A..	78.602.530-3	Chile	US$	99.000	1.0000	100.0000	1
Exploraciones Mineras S.A.	76.425.380-9	Chile	US$	0.2691	99.7309	100.0000	3
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	76.534.490-5	Chile	Chilean peso	-	100.0000	100.0000	7
Soquimich Comercial S.A.	79.768.170-9	Chile	US$	-	60.6383	60.6383	1
Comercial Agrorama Ltda.	76.064.419-6	Chile	Chilean peso	-	42.4468	42.4468	1
Comercial Hydro S.A.	96.801.610-5	Chile	Chilean peso	-	60.6383	60.6383	7
Agrorama S.A.	76.145.229-0	Chile	Chilean peso	-	60.6377	60.6377	3
SQM North America Corp.	Foreign	United States	US$	40.0000	60.0000	100.0000	1

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2011

				Ownership interest			Assets	L
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	ThUS$	T
RS Agro Chemical Trading A.V.V.	Foreign	Aruba	US$	98.3333	1.6667	100.0000	5,224	
Nitratos Naturais do Chile Ltda.	Foreign	Brazil	US$	-	100.0000	100.0000	2,349	
Nitrate Corporation of Chile Ltd.	Foreign	United Kingdom	US$	-	100.0000	100.0000	5,076	
SQM Corporation N.V.	Foreign	Dutch Antilles	US$	0.0002	99.9998	100.0000	89,469	
SQM Perú S.A.	Foreign	Peru	US$	0.9800	99.0200	100.0000	6,466	
SQM Ecuador S.A.	Foreign	Ecuador	US$	0.0040	99.9960	100.0000	9,724	
SQM Brasil Ltda.	Foreign	Brazil	US$	2.7900	97.2100	100.0000	354	
SQI Corporation N.V.	Foreign	Dutch Antilles	US$	0.0159	99.9841	100.0000	17	
SQMC Holding Corporation L.L.P.	Foreign	Aruba	US$	0.1000	99.9000	100.0000	21,131	
SQM Japan Co. Ltd.	Foreign	Japan	US$	1.0000	99.0000	100.0000	2,968	
SQM Europe N.V.	Foreign	Belgium	US$	0.8600	99.1400	100.0000	430,994	
SQM Italia SRL	Foreign	Italy	US$	-	100.0000	100.0000	1,333	
SQM Indonesia S.A.	Foreign	Indonesia	US$	-	80.0000	80.0000	5	
North American Trading Company	Foreign	United States	US$	-	100.0000	100.0000	306	
SQM Virginia LLC	Foreign	United States	US$	-	100.0000	100.0000	29,207	
SQM Comercial de México S.A. de C.V.	Foreign	Mexico	US$	0.0013	99.9987	100.0000	68,572	

Notes to the consolidated financial statements as of December 31, 2012

Note 5– Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2011

				Ownership interest			Assets
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	ThUS$
SQM investment Corporation N.V.	Foreign	Dutch Antilles	US$	1.0000	99.0000	100.0000	65,123
Royal Seed Trading Corporation A.V.V.	Foreign	Aruba	US$	1.6700	98.3300	100.0000	196,735
SQM Lithium Specialties LLP	Foreign	United States	US$	-	100.0000	100.0000	15,785
Soquimich SRL Argentina	Foreign	Argentina	US$	-	100.0000	100.0000	429
Comercial Caimán Internacional S.A.	Foreign	Panama	US$	-	100.0000	100.0000	477
SQM France S.A.	Foreign	France	US$	-	100.0000	100.0000	351
Administración y Servicios Santiago S.A. de C.V.	Foreign	Mexico	US$	-	100.0000	100.0000	13
SQM Nitratos México S.A. de C.V.	Foreign	Mexico	US$	-	51.0000	51.0000	27
Soquimich European Holding B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	153,211
SQM Iberian S.A	Foreign	Spain	US$	-	100.0000	100.0000	27,225
Iodine Minera B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	13,228
SQM Africa Pty Ltd.	Foreign	South Africa	US$	-	100.0000	100.0000	62,335
SQM Venezuela S.A.	Foreign	Venezuela	US$	-	100.0000	100.0000	5
SQM Oceania Pty Ltd.	Foreign	Australia	US$	-	100.0000	100.0000	4,349
SQM Agro India Pvt. Ltd.	Foreign	India	US$	-	100.0000	100.0000	63
SQM Beijing Commercial Co. Ltd.	Foreign	China	US$	-	100.0000	100.0000	2,147
Total							6,984,9

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2010

				Ownership interest			As
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	Th
SQM Nitratos S.A.	96.592.190-7	Chile	US$	99.9999	0.0001	100.0000	71
Proinsa Ltda.	78.053.910-0	Chile	Chilean peso	-	60.5800	60.5800	22
SQMC Internacional Ltda.	86.630.200-6	Chile	Chilean peso	-	60.6381	60.6381	30
SQM Potasio S.A.	96.651.060-9	Chile	US$	99.9974	-	99.9974	66
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Chile	US$	0.0003	99.9997	100.0000	20
Isapre Norte Grande Ltda.	79.906.120-1	Chile	Chilean peso	1.0000	99.0000	100.0000	1,
Ajay SQM Chile S.A.	96.592.180-K	Chile	US$	51.0000	-	51.0000	17
Almacenes y Depósitos Ltda.	79.876.080-7	Chile	Chilean peso	1.0000	99.0000	100.0000	46
SQM Salar S.A.	79.626.800-K	Chile	US$	18.1800	81.8200	100.0000	1,
Comercial Hydro S.A.	96.801.610-5	Chile	Chilean peso	-	60.6383	60.6383	7,
SQM Industrial S.A.	79.947.100-0	Chile	US$	99.0470	0.9530	100.0000	1,
Minera Nueva Victoria S.A..	78.602.530-3	Chile	US$	99.000	1.0000	100.0000	12
Exploraciones Mineras S.A.	76.425.380-9	Chile	US$	0.2691	99.7309	100.0000	31
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	76.534.490-5	Chile	Chilean peso	-	100.0000	100.0000	73
Soquimich Comercial S.A.	79.768.170-9	Chile	US$	-	60.6383	60.6383	15
Agrorama Callegari Ltda.	76.064.419-6	Chile	Chilean peso	-	42.4468	42.4468	6,
SQM North America Corp.	Foreign	United States	US$	40.0000	60.0000	100.0000	12

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2010

				Ownership interest			Assets	L
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	ThUS$	T
RS Agro Chemical Trading A.V.V.	Foreign	Aruba	US$	98.3333	1.6667	100.0000	5,227	
Nitratos Naturais do Chile Ltda.	Foreign	Brazil	US$	-	100.0000	100.0000	295	
Nitrate Corporation of Chile Ltd.	Foreign	United Kingdom	US$	-	100.0000	100.0000	5,076	
SQM Corporation N.V.	Foreign	Dutch Antilles	US$	0.0002	99.9998	100.0000	53,276	
SQM Perú S.A.	Foreign	Peru	US$	0.9800	99.0200	100.0000	15,642	
SQM Ecuador S.A.	Foreign	Ecuador	US$	0.0040	99.9960	100.0000	8,787	
SQM Brasil Ltda.	Foreign	Brazil	US$	2.7900	97.2100	100.0000	370	
SQI Corporation N.V.	Foreign	Dutch Antilles	US$	0.0159	99.9841	100.0000	10	
SQMC Holding Corporation L.L.P.	Foreign	Aruba	US$	0.1000	99.9000	100.0000	9,999	
SQM Japan Co. Ltd.	Foreign	Japan	US$	1.0000	99.0000	100.0000	2,073	
SQM Europe N.V.	Foreign	Belgium	US$	0.8600	99.1400	100.0000	358,668	
SQM Italia SRL	Foreign	Italy	US$	-	100.0000	100.0000	1,377	
SQM Indonesia S.A.	Foreign	Indonesia	US$	-	80.0000	80.0000	5	
North American Trading Company	Foreign	United States	US$	-	100.0000	100.0000	306	
SQM Virginia LLC	Foreign	United States	US$	-	100.0000	100.0000	29,213	
SQM Comercial de México S.A. de C.V.	Foreign	Mexico	US$	0.0013	99.9987	100.0000	59,742	

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2010

				Ownership interest			Assets
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	ThUS$
SQM investment Corporation N.V.	Foreign	Dutch Antilles	US$	1.0000	99.0000	100.0000	71,651
Royal Seed Trading Corporation A.V.V.	Foreign	Aruba	US$	1.6700	98.3300	100.0000	88,567
SQM Lithium Specialties LLP	Foreign	United States	US$	-	100.0000	100.0000	15,789
Soquimich SRL Argentina	Foreign	Argentina	US$	-	100.0000	100.0000	472
Comercial Caimán Internacional S.A.	Foreign	Panama	US$	-	100.0000	100.0000	339
SQM France S.A.	Foreign	France	US$	-	100.0000	100.0000	351
Administración y Servicios Santiago S.A. de C.V.	Foreign	Mexico	US$	-	100.0000	100.0000	47
SQM Nitratos México S.A. de C.V.	Foreign	Mexico	US$	-	51.0000	51.0000	28
Soquimich European Holding B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	140,106
Fertilizantes Naturales S.A	Foreign	Spain	US$	-	66.6750	66.6750	16,505
Iodine Minera B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	10,122
SQM Africa Pty Ltd.	Foreign	South Africa	US$	-	100.0000	100.0000	38,610
SQM Venezuela S.A.	Foreign	Venezuela	US$	-	100.0000	100.0000	80
SQM Oceania Pty Ltd.	Foreign	Australia	US$	-	100.0000	100.0000	1,466
SQM Agro India Pvt. Ltd.	Foreign	India	US$	-	100.0000	100.0000	235
SQM Beijing Commercial Co. Ltd.	Foreign	China	US$	-	100.0000	100.0000	173
Total							5,681,139

Notes to the consolidated financial statements as of December 31, 2012

Note 5 – Background of consolidated companies (continued)

5.5 Detail of transactions between consolidated companies

a) Transactions conducted in 2012

On November 30, 2012, SQM transferred its 99% ownership interest in Minera Nueva Victoria Limitada to SQM Potasio S.A., which resulted in SQM Potasio S.A. owning 100% of the outstanding shares in this enity. Subsequent to this transaction, the assets and liabilities of Minera Nueva Victoria Limitada were absorbed into SQM Potasio S.A. resulting in the legal dissolution of Minera Victoria Limitada.

b) Transactions conducted in 2011

On April 7, 2011, Agrorama S.A. was incorporated with an ownership interest of Soquimich Comercial S.A. of 99.999% and by Sociedad Productora de Insumos Agrícolas Ltda. of 0.001%. This new company will have share capital of ThCh$100.000 (ThUS$211), its lifespan will be indefinite and its line of business will be the trading and distribution of fertilizers, pesticides and agricultural products or supplies.

In August and September of 2011, SQM Industrial S.A. made capital contributions totalling ThUS$22,017 in its subsidiary SQMC Mexico S.A. de CV. increasing its ownership interest to 99.8739% .

In September 2011, Soquimich European Holding B.V., acquired from its associate, Nutrisi Holding N.V. a 66.6% ownership interest in Fertilizantes Naturales S.A. for ThUS$3,179.

In December, 2011, Comercial Agrorama Callegari Ltda. changed its name to “Comercial Agrorama Limitada” and Fertilizantes Naturales S.A. changed its name to “SQM Iberian S.A.”

In December 2011, Soquimich European Holding B.V. sold its 50% ownership interest in Nutrisi Holding N.V. for ThUS$5,736.

c) **Transactions conducted in 2010**

In February , 2010, SQM Beijing Commercial Co. Ltd. was formed, to which SQM Industrial S.A. contributed capital of ThUS$100, obtaining an equity interest of 100%.

Notes to the consolidated financial statements as of December 31, 2012

Note 6 – Cash and cash equivalents

6.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

a) Cash	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Cash on hand	90	73	83
Cash in banks	41,541	34,659	22,255
Other demand deposits	833	3,291	2,011
Total cash	42,464	38,023	24,349

b) Cash equivalents	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Short-term deposits	139,943	263,396	375,058
Short-term investments	141,946	143,573	125,245
Total cash equivalents	281,889	406,969	500,303
Total cash and cash equivalents	324,353	444,992	524,652

6.2 Short-term investments, classified as cash equivalents

Short-term investments consist of the following investments in US$ short-term fixed rate liquidity funds:

Institution	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Legg Mason - Western Asset Institutional Liquid Reserves	47,408	47,162	52,576
BlackRock - Institutional cash series PLC	47,490	48,025	36,712
JP Morgan USD Dollar Liquidity Fund Institutional	47,048	48,386	35,957

Total	141,946	143,573	125,245

Notes to the consolidated financial statements as of December 31, 2012

Note 6 – Cash and cash equivalents (continued)

6.3 Information on cash and cash equivalents by currency

Cash and cash equivalents classified by currency consist of the following:

Original currency	**12/31/2012**	**12/31/2011**	12.31.2010
	ThUS$	**ThUS$**	**ThUS$**
U.S. Dollar	234,166	308,631	176,703
Chilean Peso (*)	76,712	125,118	331,011
South African Rand	7,421	5,450	8,776
Euro	3,601	3,070	6,784
All other	2,453	2,723	1,378
Total	324.353	444,992	524,652

(*) The Company maintains financial derivative policies to convert CLP (Chilean Peso) term deposits in into U.S. Dollars.

6.4 Amount of significant restricted or (unavailable) cash balances

Cash on hand and in current bank accounts are available resources, and their carrying value is equal to their fair value.

Except as disclosed in note 9.8, there were no significant cash balances with any type of restriction at December 31, 2012, 2011 and 2010.

Notes to the consolidated financial statements as of December 31, 2012

Note 6 – Cash and cash equivalents (continued)

6.5 Short-term deposits, classified as cash equivalents

The detail at the end of each period is as follows:

Receiver of the deposit	Type of deposit	Original Currency	Interest Rate	Placement date	Expiration date	Principal ThUS$	Interest accrued to-date ThUS$	12/31/20 ThUS$
Banco Crédito e Inversiones	Fixed term	Chilean peso	0,49	12/10/2012	01/17/2013	25.290	87	25.377
Banco Crédito e Inversiones	Fixed term	Chilean peso	0,50	12/07/2012	02/07/2013	12.299	49	12.348
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-
Banco Santander-Santiago	Fixed term	Chilean peso	0,49	12/06/2012	0103/2013	11.609	47	11.656
Banco Santander-Santiago	Fixed term	Chilean peso	0,49	12/06/2012	01/03/2013	7.493	30	7.523
Banco Santander-Santiago	Fixed term	Chilean peso	0,45	12/28/2012	01/10/2013	6.252	3	6.255
Banco Santander-Santiago	Fixed term	US$	1,12	12/07/2012	02/07/2013	8.005	6	8.011
Banco Santander-Santiago	Fixed term	US$	0,70	12/21/2012	01/07/2013	3.500	1	3.501
Banco Santander Santiago	Fixed term	US$	0,70	12/21/2012	01/07/2013	3.500	1	3.501
Citibank New – York	Overnight	US$	0,01	12/31/2012	12/01/2013	20.146	-	20.146
Citibank New – York	Overnight	US$	0,01	12/31/2012	01/01/2013	1.181	-	1.181
Citibank New – York	Overnight	US$	0,01	12/31/2012	01/01/2013	17.256	-	17.256
Citibank New – York	Overnight	US$	0,01	12/31/2012	01/03/2013	10.605	-	10.605
Citibank New – York	Overnight	US$	0,01	12/31/2012	01/02/2013	2.582	-	2.582
Corpbanca	Fixed term	Chilean peso	0,53	12/26/2012	02/01/2013	9.990	-	9.999
Corpbanca	-	-	-	-	-	-	-	-
Corpbanca	-	-	-	-	-	-	-	-
Corpbanca	-	-	-	-	-	-	-	-
IDBI Bank	-	-	-	-	-	-	-	-

Banco BBVA Chile	Fixed term	Indian rupee	-	12/31/2012	01/31/2013	2	-	2
Banco de Chile	-	-	-	-	-	-	-	-
Banco de Chile	-	-	-	-	-	-	-	-
Banco de Chile	-	-	-	-	-	-	-	-
Banco de Chile	-	-	-	-	-	-	-	-
Banco de Chile	-	-	-	-	-	-	-	-
Banco de Chile	-	-	-	-	-	-	-	-
Banco de Chile	-	-	-	-	-	-	-	-
Banco Estado	-	-	-	-	-	-	-	-
Banco Santander Santiago	-	-	-	-	-	-	-	-
Banco Security	-	-	-	-	-	-	-	-
Banco Security	-	-	-	-	-	-	-	-

Notes to the consolidated financial statements as of December 31, 2012

Note 6 – Cash and cash equivalents (continued)

6.5 Short-term deposits, classified as cash equivalents, continued

The detail at the end of each period is as follows:

Receiver of the deposit	Type of Deposit	Original Currency	Interest Rate	Placement date	Expiration date	Principal ThUS$	Interest accrued ThUS$	12.31.2 ThUS$
Corpbanca	Fixed term	US Dollar	1.30	10/18/2011	01/11/2012	16,000	43	-
Corpbanca	Fixed term	US Dollar	2.60	12/20/2011	01/19/2012	20,000	16	-
Corpbanca	Fixed term	US Dollar	2.75	12/21/2011	01/25/2012	10,024	8	-
Corpbanca	Fixed term	US Dollar	2.75	12/21/2011	01/25/2012	10,000	8	-
IDBI Bank	Fixed term	Rupia Hindú	-	12/31/2011	01/31/2012	2	-	-
Scotiabank Sud Americano	-	-	-	-	-	-	-	-
Total								139,9

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Notes to the consolidated financial statements as of December 31, 2012

Note 7 - Inventory

Inventory consists of the following:

Type of inventory	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Raw materials	8,675	10,111	7,120
Supplies for production	37,919	31,602	21,398
Products-in-progress	411,039	356.038	291,536
Finished products	438,603	346.651	285,047
Total	896,236	744,402	605,101

Inventory reserves recognized as of December 31, 2012, 2011 and 2010 amounted to ThUS$72,687, ThUS$58,220, and ThUS$63,597, respectively. Inventory reserves have been made based on a technical studies covering different variables affecting products in stock such as density, humidity, and others. Reserves are also recognized for lower of cost or market assessments, and for differences that arise from inventory counts.

Reserves by inventory class are as follows:

Type of inventory	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Raw material reserves	93	593	593
Supplies for production reserves	500	500	500
Products-in-progress reserves	46,635	33,811	43,115
Finished product reserves	25,459	23,316	19,389
Total	72,687	58,220	63,597

The Company has not pledged inventory as collateral for the periods indicated above.

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Notes to the consolidated financial statements as of December 31, 2012

Note 8 – Related party disclosures

8.1 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. The Company has not recorded any impairment in accounts receivable related to amounts owed by related parties based on evaluations conducted each reporting period through an examination of the financial position of the related party in the market in which they operates.

8.2 Detailed identification of the link between the company and its related parties

Details of the Company's related parties is as follows:

Tax ID no.	Name	Country of origin	Functional currency	Nature
77.557.430-5	Sales de Magnesio Ltda.	Chile	Chilean peso	Associate
Foreign	Abu Dhabi Fertilizer Industries WWL	United Arab Emirates	Arab Emirates dirham	Associate
Foreign	Doktor Tarsa Tarim Sanayi AS	Turkey	Turkish lira	Associate
Foreign	Ajay North America	United States	US$	Associate
Foreign	Ajay Europe SARL	France	Euro	Associate
Foreign	SQM Eastmed Turkey	Turkey	Euro	Associate
Foreign	SQM Thailand Co. Ltd.	Thailand	Bath Tailandés	Associate
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	China	US$	Joint business
Foreign	Coromandel SQM	India	Indian rupee	Joint business
Foreign	SQM Vitas Fzco.	United Arab Emirates	Arab Emirates dirham	Joint business
Foreign	SQM Star Qingdao Crop Nutrition Co., Ltd.	China	US$	Joint business
Foreign	Kowa Company Ltd.	Japan	US$	Other related parties
96.511.530-7	Sociedad de Inversiones Pampa Calichera	Chile	US$	Other related parties
79.049.778-9	Callegari Agricola S.A.	Chile	Chilean peso	Other related parties
Foreign	Coromandel Internacional	India	Indian rupee	Other related parties

Foreign	Vitas Roullier SAS	France	Euro	Other related parties
Foreign	SQM Vitas Brasil Agroindustria	Brazil	US$	Joint business or significant influence
Foreign	SQM Vitas Perú S.A.C.	Peru	US$	Joint business or significant influence
Foreingn	SQM Vitas Southem Africa Pty.	South Africa	US$	Joint business or significant influence
Foreign	Misr Speciality Fertilizers(*)	Egypt	Egyptian pound	Associate
Foreign	NU3 N.V. (a)	Belgium	Euro	Associate
Foreign	NU3 B.V. (a)	The Netherlands	Euro	Associate

A detail listing of the Company’s subsidiaries is provided in note 5.4.

Notes to the consolidated financial statements as of December 31, 2012

Note 8 – Related party disclosures (continued)

8.2 Detail of related parties and transactions with related parties

Transactions between the Parent (SQM S.A.) 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, 2012, 2011 and 2010, there were no allowances for doubtful accounts related to balances pending of transactions with related parties as there was no impairment to them.

Set forth below are the transactions with related parties as of December 31, 2012, 2011and 2010.

Tax ID No.	Company	Nature	Country of origin	Transaction	12/31/2012 ThUS$	12/31/2011 ThUS$	12/ Th
Foreign	Doktor Tarsa Tarim Sanayi As	Associate	Turkey	Sale of products	9,587	26,748	12
Foreign	Ajay Europe S.A.R.L.	Associate	France	Sale of products	37,232	27,743	22
Foreign	Ajay Europe S.A.R.L.	Associate	France	Dividends	3,564	824	62
Foreign	Ajay North America LLC.	Associate	United States	Sale of products	42,081	47,501	35
Foreign	Ajay North America LLC.	Associate	United States	Dividends	10,175	1,499	
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	Sale of products	6,285	8,234	12
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	Dividends	525	-	-
Foreign	NU3 B.V.	Associate	The Netherlands	Sale of products	-	15,708	12
Foreign	NU3 B.V.	Associate	The Netherlands	Services sales	-	-	10
Foreign	NU3 N.V.	Associate	Belgium	Sale of products	-	9,993	12
Foreign	SQM Thailand Co. Ltd.	Associate	Thailand	Sale of products	10,203	7,355	1,
Foreign	Misr Speciality Fertilizers	Associate	Egypt	Sale of products	-	-	50

Notes to the consolidated financial statements as of December 31, 2012

Note 8 – Related party disclosures (continued)

8.2 Detail of related parties and transactions with related parties, continued

Tax ID No.	Company	Nature	Country of origin	Transaction	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Foreign	SQM Thailand Co. Ltd.	Associate	Thailand	Dividends	11	-	-
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Sale of products	1,472	-	834
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Dividends	1,052	491	-
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Services sales	-	-	353
Foreign	Kowa Company Ltd.	Other related parties	Japan	Sale of products	123,581	138,818	94,611
78.062.420-5	Minera Saskatchewan Ltda. (PCS)	Other related parties	Chile	Services sales	-	-	423
Foreign	SQM Vitas Brasil Agroindustria	Joint control or significant influence	Brazil	Sale of products	40,518	34,514	-
Foreign	SQM Vitas Perú S.A.C.	Joint control or significant influence	Peru	Sale of products	26,123	13,608	-
Foreign	SQM Vitas Southern Africa Pty.	Joint control or significant influence	South Africa	Sale of products	10,930	2,287	-
Foreign	SQM Vitas Fzco.	Joint venture	United Arab Emirates	Sale of products	120	1,562	-
Foreing	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint Venture	China	Services sales	62	-	-
Foreing			India	Sale of products	2,300	-	-

Coromandel	Joint
SQM	Venture

Notes to the consolidated financial statements as of December 31, 2012

Note 8 – Related party disclosures (continued)

8.3 Trade receivables due from related parties, current:

Tax ID No.	Name	Nature	Country of origin	Currency	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Chilean peso	303	685	106
Foreign	SQM Thailand Co. Ltd.	Associate	Thailand	US$	6,098	5,521	656
Foreign	Doktor Tarsa Tarim Sanayi AS	Associate	Turkey	US$	-	3,899	-
Foreign	Ajay Europe S.A.R. L.	Associate	France	US$	4,775	4,603	2,043
Foreign	Ajay North America LLC.	Associate	United States	US$	4,633	7,387	2,666
Foreign	Abu Dhabi Fertilizer Industries	Associate	United Arab Emirates	US$	1,805	4,587	4,517
Foreign	WWL Misr Speciality Fertilizers	Associate	Egypt	US$	-	199	335
Foreign	Kowa Company Ltd.	Jointly controlled entity	Japan	US$	29,929	44,188	23,134
96.511.530-7	Soc.de Inversiones Pampa Calichera	Jointly controlled entity	Chile	US$	8	8	8
Foreign	SQM Star Qingdao Corp Nutrition Co. Ltd	Joint venture	China	US$	27	71	-
Foreign	SQM Vitas Brasil Agroindustria	Joint venture	Brazil	US$	27,903	27,523	-
Foreign	SQM Vitas Perú S.A.C.	Joint venture	Peru	US$	18,143	17,534	-

Foreign	SQM Vitas Southern Africa PTY	Joint venture	South Africa	US$	1,478	597	-
Foreign	Coromandel SQM	Joint venture	India	Indian rupee	756	23	-
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint venture	China	US$	4,000	-	-
79.049.778-9	Callegari Agrícola S.A.	Other related parties	Chile	Chilean peso	844	314	6
Foreing	Coromandel Internacional	Other related parties	India	Indian rupee	670	-	-
Foreing	Nutrisi Holding N.V.	Associate	Belgium	Euro	-	-	1,618
Foreing	NU3 B.V.	Associate	The Netherlands	Euro	-	-	1,083
Total to-date					101,372	117,139	36,172

Notes to the consolidated financial statements as of December 31, 2012

Note 8 – Related party disclosures (continued)

8.3 Trade payables due to related parties, current:

Tax ID No.	Name	Nature	Country of origin	Currency	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Foreign	SQM Vitas Fzco Doktor Tarsa	Joint venture	United Arab Emirates	Arab Emirates dirham	19	873	2,614
Foreign	Tarim Sanayi AS	Associate	Turkey	US Dollar	-	-	73
Foreign	NU3 N.V. SQM	Associate	Belgium	US Dollar	-	-	270
Foreign	Coromandel Fertilizers Limited	Joint venture	India	Rupee	-	-	581
Total to-date					19	873	3,538

Notes to the consolidated financial statements as of December 31, 2012

Note 8 – Related party disclosures (continued)

8.4 Board of directors and senior management

1) Board of directors

The Company is managed by a Board of Directors which is composed of eight regular directors who are elected for a three-year period. The present Board of Directors was elected by the shareholders at the Ordinary Shareholders' Meeting of April 28, 2011.

As of December 31, 2012, the Company has an Audit Committee made up of three members of the Board of Directors. This Committee performs those duties provided in Article 50 bis of Law No. 18,046 of the Chilean Corporation Act.

During the periods covered by these financial statements, there were no pending balances receivable and payable between the Company, its directors or members of Senior Management other than those related to remuneration, fee allowances and profit-sharing. In addition, there were no transactions conducted between the Company, its directors or members of Senior Management.

2) Directors' Compensation

For the years ended December 31, 2012, 2011 and 2010, Directors' compensation was as follows:

a) A payment of a monthly fixed gross amount of UF 300 to the Chairman of the Company's Board of Directors and UF 50 in favor of the seven remaining board members regardless of their attendance at Board meetings or the number of meetings attended during the related month.

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 0.35% of profit for the period effectively earned by the Company during each fiscal year.

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 0.04% of profit for the period effectively earned by the Company during each fiscal year.

d) The fixed and variable amounts indicated above will not be subject to any charge between them, and those expressed as a percentage will be paid immediately after the shareholders at the respective Annual General Shareholders' Meeting of the Company approve the consolidated financial statements, the annual report, the report by the account inspectors and the report of external auditors for each fiscal year.

Notes to the consolidated financial statements as of December 31, 2012

Note 8 – Related party disclosures (continued)

8.4 Board of directors and senior management, continued

The remuneration of the Audit Committee is detailed as follows:

a) A payment of a monthly, fixed and gross amount of UF 17 in favor of each of the three Directors who are a part of the Company's Audit Committee regardless of the number of meetings conducted during the respective month.

b) A payment in domestic currency and in favor of each of the three Directors of a variable and gross amount equivalent to 0.013% of the Company's profit for the period effectively earned by the Company during fiscal years 2012 and 2011.

3) The remunerations and profit sharing paid to members of the Board of Directors and Audit Committee during 2012, 2011 and 2010 amount to ThUS$3,973, ThUS$3,030, and ThUS$2,869, respectively.

4) As of December 31, 2012, 2011 and 2010, the global compensation paid to the 120 top executives amounted to ThUS$32,888, ThUS$22,509 and ThUS$21,809, respectively. This includes monthly fixed salary and variable performance bonuses.

5) 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 shares and is payable in cash between 2012 and 2016 (See Note 15).

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

7) The Company's Directors and senior managment do not receive or have not received any benefit during the period ended December 31, 2012, 2011 and 2010 or compensation related to pensions, life insurance, paid time off, profit sharing, incentives, or benefits due to disability other than those mentioned in the preceding paragraphs.

8) One of the Company's Board of Directors is member of the Ultramar Group. Operations with between the Company and the Ultramar Group consisted of approximately ThUS$22,577, ThUS$13,751, and ThUS$11,532 for the years ended December 31, 2012, 2011 and 2010, respectively.

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

Notes to the consolidated financial statements as of December 31, 2012

Note 9 – Financial instruments

Financial assets in conformity with IAS 39 are detailed as follows:

9.1 Types of other financial assets

Types of other financial assets	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Other current financial assets (1)	244,161	129,069	69,818
Derivatives (2)	680	14,455	1,362
Hedging assets, current	71,262	25,737	4,998
Total other current financial assets	316,103	169,261	76,178
Other non-current financial assets (3)	107	117	118
Hedging assets, non-current	29,385	30,371	92,556
Total other non-current financial assets	29,492	30,488	92,674

(1) Term deposits with maturities exceeding 90 days from the investment date.

(2) Forwards and options that are not classified as hedging instruments (see detail in Note 9.3).

(3) Guarantees delivered for the lease of offices and investments in Sociedad Garantizadora de Pensiones (ownership interest of 3%).

Detail of other current financial assets

Institution	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Banco Santander	41,691	13,753	-
BBVA	31,579	33,528	-
Banco de Crédito e Inversiones	82,145	17,739	36,251
Banco de Chile	42,992	44,849	10,333

Corpbanca	10,499	19,200	18,031
Banco Scotiabank	25,141	-	-
Banco Itau	10,114	-	5,203
Total	244,161	129,069	69,818

9.2 Trade and other receivables, current and non-current

	12/31/2012			12/31/2011		
	Current ThUS$	Non-current ThUS$	Total ThUS$	Current ThUS$	Non-current ThUS$	Total ThUS$
Trade receivables	490,770	-	490,770	387,607	-	387,607
Prepayments	14,046	-	14,046	10,706	-	10,706
Other receivables	5,800	1,311	7,111	13,749	1,070	14,819
Total trade and other receivables	510,616	1,311	511,927	412,062	1,070	413,132

Notes to the consolidated financial statements as of December 31, 2012

Note 9 – Financial instruments (continued)

9.2 Trade and other receivables, current and non-current, continued

	12/31/2010		
	Current ThUS$	Non-current ThUS$	Total ThUS$
Trade receivables	350,720	-	350,720
Prepayments	16,300	-	16,300
Other receivables	8,925	1,102	10,027
Total trade and other receivables	375,945	1,102	377,047

Notes to the consolidated financial statements as of December 31, 2012

Note 9 – Financial instruments, (continued)

9.2 Trade and other receivables, continued

	12/31/2012			12/31/2011		
	Assets before allowances	Allowance for doubtful trade receivables	Assets for trade receivables, net	Assets before allowances	Allowance for doubtful trade receivables	Assets for trade receivables, net
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Receivables related to credit operations, current	507,562	(16,792)	490,770	404,320	(16,713)	387,607
Trade receivables, current	507,562	(16,792)	490,770	404,320	(16,713)	387,607
Prepayments, current	14,046	-	14,046	10,706	-	10,706
Other receivables, current	7,801	(2,001)	5,800	15,709	(1,960)	13,749
Trade and other receivables, current	529,409	(18,793)	510,616	430,735	(18,673)	412,062
Other receivables, non-current	1,311	-	1,311	1,070	-	1,070
Non-current receivables	1,311	-	1,311	1,070	-	1,070
Total trade and other receivables	530,720	(18,793)	511,927	431,805	(18,673)	413,132

	12/31/2010		
	Assets before allowances	Allowance for doubtful trade receivables	Assets for trade receivables, net
	ThUS$	ThUS$	ThUS$
Receivables related to credit operations, current	367,546	(16,825)	350,721
Trade receivables, current	367,546	(16,825)	350,721
Prepayments, current	16,337	-	16,337
Other receivables, current	10,944	(2,057)	8,887
Trade and other receivables, current	394,827	(18,882)	375,945

Other receivables, non-current	1,102	-	1,102
Non-current receivables	1,102	-	1,102
Total trade and other receivables	395,929	(18,882)	377,047

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Notes to the consolidated financial statements as of December 31, 2012

Note 9 – Financial instruments (continued)

9.2 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, 2012 as of December 31, 2011, and December 31, 2010 the detail of the unsecuritized portfolio is as follows:

12/31/2012

	Not overdue	1 - 30 days	31 and 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, non-renegotiated portfolio	2,666	2,241	545	409	367	308	325	279	311	33,724	41,041
Non-renegotiated portfolio, gross	412,557	20,121	1,259	46,268	38	129	395	10,140	794	15,862	507,562
Number of customers, renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Renegotiated portfolio, gross	-	-	-	-	-	-	-	-	-	-	-
Total portfolio, gross	412,557	20,121	1,259	46,268	38	129	395	10,140	794	15,862	507,562

12/31/2011

	Not overdue	1 - 30 days	31 and 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, non-renegotiated portfolio	5,369	1,701	640	401	340	340	332	335	340	2,147	11,945
Non-renegotiated portfolio, gross	348,299	27,945	4,778	12,058	817	87	407	103	299	8,673	403,466
Number of customers, renegotiated portfolio	1	2	-	-	-	-	-	-	-	-	3
Renegotiated portfolio, gross	504	350	-	-	-	-	-	-	-	-	854
Total portfolio, gross	348,803	28,295	4,778	12,058	817	87	407	103	299	8,673	404,320

Notes to the consolidated financial statements as of December 31, 2012

Note 9 – Financial instruments (continued)

9.2 Trade and other receivables, continued

Portfolio stratification, continued

12/31/2010

	Not overdue ThUS$	1 - 30 days ThUS$	31 and 60 days ThUS$	61 - 90 days ThUS$	91 - 120 days ThUS$	121 - 150 days ThUS$	151 - 180 days ThUS$	181 - 210 days ThUS$	211 - 250 days ThUS$	Over 250 days ThUS$	Total ThUS$
Number of customers, non-renegotiated portfolio	3,004	933	331	214	176	172	172	172	175	1,168	6,514
Non-renegotiated portfolio, gross	306,960	19,392	2,436	23,531	345	87	323	4,133	441	9,898	367,546
Number of customers, renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Renegotiated portfolio, gross	3,004	933	331	214	176	172	172	172	175	1,168	6,514
Total portfolio, gross	306,960	19,392	2,436	23,531	345	87	323	4,133	441	9,898	367,546

The detail of allowance is as follows:

Allowance and write-offs	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Allowance for non-renegotiated portfolio	20,191	21,961	19,000
Write-offs for the period	(1,398)	(3,288)	(118)
Total	18,793	18,673	18,882

a) Credit risk concentration

Credit risk concentrations with respect to trade receivables are reduced due to the large number of entities included in the Company’s client database and their distribution throughout the world.

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Notes to the consolidated financial statements as of December 31, 2012

Note 9 – Financial instruments (continued)

9.3 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 relating to 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, 2012. The face value of cash flows in Cross Currency Swap contracts agreed upon in U.S. Dollars amounted to ThUS$515,156 as of December 31, 2011 such contracts amounted to ThUS$ 405,486, and as of December 31, 2010 such contracts amounted to ThUS$ 410,618.

Hedging assets	Derivative instruments (CCS)	Effect on profit or loss for the year, derivative instruments	Hedging reserve in gross equity	Deferred tax hedging reserve in equity	Hedging reserve in equity
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
December 31, 2012	100,647	49,853	(18,419)	3,684	(14,735)
December 31, 2011	56,108	(39,718)	(12,184)	2,104	(10,080)
December 31, 2010	97,553	46,936	(11,093)	1,886	(9,207)

Hedging liabilities	Derivative instruments (IRS)	Effect on profit or loss for the year, derivative instruments	Hedging reserve in gross equity	Deferred tax hedging reserve in equity	Hedging reserve in equity
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
December 31, 2012	1,879	27	(1,786)	-	(1,786)
December 31, 2011	270	(120)	(150)	-	(150)
December 31, 2010	-	-	-	-	-

Amounts recorded in the effect on profit or loss column consider the mark - market effects of the contracts in force as of December 31, 2012, 2011 and 2010.

Notes to the consolidated financial statements as of December 31, 2012

Note 9 – Financial instruments (continued)

9.3 Hedging assets and liabilities, continued

Derivative contract maturities are detailed as follows:

Series	Contract amount ThUS$	Currency	Maturity date
C	71,841	UF	12/01/2026
G	33,673	Chilean peso	01/05/2014
H	146,360	UF	01/05/2013
I	56,041	UF	04/01/2014
J	92,440	Chilean peso	04/01/2014
M	46,463	UF	02/01/2017
O	68,338	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.

a) Fair value hedge

Changes in fair values of derivative instruments classified as fair value hedge derivative instruments are accounted for in gains and losses immediately along with any change in the fair value of the hedged item that is attributable to the risk being hedged.

The Company documents the relationship between hedge instruments and the hedged item along with the objectives of its risk management and strategy to carry out different hedging transactions. In addition, upon commencement of the period hedged and then on a quarterly basis the Company documents whether hedge instruments have been efficient and met the objective of hedging market fluctuations for the purpose of which we use the effectiveness test. A hedge instrument is deemed effective if the effectiveness test result is between 80% to 120%.

The hedge instruments are classified as effective or not effective on the basis of the effectiveness test results. This note includes the detail of fair values of derivatives classified as hedging instruments.

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.3 Hedging assets and liabilities, continued

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.

9.4 Financial liabilities

Other current and non-current financial liabilities

As of December 31, 2012, 2011 and 2010, the detail is as follows:

	12/31/2012			12/31/2011		
	Current ThUS$	Non-current ThUS$	Total ThUS$	Current ThUS$	Non-current ThUS$	Total ThUS$
Bank loans	122,373	379,119	501,492	141,436	329,150	470,586
Obligations with the public (bonds payable)	20,135	1,067,075	1,087,210	17,129	907,877	925,006
Other financial liabilities	10,335	-	10,335	2,443	-	2,443
Total	152,843	1,446,194	1,599,037	161,008	1,237,027	1,398,035

	12/31/2010		
	Current ThUS$	Non current ThUS$	Total ThUS$
Bank loans	150,958	140,000	290,958

Obligations with the public (bonds payable)	18,244	950,188	968,432
Other financial liabilities	18,353	-	18,353
Total	187,555	1,090,188	1,277,743

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities

Other current and non-current financial liabilities

The detail of current and non-current loans assumed

	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Long-term loans	379,119	329,150	140,000
Short-term loans	120,921	140,538	150,030
Current portion of long-term loans	1,452	898	928
Short-term loans and current portion of long-term loans	122,373	141,436	150,958
Total loans assumed	501,492	470,586	290,958

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

a) Bank loans, current are as follows:

Debtor			Creditor					
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	Currency or adjustment index	Amortization	Effecti rate
93.007.000-9	SQM.S.A.	Chile	97.030.000-7	Banco Estado	Chile	US$	Upon maturity	1.70%
93.007.000-9	SQM.S.A.	Chile	97.030.000-7	Banco Estado	Chile	US$	Upon maturity	1.09%
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	3.01%
79.626.800-K	SQM Salar S.A.	Chile	97.032.000-8	Banco BBVA Chile	Chile	US$	Upon maturity	1.90%
79.626.800-K	SQM Salar S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US$	Upon maturity	1.03%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US$	Upon maturity	1.83%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	Canada	US$	Upon maturity	1.81%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US$	Upon maturity	1.60%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US$	Upon maturity	1.92%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York)	United States	US$	Upon maturity	1.49%
79.947.100-0	SQM Industrial S.A.	Chile	97.030.000-7	Banco Estado	Chile	US$	Upon maturity	1.64%
79.947.100-0	SQM Industrial S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US$	Upon maturity	1.04%
Total								
Borrowing costs								
Total								

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

Debtor			Creditor					
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	Currency or adjustment index	Amortization	Effective rate
93.007.000-9	SQM.S.A.	Chile	97.032.000-8	Banco BBVA Chile	United States	US$	Upon maturity	1.00%
93.007.000-9	SQM.S.A.	Chile	97.030.000-7	Banco Estado	United States	US$	Upon maturity	0.95%
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	3.02%
79.626.800-K	SQM Salar S.A.	Chile	97.030.000-7	Banco Estado	Chile	US$	Upon maturity	1.24%
79.626.800-K	SQM Salar S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US$	Upon maturity	1.03%
79.626.800-K	SQM Salar S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US$	Upon maturity	0.75%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US$	Upon maturity	2.56%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	United States	US$	Upon maturity	2.36%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US$	Upon maturity	1.74%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York)	United States	US$	Upon maturity	2.17%
79.947.100-0	SQM Industrial S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US$	Upon maturity	1.58%
79.947.100-0	SQM Industrial S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US$	Upon maturity	0.70%
Total								
Borrowing costs								
Total								

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

Debtor			Creditor					
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	Currency or adjustment index	Amortization	Ef ra
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	3
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	3
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	2
93.007.000-9	SQM S.A.	Chile	97.032.000-8	BBVA Banco Bilbao Vizcaya Argentaria	Chile	US$	Upon maturity	0
93.007.000-9	SQM S.A.	Chile	97.032.000-8	BBVA Banco Bilbao Vizcaya Argentaria	Chile	US$	Upon maturity	0
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	ING Capital LLC	United States	US$	Upon maturity	1
Total								
Borrowing costs								
Total								

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

b) Unsecured obligations, current:

The detail of current unsecured interest-bearing obligations is composed of promissory notes and bonds, as follows:

Bonds

Debtor							Periodicity		
TAX ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Adjustment index for the bond	Payment of interest	Repayment	Effective rate
93.007.000-9	SQM S.A	Chile	-	Single	04/15/2013	US$	Semi-annual	Upon maturity	6.32%
93.007.000-9	SQM S.A	Chile	-	Single	04/21/2013	US$	Semi-annual	Upon maturity	5.70%
93.007.000-9	SQM S.A	Chile	446	C	06/01/2013	UF	Semi-annual	Semi-annual	4.44%
93.007.000-9	SQM S.A	Chile	563	G	01/05/2013	Ch$	Semi-annual	Upon maturity	7.50%
93.007.000-9	SQM S.A	Chile	564	H	01/05/2013	UF	Semi-annual	Semi-annual	5.10%
93.007.000-9	SQM S.A	Chile	563	I	04/01/2013	UF	Semi-annual	Upon maturity	3.35%
93.007.000-9	SQM S.A	Chile	563	J	04/01/2013	Ch$	Semi-annual	Upon maturity	6.23%
93.007.000-9	SQM S.A.	Chile	700	M	02/01/2013	UF	Semi-annual	Upon maturity	3.62%
93.007.000-9	SQM S.A.	Chile	699	O	02/01/2013	UF	Semi-annual	Upon maturity	3.95%
			Total						
			Bond issue costs						
			Total						

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.

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

Debtor							Periodicity			
Tax ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Adjustment index for the bond	Payment of interest	Repayment	Effective rate	Nom rate
93.007.000-9	SQM S.A	Chile	-	Single	04/15/2012	US$	Semi-annual	Upon maturity	6.32%	6.13
93.007.000-9	SQM S.A	Chile	-	Single	04/21/2012	US$	Semi-annual	Upon maturity	5.70%	5.50
93.007.000-9	SQM S.A	Chile	446	C	06/01/2012	UF	Semi-annual	Semi-annual	4.44%	4.00
93.007.000-9	SQM S.A	Chile	563	G	01/05/2012	Ch$	Semi-annual	Upon maturity	7.50%	7.00
93.007.000-9	SQM S.A	Chile	564	H	01/05/2012	UF	Semi-annual	Semi-annual	5.10%	4.90
93.007.000-9	SQM S.A	Chile	563	I	04/01/2012	UF	Semi-annual	Upon maturity	3.35%	3.00
93.007.000-9	SQM S.A	Chile	563	J	04/01/2012	Ch$	Semi-annual	Upon maturity	6.23%	5.50
			Total							
			Bond issue costs							
			Total							

Debtor							Periodicity			
Tax ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Adjustment index for the bond	Payment of interest	Repayment	Effective rate	Nom rate
93.007.000-9	SQM S.A	Chile	-	Single	04/15/2012	US$	Semi-annual	Upon maturity	6.69%	6.13
93.007.000-9	SQM S.A	Chile	-	Single	04/21/2012	US$	Semi-annual	Upon maturity	5.93%	5.50
93.007.000-9	SQM S.A	Chile	446	C	06/01/2012	UF	Semi-annual	Semi-annual	6.56%	4.00
93.007.000-9	SQM S.A	Chile	563	G	01/05/2012	Ch$	Semi-annual	Upon maturity	7.53%	7.00
93.007.000-9	SQM S.A	Chile	564	H	01/05/2012	UF	Semi-annual	Semi-annual	6.29%	4.90
93.007.000-9	SQM S.A	Chile	563	I	04/01/2012	UF	Semi-annual	Upon maturity	5.36%	3.00
93.007.000-9	SQM S.A	Chile	563	J	04/01/2012	Ch$	Semi-annual	Upon maturity	6.64%	5.50
			Total							
			Bond issue costs							
			Total							

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Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

c) Types of non-current interest-bearing loans

Non-current interest-bearing loans as of December 31, 2012 and December 31, 2011 are detailed as follows:

Non-current interest-bearing bank loans

Debtor			Creditor						
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	Currency or adjustment index	Repayment	Effective rate	Nominal rate
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	3.01%	2.69%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US$	Upon maturity	1.60%	1.54%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US$	Upon maturity	1.92%	1.62%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US$	Upon maturity	1.83%	1.52%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	Canada	US$	Upon maturity	1.81%	1.46%
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Ltd (New York)	United States	US$	Upon maturity	1.49%	1.26%
Total									
Borrowing costs									
Total									

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Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

Debtor			Creditor						
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	Currency or adjustment index	Repayment	Effecti rate	
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	3.02%	
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US$	Upon maturity	1.74%	
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US$	Upon maturity	2.56%	
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development	Cayman Islands	US$	Upon maturity	2.36%	
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Ltd (New York)	United States	US$	Upon maturity	2.17%	
Total									
Borrowing costs									
Total									

Debtor			Creditor						
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	Currency or adjustment index	Repayment	Effective rate	Nominal rate
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	2.55%	2.55%
Total									
Borrowing costs									
Total									

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

d) Non-current unsecured interest-bearing bonds

The breakdown of non-current unsecured interest-bearing bonds as of December 31, 2012, 2011 and 2010 is detailed as follows:

Debtor							Periodicity				
Tax ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Payment of interest	Repayment	Effective rate	Nominal rate	1 y T
93.007.000-9	SQM S.A	Chile	-	Single	04/15/2016	US$	Semi-annual	Upon maturity	6.32%	6.13%	
93.007.000-9	SQM S.A	Chile	-	Single	04/21/2020	US$	Semi-annual	Upon maturity	5.70%	5.50%	
93.007.000-9	SQM S.A	Chile	446	C	12/01/2026	UF	Semi-annual	Semi-annual	4.44%	4.00%	
93.007.000-9	SQM S.A	Chile	564	H	01/05/2030	UF	Semi-annual	Semi-annual	7.50%	4.90%	
93.007.000-9	SQM S.A	Chile	563	G	01/05/2014	Ch$	Semi-annual	Upon maturity	5.10%	7.00%	
93.007.000-9	SQM S.A	Chile	563	I	04/01/2014	UF	Semi-annual	Upon maturity	3.35%	3.00%	
93.007.000-9	SQM S.A	Chile	563	J	04/01/2014	Ch$	Semi-annual	Upon maturity	6.23%	5.50%	
93.007.000-9	SQM S.A.	Chile	700	M	02/01/2017	UF	Semi-annual	Upon maturity	3.62%	3.30%	
93.007.000-9	SQM S.A.	Chile	699	O	02/01/2033	UF	Semi-annual	Upon maturity	3.95%	3.80%	
			Total								
			Bond issue costs								
			Total								

Debtor	Periodicity

Tax ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Payment of interest	Repayment	Effective rate	Nomin rate
93.007.000-9	SQM S.A	Chile	-	Single	04/15/2016	US$	Semi-annual	Upon maturity	6,32%	6,13%
93.007.000-9	SQM S.A	Chile	-	Single	04/21/2020	US$	Semi-annual	Upon maturity	5,70%	5,50%
93.007.000-9	SQM S.A	Chile	446	C	12/01/2026	UF	Semi-annual	Semi-annual	4,44%	4,00%
93.007.000-9	SQM S.A	Chile	564	H	01/05/2030	UF	Semi-annual	Semi-annual	7,50%	4,90%
93.007.000-9	SQM S.A	Chile	563	G	01/05/2014	Ch$	Semi-annual	Upon maturity	5,10%	7,00%
93.007.000-9	SQM S.A	Chile	563	I	04/01/2014	UF	Semi-annual	Upon maturity	3,35%	3,00%
93.007.000-9	SQM S.A	Chile	563	J	04/01/2014	Ch$	Semi-annual	Upon maturity	6.23%	5,50%
			Total							
			Bond issue costs							
			Total							

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

Debtor							Periodicity			
Tax ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Payment of interest	Repayment	Effective rate	No rate
93.007.000-9	SQM S.A	Chile	-	Single	04/15/2016	US$	Semi-annual	Upon maturity	7.33%	6.
93.007.000-9	SQM S.A	Chile	-	Single	04/21/2020	US$	Semi-annual	Upon maturity	6.19%	5.
93.007.000-9	SQM S.A	Chile	446	C	12/01/2026	UF	Semi-annual	Semi-annual	6.85%	4.
93.007.000-9	SQM S.A	Chile	564	H	01/05/2030	UF	Semi-annual	Semi-annual	5.79%	4.
93.007.000-9	SQM S.A	Chile	563	G	01/05/2014	Ch$	Semi-annual	Upon maturity	6.93%	7.
93.007.000-9	SQM S.A	Chile	563	I	04/01/2014	UF	Semi-annual	Upon maturity	5.59%	3.
93.007.000-9	SQM S.A	Chile	563	J	04/01/2014	Ch$	Semi-annual	Upon maturity	5.23%	5.
			Total							
			Bond issue costs							
			Total							

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

e) Additional information

Bonds

As of December 31, 2012, 2011 and 2010, ThUS$20,135, ThUS$17,129 and ThUS$18,244, respectively are presented as short-term related to principal, current portion plus interest accrued at that date, not including bond issue costs. The non-current portion, consisting of ThUS$1,067,075, ThUS$907,877 and ThUS$ 950,188 as of December 31, 2012, 2011 and 2010, respectively, related to principal installments of Series C bonds, Single Series bonds, Series G bonds, Series H bonds, Series I bonds, Series J bonds and Single series Second Issue bonds.

The details of each issue are as follows

Series “C” bonds

In January 2006, the Company placed Series C bonds for UF 3,000,000 (ThUS$101,918) at an annual rate of 4.00%.

The Company has made the following payments towards the Series C bonds:

Payments made	12/31/2012	12/31/2011	12/31/2010
	ThUS$	ThUS$	ThUS$
Principal	6,858	6,678	6,298
Interest	4,004	4,169	4,175

Single Series bonds

In April 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.

The Company has made no principal payments and interest payments amounting to ThUS$12,250 for the years ending December 31, 2012, 2011, and 2010, respectively on these bonds:

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

Series “G” and “H” bonds

In January 2009, the Company placed two bond series in the domestic market, Series H for UF 4,000,000 (ThUS$139,216) at an annual interest rate of 4.9% and a term of 21 years with payment of principal beginning in 2019 and Series G for ThCh$ 21,000,000 (ThUS$34,146), which was placed at a term of 5 years with a single payment upon maturity and an annual interest rate of 7%.

The Company has made the following payments on the Series G and H bonds:

	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Payment of interest, Series G bonds	2,845	3,094	2,750
Payment of interest, Series H bonds	8,565	8,989	7,763

Series “J” and “I” bonds

In May 8, 2009, the Company placed two bond series in the domestic market, Series J for ThCh$52,000,000 (ThUS$92,456) which was placed at a term of 5 years with single payment at maturity and annual interest rate of 5.5% and Series I for UF 1,500,000 (ThUS$56,051) which was placed at a term of 5 years with single payment upon maturity and an annual interest rate of 3.00%.

The Company has made the following payments on the Series J and I bonds:

	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Payment of interest, Series J bonds	5,879	5,665	5,588
Payment of interest, Series I bonds	2,100	1,954	1,873

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.4 Financial liabilities, continued

Single series bonds, second issue

In April 2010, the Company informed the SVS 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 annual interest rate of 5.5% which was used to refinance other long-term liabilities.

For the years ended December 31, 2012, 2011, and 2010 the Company has made interest payments totaling ThUS$13,750, ThUS$13,750 and ThUS$6,875, respectively.

Series “M” and “O” bonds

In April 2012 the company placed two series of bonds in the national market. The “series M” of UF 1,000,000 (ThUS$46,601) was placed at a period of 5 years, with a sole amortization when the term ends and with an annual interest rate of 3.3%, and the “series O” of UF 1,500,000 (ThUS$69,901) that was placed at a term of 21 years, with a sole amortization when the term expires and with an annual interest rate of 3.80%.

For the Year ended December 31, 2012, the Company paid interest of ThUS$765 on Series M bonds and ThUS$1,320 on Series O bonds.

Promissory notes with middle-term maturities

On April 2, 2009 the Company issued promissory notes in the local market for an amount of ThCH$ 15,000,000 (ThUS$ 25,770) identified as line 47, Series 1-B, with a maturity of 10 years. The maximum amount to be issued is UF 1,500,000. In 2010, the Company paid ThUS$29,040 in full settlement of these notes.

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Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.5 Trade and other payables

Current trade and other payables consists of the following:

	12/31/2012 Current ThUS$	12/31/2011 Current ThUS$	12/31/2010 Current ThUS$
Accounts payable	207,429	182,552	151,516
Retained (or accrued)	515	480	631
Total	207,944	183,032	152,147

The Company had no long-term trade and other payables as of December 31, 2012, 2011 and 2010, respectively.

Purchase commitments held by the Company are recognized as liabilities when the goods and services are received by the Company. As of December 31, 2012 the Company had open purchase orders amounting to ThUS$127,484 (ThUS$79,045, 2011 and ThUS$51,347 as of December 31, 2011 and 2010, respectively).

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.6 Financial liabilities at fair value through profit or loss

Derivative instruments measured at their fair value through profit or loss consists of the following:

Financial liabilities at fair value through profit or loss	12/31/2012	Effect on profit or loss as of 12/31/2012	12/31/2011	Effect on profit or loss as of 12/31/2011	12/31/2010	Effect on profit or loss as of 12/31/2010
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Curren						
Derivative instruments (forward)	5,612	(4,559)	1,053	(1,053)	15,818	(15,818)
Derivative instruments (options)	2,492	(1,456)	1,036	(1,036)	2,535	(2,533)
Derivative instruments (Swaps)	2,231	(240)	354	(150)	-	-
	10,335	(6,255)	2,443	(2,239)	18,353	(18,355)

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.7 Financial asset and liability categories

a) Financial Assets

Description of financial assets	12/31/2012 Current Amount ThUS$	Non-current Amount ThUS$	Total Amount ThUS$	12/31/2011 Current Amount ThUS$	Non-current Amount ThUS$	Total Amount ThUS$
Financial assets at fair value through profit or loss, classified as held-for-trading	244,161	-	244,161	129,069	-	129,069
Financial assets at fair value through profit or loss, mandatorily measured at fair value	680	-	680	14,455	-	14,455
Financial assets at fair value through profit or loss	244,841	-	244,841	143,524	-	143,524
Investments held to maturity	-	107	107	-	117	117
Loans and receivables	510,616	1,311	511,927	412,062	1,070	413,132
Financial assets at fair value through other comprehensive income	71,261	29,385	100,646	25,737	30,371	56,108
Total financial assets	826,718	30,803	857,521	581,323	31,558	612,881

Description of financial assets	12/31/2010 Current Amount ThUS$	Non-current Amount ThUS$	Total Amount ThUS$
Financial assets at fair value through profit or loss, classified as held-for-trading	69,818	-	69,818
Financial assets at fair value through profit or loss, mandatorily measured at fair value	1,363	-	1,363
Financial assets at fair value through profit or loss	71,181	-	71,181
Investments held to maturity	-	118	118
Loans and receivables	375,945	1,102	377,047
Financial assets at fair value through other comprehensive income	4,997	92,556	97,553
Total financial assets	452,123	93,776	545,899

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.7 Financial asset and liability categories (continued)

b) Financial liabilities

Description of financial liabilities at fair value through profit or loss	12/31/2012 Current Amount ThUS$	Non-current Amount ThUS$	Total Amount ThUS$	12/31/2011 Current Amount ThUS$	Non-cur Amount ThUS$
Financial liabilities at fair value through profit or loss, designed as such at initial recognition	10,335	-	10,335	2,443	-
Financial liabilities at fair value through profit or loss	10,335	-	10,335	2,443	-
Financial liabilities measured at amortized cost	350,452	1,446,194	1,796,646	341,597	1,237,0
Total financial liabilities	360,787	1,446,194	1,806,981	344,040	1,237,0

Description of financial liabilities at fair value through profit or loss	12/31/2010 Current Amount ThUS$	Non-current Amount ThUS$	Total Amount ThUS$
Financial liabilities at fair value through profit or loss, designed as such at initial recognition	18,353	-	18,353
Financial liabilities at fair value through profit or loss	18,353	-	18,353
Financial liabilities measured at amortized cost	321,349	1,090,188	1,411,537
Total financial liabilities	339,702	1,090,188	1,429,890

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.8 Financial assets pledged as guarantee

On November 4, 2004, the Company’s subsidiary 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. Assets, in the form of restricted cash pledged as guarantees as of December 31, 2012, 2011, and 2010 were ThUS$571, ThUS$428, and ThUS$514, respectively.

9.9 Estimated fair value of financial instruments and financial derivatives

Although inputs used to estimate the fair value of financial assets and liabilities represent Management's best estimate, they are subjective in nature and involve assumptions related to the current economic and market conditions, as well as underlying risk features. The methodologies and assumptions used to value each financial instrument depend on the risk profile and underlying characteristics of instrument as follows:

- Cash equivalent approximates fair value due to the short-term maturities of these instruments.
- Other current financial liabilities are considered at fair value equal to their carrying values.
- 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 values with similar terms.
- Forward and swap contracts, fair value is determined using quoted market prices of financial instruments with similar characteristics.

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.9 Estimated fair value of financial instruments and financial derivatives, continued

Details of the carrying values and estimated fair values of the Company's financial instruments is as follows:

	12/31/2012		12/31/2011		12/31/2010	
	Carrying value ThUS$	(*) Fair value ThUS$	Carrying value ThUS$	(*) Fair value ThUS$	Carrying value ThUS$	(*) Fair value ThUS$
Cash and cash equivalents	324,353	324,353	444,992	444,992	524,652	524,652
Current trade and other receivables	510,616	510,616	412,062	412,062	375,945	375,945
Other current financial assets:						
- Time deposits	244,161	244,161	129,069	129,069	69,818	69,818
- Derivative instruments	680	680	14,455	14,455		
- Current hedging assets	71,262	71,262	25,737	25,737		
Total other current financial assets	316,103	316,103	169,261	169,261	76,178	76,178
Other non-current financial assets:	107	107	117	117	118	118
Non-current hedging assets	29,385	29,385	30,371	30,371	92,556	92,556
Total other non-current financial assets	29,492	29,492	30,488	30,488	92,674	92,674
Other current financial liabilities:						
- Bank loans	122,373	122,373	141,436	141,436	150,958	150,958
- Derivative instruments	8,456	8,456	2,174	2,174		
- Hedging liabilities	1,879	1,879	269	269		
- Unsecured obligations	20,135	20,135	17,129	17,129	18,244	18,244
Total other current financial liabilities	152,843	152,843	161,008	161,008	187,555	187,555
Current and non-current accounts payable	207,944	207,944	183,032	183,032	152,147	152,147
Other non-current financial liabilities:						
- Bank loans	379,119	401,065	329,150	348,218	140,000	143,174
- Unsecured obligations	1,067,075	1,137,363	907,877	1,074,907	950,188	1,092,026
Total other non-current financial liabilities:	1,446,194	1,538,428	1,237,027	1,423,125	1,090,188	1,235,200

Fair value hierarchies are as follows:

- **Level 1**: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- **Level 2:** Inputs other than quoted prices that are observable for the asset or liability either directly (prices) or indirectly (derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data, or unobservable inputs.

The valuation techniques used to determine the fair value of our hedging instruments are those indicated in level 2.

Notes to the consolidated financial statements as of December 31, 2012

Note 9 - Financial instruments (continued)

9.10 Nature and scope of risks arising from financing instruments

Disclosure of information associated with the nature and scope of risks arising from financial instruments is presented in note 4.

Note 10 – Equity-accounted investees

10.1 Investment in associates recognized according to the equity method of accounting

Equity accounted investments and joint ventures consist of the following:

		Investment			Share on profit (loss) of equity-accounted investees		
	Note No.	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Equity-accounted investees	**10.1 10.3**	50,955	43,057	38,262	24,104	22,157	10,090
Joint ventures	10.4	19,343	17,637	24,009	253	(349)	591
Total		70,298	60,694	62,271	24,357	21,808	10,681

Notes to the consolidated financial statements as of December 31, 2012

Note 10 – Equity-accounted investees (continued)

10.2 Assets, liabilities, revenue and expenses of associates

12-31-2012

Tax ID No.	Associate	Country of incorporation	Functional currency	Assets ThUS$	Liabilities ThUS$	Revenue ThUS$	Net profit (loss) ThUS$
77.557.430-5	Sales de Magnesio Ltda.	Chile	Chilean Peso	5,026	1,713	14,436	2,177
Foreign	Abu Dhabi Fertilizer Industries WWL	United Arab Emirates	U.A.E Dirham	24,662	4,291	42,899	3,255
Foreign	Doktor Tarsa Tarim Sanayi AS	Turkey	Turkish Lira	77,084	44,635	77,839	8,267
Foreign	Ajay North America	United States	US Dollar	44,889	6,292	83,340	22,300
Foreign	Ajay Europe SARL	France	Euro	36,106	12,688	84,203	12,591
Foreign	SQM Eastmed Turkey	Turkey	Euro	428	258	-	-
Foreign	SQM Thailand Co. Ltd.	Thailand	Thai Bath	17,068	13,048	13,536	81
	Total			205,263	82,925	316,253	48,671

12-31-2011

Tax ID No.	Associate	Country of incorporation	Functional currency	Assets ThUS$	Liabilities ThUS$	Revenue ThUS$	Net profit (loss) ThUS$
77.557.430-5	Sales de Magnesio Ltda.	Chile	Chilean Peso	4,484	1,595	8,652	1,335
Foreign	Abu Dhabi Fertilizer Industries WWL	United Arab Emirates	U.A.E Dirham	22,964	5,849	38,024	2,985
Foreign	Doktor Tarsa Tarim Sanayi AS	Turkey	Turkish Lira	78,090	53,752	67,205	5,160
Foreign	Ajay North America	United States	US Dollar	47,866	9,876	80,923	23,689
Foreign	Ajay Europe SARL	France	Euro	32,332	14,600	59,189	8,384
Foreign	Mirs Specialty Fertilizers	Egypt	Egyptian pound	5,476	2,802	-	(266)
Foreign	SQM Eastmed Turkey	Turkey	Euro	438	264	29	(94)
Foreign	SQM Thailand Co. Ltd.	Thailand	Thai Bath	8,130	4,227	10,895	175

	Total			199,780	92,965	264,917	41,368

12-31-2010

Tax ID No.	Associate	Country of incorporation	Functional currency	Assets ThUS$	Liabilities ThUS$	Revenue ThUS$	Net profit (loss) ThUS$
77.557.430-5	Sales de Magnesio Ltda.	Chile	Chilean Peso	3,847	1,143	6,494	1,408
Foreign	Abu Dhabi Fertilizer Industries WWL	United Arab Emirates	U.A.E Dirham	22,001	7,869	35,506	1,960
Foreign	Doktor Tarsa Tarim Sanayi AS	Turkey	Turkish Lira	56,853	33,256	64,540	8,003
Foreign	Nutrisi Holding N.V.	Belgium	Euro	11,217	3,228	-	3,056
Foreign	Ajay North America	United States	US Dollar	22,511	5,168	52,237	4,143
Foreign	Ajay Europe SARL	France	Euro	17,651	6,519	41,992	2,212
Foreign	Mirs Specialty Fertilizers	Egypt	Egyptian pound	6,227	3,206	4,231	(521)
Foreign	SQM Eastmed Turkey	Turkey	Euro	626	247	646	-
Foreign	SQM Thailand Co. Ltd.	Thailand	Thai Bath	5,894	2,035	11,149	594
	Total			146,827	62,671	216,795	20,855

Notes to the consolidated financial statements as of December 31, 2012

Note 10 – Equity-accounted investees (continued)

10.3 Detail of investments in associates

The Company's ownership in its associates is detailed as follows:

Associate	Main activities of the associate	Ownership %	Investment 12/31/2012 ThUS$	Investment 12/31/2011 ThUS$	Investment 12/31/2010 ThUS$
Sales de Magnesio Ltda.	Commercialization of magnesium salts.	50 %	1,656	1,444	1,352
Abu Dhabi Fertilizer Industries Co. W.W.L.	Distribution and commercialization of specialty plant nutrients in the Middle East.	50 %	9,890	8,558	7,066
Ajay North America L.L.C	Production and commercialization of iodine derivatives.	49 %	15,357	14,866	7,251
Doktor Tarsa Tarim Sanayi AS	Distribution and commercialization of specialty plant nutrients in Turkey.	50 %	15,346	12,169	11,799
Nutrisi Holding N.V.	Holding company	50 %	-	-	3,551
Ajay Europe SARL	Production and distribution of iodine and iodine derivatives.	50 %	8,495	3,102	4,076
Misr Specialty Fertilizers S.A.E.	Production and commercialization of liquid specialty plant nutrients for Egypt.	47.4857 %	-	1,270	1,435
SQM Eastmed Turkey	Production and commercialization of specialty products.	50 %	85	87	189
SQM Thailand Co. Ltd.	Distribution and commercialization of specialty plant nutrients.	40 %	126	1,561	1,543
Total			50,955	43,057	38,262

Associate	Main activities of the associate	Ownership %	Share on profit (loss) of equity-accounted investees 12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Sales de Magnesio Ltda.	Commercialization of magnesium salts.	50 %	1,088	667	704
Abu Dhabi Fertilizer Industries	Distribution and commercialization of specialty plant nutrients in the Middle East.	50 %	1,628	1,492	980

Co. W.W.L.						
Ajay North America L.L.C	Production and commercialization of iodine derivatives.	49	%	10,927	11,608	2,030
Doktor Tarsa Tarim Sanayi AS	Distribution and commercialization of specialty plant nutrients in Turkey.	50	%	4,134	2,580	4,002
Nutrisi Holding N.V.	Holding company	50	%	-	1,720	1,278
Ajay Europe SARL	Production and distribution of iodine and iodine derivatives.	50	%	6,295	4,192	1,106
Misr Specialty Fertilizers S.A.E.	Production and commercialization of liquid specialty plant nutrients for Egypt.	47.49	%	-	(126)	(247)
SQM Eastmed Turkey	Production and commercialization of specialty products.	50	%	-	(46)	(1)
SQM Thailand Co. Ltd.	Distribution and commercialization of specialty plant nutrients.	40	%	32	70	238
Total				24,104	22,157	10,090

The Company has no participation in unrecognized losses in investments in associates.

Notes to the consolidated financial statements as of December 31, 2012

Note 10 - Equity-accounted investees (continued)

10.4 Detail of assets, liabilities and profit or loss of significant investments in joint ventures by company:

12/31/2012

				Asset			Liability	
Tax ID No.	Joint venture	Country of incorporation	Functional currency	Current ThUS$	Non-current ThUS$	Total ThUS$	Current ThUS$	Non-current ThUS$
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	China	US Dollar	21,843	9,984	31,827	6,899	4,072
Foreign	Coromandel SQM	India	Indian Rupee	5,059	1,397	6,456	4,419	-
Foreign	SQM Vitas Fzco.	United Arab Emirates	U.A.E. Dirham	22,536	10,522	33,058	785	-
Foreign	SQM Qindao-Star Co. Ltda.	China	US Dollar	1,986	304	2,291	132	-
	Total			51,424	22,207	73,631	12,235	4,072

31/12/2011

				Asset			Liability		
Tax ID No.	Joint venture	Country of incorporation	Functional currency	Current ThUS$	Non-current ThUS$	Total ThUS$	Current ThUS$	Non-current ThUS$	Tota ThU
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	China	US Dollar	18,014	10,576	28,590	8,306	-	8,3
Foreign	Coromandel SQM	India	Indian Rupee	559	1,074	1,633	62	-	62
Foreign	SQM Vitas Fzco.	United Arab Emirates	U.A.E. Dirham	24,887	8,920	33,807	1,005	-	1,0
Foreign	SQM Qindao-Star Co. Ltda.	China	US Dollar	1,974	403	2,377	314	-	314
	Total			45,434	20,973	66,407	9,687	-	9,6

31/12/2010

				Asset			Liability		
Tax ID No.	Joint venture	Country of incorporation	Functional currency	Current ThUS$	Non-current ThUS$	Total ThUS$	Current ThUS$	Non-current ThUS$	Tota ThU
Foreign		China	US Dollar	2,987	11,677	14,664	3,744	-	3,74

	Sichuan SQM Migao Chemical Fertilizers Co Ltda.								
Foreign	Coromandel SQM	India	Indian Rupee	10	862	872	7	-	7
Foreign	SQM Vitas Fzco.	United Arab Emirates	U.A.E. Dirham	27,534	9,499	37,033	2,828	-	2,82
Foreign	SQM Qindao-Star Co. Ltda.	China	US Dollar	2,448	387	2,835	808	-	808
	Total			32,979	22,425	55,404	7,387	-	7,38

Notes to the consolidated financial statements as of December 31, 2012

Note 10 - Equity-accounted investees (continued)

10.5 Detail of investments in joint ventures:

Joint venture	Main activities of the joint venture	Ownership %	Investment 12/31/2012 ThUS$	Investment 12/31/2011 ThUS$	Investment 12/31/2010 ThUS$
Coromandel SQM	Production and distribution of potassium nitrate.	50 %	683	786	432
Sichuan SQM Migao Chemical Fertilizer Co. Ltda.	Production and distribution of soluble fertilizers.	50 %	10,428	10,142	5,461
SQM Vitas Fzco.	Production and commercialization of specialty plant and animal nutrition and industrial hygiene.	50 %	7,153	5,677	17,102
SQM Quindao-Star Co. Ltda.	Production and distribution of nutrient plant solutions with specialties NPK soluble	50 %	1,079	1,032	1,014
Total			19,343	17,637	24,009

Notes to the consolidated financial statements as of December 31, 2012

Note 11 - Intangible assets and goodwill

11.1 Balances

Balances	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Intangible assets other than goodwill	24,013	4,316	3,270
Goodwill	38,388	38,605	38,388
Total	62,401	42,921	41,658

11.2 Disclosures on intangible assets and goodwill

Intangible assets relate to goodwill, water rights, trademarks, industrial patents, rights of way and software.

		12/31/2012		
Intangible assets and goodwill	Useful life	Gross amount ThUS$	Accumulated Amortization ThUS$	Net Value ThUS$
Trademarks	Finite	3,821	(3,821)	-
Software	Finite	3,765	(2,115)	1,650
Rights of way and water rights	Finite	1,198	(820)	378
Rights of way and water rights	Indefinite	22,612	(1,987)	20,625
Other intangible assets	Indefinite	1,512	(152)	1,360
Intangible assets other than goodwill		32,908	(8,895)	24,013
Goodwill	Indefinite	40,178	(1,790)	38,388
Total intangible assets and goodwill		73,086	(10,685)	62,401

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Notes to the consolidated financial statements as of December 31, 2012

Note 11 - Intangible assets and goodwill (continued)

11.2 Disclosures on intangible assets and goodwill (continued)

		12/31/2011		
Intangible assets and goodwill	Useful life	Gross amount ThUS$	Accumulated Amortization ThUS$	Net Value ThUS$
Trademarks	Finite	3,821	(3,821)	-
Software	Finite	3,476	(1,538)	1,938
Rights of way and water rights	Finite	1,198	(758)	440
Rights of way and water rights	Indefinite	3,536	(1,994)	1,542
Other intangible assets	Indefinite	548	(152)	396
Intangible assets other than goodwill		12,579	(8,263)	4,316
Goodwill	Indefinite	40,178	(1,573)	38,605
Total intangible assets and goodwill		52,757	(9,836)	42,921

		12/31/2010		
Intangible assets and goodwill	Useful life	Gross amount ThUS$	Accumulated Amortization ThUS$	Net Value ThUS$
Trademarks	Finite	3,821	(3,817)	4
Software	Finite	1,664	(841)	823
Rights of way and water rights	Finite	1,197	(696)	501
Rights of way and water rights	Indefinite	3,536	(1,990)	1,546
Other intangible assets	Indefinite	548	(152)	396
Intangible assets other than goodwill		10,766	(7,496)	3,270
Goodwill	Indefinite	39,961	(1,573)	38,388
Total intangible assets and goodwill		50,727	(9,069)	41,658

Notes to the consolidated financial statements as of December 31, 2012

Note 11 - Intangible assets and goodwill (continued)

11.2 Disclosures on intangible assets and goodwill, continued

The estimated useful life for software is 3 years. For other finite useful life assets, the amortization period corresponds to their contractually defined period. Indefinite useful life intangible assets primarily consist of water rights and rights of way, which have do not expire.

The minimum and maximum useful lives of intangible assets are as follows:

Estimated useful lives or amortization rate	Minimum life or rate	Maximum life or rate
Rights of way and water rights	Indefinite	Indefinite
Other intangible assets	Indefinite	Indefinite
Rights of way and water rights	1 year	16 years
Trademarks	1 year	5 years
Software	2 years	3 years

The Company has no internally generated intangible assets.

Notes to the consolidated financial statements as of December 31, 2012

Note 11 - Intangible assets and goodwill (continued)

11.2 Disclosures on intangible assets and goodwill, continued

a) Movements in identifiable intangible assets as of December 31, 2012:

Movements in identifiable intangible assets	Trademarks Net ThUS$	Software, Net ThUS$	Water rights with limited way- ThUS$	Water rights with indefinite life, Net ThUS$	Other intangible assets, Net ThUS$	Goodwill, Net ThUS$	Identifiable intangible assets, Net ThUS$
Opening balance	-	1,938	440	1,542	396	38,605	42,921
Additions	-	501	-	19,080	964	-	20,545
Amortization	-	(789)	(62)	-	-	-	(851)
Other increases (decreases)	-	-	-	3	-	(217)	(214)
Final balance	-	1,650	378	20,625	1,360	38,388	62,401

b) Movements in identifiable intangible assets as of December 31, 2011:

Movements in identifiable intangible assets	Trademarks Net ThUS$	Software, Net ThUS$	Water rights with limited way- ThUS$	Water rights with indefinite life, Net ThUS$	Other intangible assets, Net ThUS$	Goodwill, Net ThUS$	Identifiable intangible assets, Net ThUS$
Opening balance	4	823	501	1,546	396	38,388	41,658
Additions	-	1,812	-	-	-	217	2,029
Amortization	(4)	(697)	(61)	-	-	-	(762)
Other increases (decreases)	-	-	-	(4)	-	-	(4)
Final balance	-	1,938	440	1,542	396	38,605	42,921

Notes to the consolidated financial statements as of December 31, 2012

Note 11 - Intangible assets and goodwill (continued)

11.2 Disclosures on intangible assets and goodwill, continued

c) Movements in identifiable intangible assets as of December 31, 2010:

Movements in identifiable intangible assets	Trademarks Net ThUS$	Software Net ThUS$	Water rights with limited way- ThUS$	Water rights and rights of way- Indefinite life, Net ThUS$	Other intangible assets, Net ThUS$	Goodwill, Net ThUS$	Identifiable intangible assets, Net ThUS$
Opening balance	-	322	570	1,549	395	38,388	41,224
Additions	-	839	-	92	-	-	931
Amortization	(368)	(338)	(69)	(95)	-	-	(870)
Other increases (decreases)	372	-	-	-	1	-	373
Final balance	4	823	501	1,546	396	38,388	41,658

Notes to the consolidated financial statements as of December 31, 2012

Note 12 - Property, plant and equipment

12.1 Classes of property, plant and equipment

The details of property, plant and equipment is as follows:

Description of classes of property, plant and equipment	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Property, plant and equipment, net			
Land	109,060	108,992	107,869
Buildings	169,731	146,532	88,320
Machinery	438,331	424,460	294,467
Transport equipment	88,954	82,822	48,936
Furniture and fixtures	6,736	5,015	4,450
Office equipment	5,249	5,312	5,706
Constructions in progress	423,184	297,996	356,551
Other property, plant and equipment	747,045	683,913	546,674
Total	1,988,290	1,755,042	1,453,973
Property, plant and equipment, gross			
Land	109,060	108,992	107,869
Buildings	329,397	291,401	221,715
Machinery	1,065,641	972,179	746,725
Transport equipment	224,462	199,998	151,544
Furniture and fixtures	22,667	19,090	17,250
Office equipment	36,215	34,480	33,195
Constructions in progress	423,184	297,996	356,551
Other property, plant and equipment	1,336,991	1,194,765	989,192
Total	3,547,617	3,118,901	2,624,041

Notes to the consolidated financial statements as of December 31, 2012

Note 12 - Property, plant and equipment (continued)

12.1 Classes of property, plant and equipment, continued

	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Accumulated depreciation and value impairment of property, plant and equipment, total			
Accumulated depreciation and value impairment of buildings	159,666	144,869	133,395
Accumulated depreciation and value impairment of machinery	627,310	547,719	451,258
Accumulated depreciation and value impairment of transport equipment	135,508	117,176	102,608
Accumulated depreciation and value impairment of furniture and fixtures	15,931	14,075	12,800
Accumulated depreciation and value impairment of office equipment	30,966	29,168	27,490
Accumulated depreciation and value impairment of other property, plant and equipment	589,946	510,852	442,518
Total	1,559,327	1,363,859	1,170,069

Notes to the consolidated financial statements as of December 31, 2012

Note 12 - Property, plant and equipment (continued)

12.2 Reconciliation of changes in property, plant and equipment by class as of December 31, 2012 as of December 31, 2011 and December 31, 2010:

Reconciliation entries of changes in property, plant and equipment by class as of December 31, 2012	Land	Buildings, net	Machinery, net	Transport equipment, net	Furniture and fixtures, net	Office equipment, net	Construction in progress	Other property, plant and equipment, net	E a T
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	T
Opening balance	108,992	146,532	424,460	82,822	5,015	5,312	297,996	683,913	
Changes									
Additions	36	-	1,092	34	70	323	443,349	972	
Divestitures	-	-	(115)	-	(67)	(12)	(2,936)	(78)	
Depreciation expense	-	(14,800)	(79,534)	(18,400)	(1,858)	(1,857)	-	(79,709)	
Increase(decrease) in foreign currency exchange	32	(1)	5	15	-	(13)	-	68	
Reclassifications	-	37,916	92,441	24,535	3,576	1,478	(287,291)	127,345	
Other increases (decreases) (*)	-	84	(18)	(52)	-	18	(27,934)	14,534	
Total changes	68	23,199	13,871	6,132	1,721	(63)	125,188	63,132	
Ending balance	109,060	169,731	438,331	88,954	6,736	5,249	423,184	747,045	

(*) The net balance of Other increases (decreases) corresponds to: 1) investment plan expenses recorded to profit or loss (forming part of cost of sales and other expenses per function, as appropriate), 2) the change representing the purchase and use of materials and spare parts and 3) projects corresponding mainly to exploration expenditures.

Notes to the consolidated financial statements as of December 31, 2012

Note 12 - Property, plant and equipment (continued)

12.2 Reconciliation of changes in property, plant and equipment by class as of December 31, 2012 as of December 31, 2011 and December 31, 2010, continued:

Reconciliation entries of changes in property, plant and equipment by class as of December 31, 2011	Land	Buildings, net	Machinery, net	Transport equipment, net	Furniture and fixtures, net	Office equipment, net	Construction in progress	Other property, plant and equipment, net	Prop and net
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThU
Opening balance	107,869	88,320	295,467	48,936	4,450	5,706	356,551	546,674	1,4
Changes									
Additions	1,251	178	424	558	39	302	474,042	1,054	477
Divestitures	(85)	(1,371)	(64)	(451)	-	-	-	-	(1,9
Depreciation expense	-	(11,477)	(97,046)	(14,902)	(1,281)	(2,053)	-	(69,137)	(19
Increase(decrease) in foreign currency exchange	(42)	-	1	(23)	-	122	-	(24)	34
Reclassifications		69,410	228,116	48,717	1,805	1,442	(546,769)	197,279	-
Other increases (decreases) (*)	(1)	1,472	(2,438)	(13)	2	(205)	14,172	8,067	21,(
Total changes	1,123	58,212	128,993	33,886	565	(394)	(58,555)	137,239	301
Ending balance	108,992	146,532	424,460	82,822	5,015	5,312	297,996	683,913	1,7

(*) The net balance of Other increases (decreases) corresponds to: 1) investment plan expenses recorded to profit or loss (forming part of cost of sales and other expenses per function, as appropriate), 2) the change representing the purchase and use of materials and spare parts and 3) projects corresponding mainly to exploration expenditures.

Notes to the consolidated financial statements as of December 31, 2012

Note 12 - Property, plant and equipment (continued)

12.2 Reconciliation of changes in property, plant and equipment by class as of December 31, 2012, December 31, 2011, and Decembre 31, 2010 continued:

Reconciliation entries of changes in property, plant and equipment by class as of December 31, 2010	Land	Buildings, net	Machinery, net	Transport equipment, net	Furniture and fixtures, net	Office equipment, net	Construction in progress	Other property, plant and equipment, net	Prope and e
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS
Opening balance	108,356	86,252	286,486	55,341	3,166	4,760	379,416	376,769	1,30
Changes									
Additions	386	1,021	208	6,784	12	138	354,884	446	363,
Divestitures	(25)	(114)	(1,631)	(6,334)	-	(34)	(3,094)	(1,868)	(13,
Depreciation expense	-	(9,226)	(58,649)	(11,837)	(1,100)	(2,081)	-	(61,015)	(143
Increase(decrease) in foreign currency exchange		2	38	13	-	3	-	30	86
Reclassifications	(1,018)	9,360	48,497	2,075	1,688	2,330	(259,515)	196,583	-
Other increases (decreases) (*)	170	1,025	20,518	2,894	684	590	(115,140)	35,729	(53,5
Total changes	(487)	2,068	8,981	(6,405)	1,284	946	(22,865)	169,905	153,
Ending balance	107,869	88,320	295,467	48,936	4,450	5,706	356,551	546,674	1,45

(*) The net balance of Other increases (decreases) corresponds to: 1) investment plan expenses recorded to profit or loss (forming part of cost of sales and other expenses per function, as appropriate), 2) the change representing the purchase and use of materials and spare parts and 3) projects corresponding mainly to exploration expenditures and stain development

Notes to the consolidated financial statements as of December 31, 2012

Note 12 - Property, plant and equipment (continued)

12.3 Detail of property, plant and equipment pledged as guarantee

There are no title restrictions or guarantees associated with property, plant and equipment.

12.4 Additional Information

1) Leased property, plant and equipment

At December 31, 2012 and 2011, the Company had no leased assets. As of December 31, 2010 the Company had leased assets of ThUS$1,373 corresponding to two floors of the Las Americas building in Santiago, Chile. These leased assets were classified as investment properties.

2) Interest capitalized in construction in-progress

The cost of capitalized interest is determined by applying the average or weighted average of all financing costs incurred by the Company to the month end balances of construction in progress. The effective interest rate used to capitalize interest on construction in progress was 7% for the years ended December 31, 2012, 2011 and 2010.

For the years ended December 31, 2012, 2011 and 2010, capitalized interest amounted to ThUS$14,156, ThUS$22,249, ThUS$25,947, respectively.

Note 13 – Employee benefits

13.1 Provisions for employee benefits

Provisions for employee benefits consists of the following:

	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Current			
Profit sharing and bonuses	33,974	30,074	44,011
Total	33,974	30,074	44,011
Non-current			
Profit sharing and bonuses	6,056	4,083	800
Severance indemnities	34,431	28,188	27,208
Pension Plan	409	1,413	702
Total	40,896	33,684	28,710

Notes to the consolidated financial statements as of December 31, 2012

Note 13 Employee benefits (continued)

13.2 Policies on employee benefits

Short-term benefits for active employees are represented by salaries, social welfare benefits, paid time-off, sickness other leaves of absence, profit sharing and incentives, and non-monetary benefits such as healthcare, housing, and subsidized or free goods or services. These benefits will be paid in a term which does not exceed twelve months, The Company only provides compensation and benefits to active employees, with the exemption of SQM North America as described in Note 13.5 below,

Bonuses paid to the Company's employees are disbursement in the first quarter of the following year, which is calculated based on profit for each reporting period in consideration of the employee appraisal process.

Benefits related to vacations are provided in accordance with the Labor Code which indicates that employees with more than a year of service will be entitled to annual holidays for a period not lower than fifteen paid business days per year. The Company provides the benefit of two additional vacation days per year.

Staff severance indemnities represent payments due to employees upon their separation from the Company including for retirement, involuntary and voluntary termination, disability, or death. Actual payments made to employees at the time of separation are calculated based on years of service and a percentage of employees final year´s salary as stipulated in established agreements between the Company and its employees and in accordance with local obligations. The Company recognizes a liability for severance indemnities using an actuarial model on an employee by employee basis considering the terms of individual employee contracts.

13.3 Other long-term benefits

Other long-term benefits relate to staff severance indemnities and defined benefit pension obligations and are recorded at their actuarial value and consist of the following.

12/31/2012 12/31/2011 12/31/2010

Staff severance indemnities at actuarial value	ThUS$	ThUS$	ThUS$
Staff severance indemnities, Chile	33,731	27,574	26,577
Other obligations in companies elsewhere	700	614	631
Total other non-current liabilities	34,431	28,188	27,208
SQM North America’s pensions plan	409	1,413	702
Total post employment obligations	409	1,413	702

Notes to the consolidated financial statements as of December 31, 2012

Note 13 - Employee benefits (continued)

13.4 Chilean staff severance indemnities

The change in severance indemnities calculated at the actuarial value are as follows:

	2012 ThUS$	2011 ThUS$	2010 ThUS$
Opening balance	(28,188)	(27,208)	(28,682)
Current cost of service	(8,087)	(7,871)	(1,798)
Interest cost	(1,037)	(1,106)	(1,889)
Actuarial gain/loss	40	(151)	88
Exchange rate difference	(2,237)	2,693	(1,785)
Contributions paid	5,078	5,455	6,858
Balance	(34,431)	(28,188)	(27,208)

The liability for staff severance indemnities in accordance with an actuarial model , use the following significant assumptions:

	12/31/2012		12/31/2011		12/31/2010	
Mortality rate	RV - 2011		RV - 2010		RV – 2009	
Actual annual interest rate	6	%	6	%	6	%
Annual voluntary turnover rotation rate:						
Men	0,9	%	0,9	%	0,9	%
Women	1,53	%	1,53	%	1,53	%
Average annual salary increase	3,0	%	3,0	%	3,0	%
Retirement age (years):						
Men	65		65		65	
Women	60		60		60	

The methodology followed to determine the accrual for all employees considereds RV-2010 turnover and mortality rates established by the Chilean Superintendence of Securities and Insurance to calculate pension-related life insurance reserves in Chile according to the Accumulated Benefit Valuation or Accrued Cost of Benefit Method, which is an established methodology in IAS 19 Retirement Benefit Costs.

The discount rate of 6% is based on the Company's long-term borrowing rates.

The Company retains the full obligation for the payment of staff severance indemnities upon separation without establishing a separate fund or restriction of assets for payment of such obligations, which is typically referred to as an unfunded plan.

Notes to the consolidated financial statements as of December 31, 2012

Note 13 - Employee benefits (continued)

13.5 Defined benefit pension obligations

SQM North America had a defined pension plan the SQM North America Retirement Income Plan, which was terminated in 2002 and replaced with a 401K plan, that does not generate future obligations to the Company. The obligations under this terminated plan are calculated measuring the expected future forecasted staff severance indemnity obligation using a net salary gradual rate of restatements for inflation, mortality and turnover assumptions discounting the resulting amounts to their present values.

The table below establishes the status of amounts recognized in the Consolidated Statement of Financial Position:

	2012 ThUS$	2011 ThUS$	2010 ThUS$
Variation in projected benefit obligation (liability):			
Benefit liability at the beginning of year	6,620	6,548	6,972
Cost of service	1	1	1
Interest cost	406	413	427
Actuarial loss	(236)	(46)	(374)
Benefits paid	(309)	(297)	(297)
Benefit obligation (liability) at year-end	6,482	6,619	6,549
Change in the plan's assets:			
Fair value of the plan's assets at beginning of year	5,206	5,847	5,082
Contributions by the employer	436	189	192
Actual return (loss) on plan assets	740	(533)	869
Benefits paid	(309)	(297)	(296)
Fair value of the plan's assets at year-end	6,073	5,206	5,847
Accrued liability pension plan	(409)	(1,413)	(702)
Items not yet recognized as net regular pension-related cost elements:			
Net actuarial loss at the beginning of year	(2,954)	(2,111)	(3,131)
Amortization during the period	131	84	155
Net gain or loss during the period	580	(927)	865
Adjustment made to recognize the minimum pension-related liability	(2,243)	(2,954)	(2,111)

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Notes to the consolidated financial statements as of December 31, 2012

Note 13 - Employee benefits (continued)

The change in the defined benefit obligation over the years is as follows:

	2012 ThUS$	2011 ThUS$	2010 ThUS$
Costs or benefits of services earned during the period	2	1	1
Cost of interest in benefit liability	406	413	427
Actual return in plan's assets	739	(532)	(869)
Amortization of loss from prior periods	131	84	154
Net gain for the period	(344)	973	492
Net regular pension-related expense	142	57	(205)

13.6 Shared based compensation

The Company maintains a share based compensation plan to encourage retention of its top 40 executives. Individuals receive annual cash payments based on changes in SQM´s share price. Compensation for each individual is calculated as the differential between the average prices of the SQM´s Series B shares as traded on the Santiago Stock Exchange during April of each year compared to a base price of US$50 per share. Individuals are awarded a fixed number of shares over a five year vesting period through 2016.

Share based award activities are as following:

Movement for the period	2012	2011	2010
Shares outstanding as of January 1	2,340,000	3,370,025	1,150,025
Grants	103,500	-	2,370,000
Forfeitures	103,500	-	-
Exercised during the fiscal year	139,500	1,030,025	150,000
Shares outstanding as of December 31	2,200,500	2,340,000	3,370,025
Average contractual life	40 months	48 months	60 months
December 31 share price	US$57.93	US$53.85	US$58.42

Compensation expense under the plan amount to ThUS$3,142, ThUS$11,200 and ThUS$22,782 for the years ended December 31, 2012, 2011 and 2010, respectively.

Notes to the consolidated financial statements as of December 31, 2012

Note 14 - Disclosures on equity

14.1 Capital management

The Company's primary capital management object is to administer the financial debt and capital of SQM and its subsidiaries, ensure continuing operations and long term business continuity, ensure financing of new investments in order to maintain steady growth, have an adequate capital structure in accordance with economic cycles that have an impact on the business and the nature of the industry, and maximize the value of SQM and its subsidiaries over the medium the mid and long term.

Capital management adheres to the limits specified in the Financial Policy approved at the General Ordinary Shareholders Meeting, which established a maximum level of consolidated leverage of 1.5 times equity. This limit can only be exceeded to the extent that Management has previously been granted express authorization at the previous Shareholders Meeting.

Additionally, capital management must meet external capital requirements (or covenants) established in SQM´s financial obligations, which regulates the debt limit to 1.4 times equity times.

Together with the overall debt level the Company seeks to maintain a reasonable maturity profile of its financial obligations, ensure financial ratios between short-term and long-term maturities, and the relationship they maintain with the distribution of the Company´s assets. Consequently, the Company has maintained in recent periods current ratio levels in exess of 3.0.

Notes to the consolidated financial statements as of December 31, 2012

Note 14 – Equity Disclosures (continued)

Management reviews overall

Capital management objectives are measured in accordance with the following ratios:

Capital Management	31/12/2012		31/12/2011		31/12/2010		Description (1)	Calculation (1)
Net Financial Debt ThUS$	929,197		753,410		584,357		Financial Debt - Financial Resources	Other Current Financial Liabilities + Other Financial Liabilities, Non-Current – Cash and cash equivalents – Other Current Financial Assets- Other non-current Hedging Assets
Current Ratio	3.69		3.11		3.56		Current Assets divided by Current Liabilities	Total Current assets / Total Current Liabilities
Net Financial Debt/ Capitalization	0.30		0.29		0.26		Net Financial Debt divided by Equity	Net Financial Debt / (Net Financial Debt + Equity)
ROE	30.1	%	29.7	%	23.2	%	Net Income divided by Equity	Net Income/ Equity (Last 12 months)
ROA	25.1	%	24.1	%	20.9	%	EBITDA – Depreciation divided by total assets of financial resources minus investments in related enterprises	(Net Income – Administrative expenses) / (Total Assets – Cash and cash equivalents – Other Current Assets – Other Current Financial Assets- investments using the participation method) (Last 12 months)
Leverage	1.02		1.08		1.02		Total Liability divided by Equity	Total Liabilities / Total Equity

(1) Assumes absolute value of various accounts

The Company´s capital requirements vary depending on: working capital requirements, financing of new investments and dividends, among others. SQM manages its capital structure and makes adjustments based on prevailing economic conditions, in order to mitigate the risks associated with adverse market conditions and to take advantage of opportunities to improve overall liquidity.

There have been no changes in the capital management objectives or policies within the years covered by these consolidated financial statements.

Notes to the consolidated financial statements as of December 31, 2012

Note 14 – Equity Disclosures (continued)

14.2 Disclosures on preferred share capital

Issued share capital is divided into 263,196,524 fully paid and subscribed shares with no par value composed of 142,819,552 Series "A" shares and 120,376,972 Series “B” shares.

The voting rights for each series are detailed as follows:

Series “A”:

If the election of the Company’s President results in a tie vote, the Company's directors may vote once again, without the vote of the director elected by the Series B shareholders.

Series “B”:

A general or extraordinary shareholders' meeting may be called at the request of shareholders representing 5% of the Company's Series B shares.

Extraordinary meeting of the Board of Directors may be called with or without the agreement of the Company's President, at the request of the director elected by Series B shareholders.

As of December 31, 2012, 2011 and 2010, the Company did not hold any shares in the parent either directly or through its companies in which it has investments.

Notes to the consolidated financial statements as of December 31, 2012

Note 14 – Disclosures on equity (continued)

14.3 Disclosures on preferred share capital (continued)

Capital in preference shares consist of the following:

Type of capital in preferred shares	12/31/2012		12/31/2011		12/31/2010
Description of type of capital in preferred shares	Series A	Series B	Series A	Series B	Series A
Number of authorized shares	142,819,552	120,376,972	142,819,552	120,376,972	142,819,552
Number of fully subscribed and paid shares	142,819,552	120,376,972	142,819,552	120,376,972	142,819,552
Number of subscribed, partially paid shares	-	-	-	-	-
Par value of shares in ThUS$	0,9435	2,8464	0,9435	2,8464	0,9435
Increase (decrease in the number of current shares	-	-	-	-	-
Number of current shares	142,819,552	120,376,972	142,819,552	120,376,972	142,819,552
Number of shares owned by the entity or its subsidiaries or associates	-	-	-	-	-
Number of shares whose issuance is reserved due to the existence of options or agreements to dispose shares	-	-	-	-	-
Capital amount in shares ThUS$	134,750	342,636	134,750	342,636	134,750
Amount of premium issuance ThUS$	-	-	-	-	-
Amount of reserves ThUS$	-	-	-	-	-
Total number of subscribed shares, total	142,819,552	120,376,972	142,819,552	120,376,972	142,819,552

During the years ended December 31, 2012, 2011, and 2010 as the Company did not issue any new shares.

Notes to the consolidated financial statements as of December 31, 2012

Note 14 - Disclosures on equity (continued)

14.4 Disclosures on reserves in equity

Reserves for currency exchange conversion

This balance reflects retained earnings for changes due to the transalation of subsidiaries financial statements into U.S. Dollars.

Reserve for cash flow hedges

This balance reflects changes in the fair value of derivative financial instruments classified as hedging changes in cash flows associated with UF-and Chilean Peso-denominated debt obligations.

Reserve for actuarial gains or losses in defined benefit plans

This balance reflects changes in the actuarial gains and losses in the calculation of defined benefit obligations, refer to Note 13.5.

Other reserves

Other reserves correspond to the acquisition of the remaining interest in SQM Iberian S.A., which was already controlled by the Company upon the acquisition date of the additional interest.

Changes in these reserves consist of the following:

	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Reserve for currency exchange conversion	(330)	(1,251)	1,530
Reserve for cash flow hedge	(16,522)	(10,230)	(9,207)
Reserve for actuarial gains or losses in defined benefit plans	(2,243)	(2,954)	(2,036)

Other reserves	(1,677)	(1,677)	-
Total other reserves	(20,772)	(16,112)	(9,713)

Notes to the consolidated financial statements as of December 31, 2012

Note 14 - Disclosures on equity (continued)

14.5 Dividend policies

As required by Article 79 of the Chilean Companies Act, the Company is required to distribute a cash dividend in an amount equal to at least 30% of its consolidated profit for the period for year unless and except to the extent it has a deficit in retained earnings (losses not absorbed in prior years), or as otherwise determined by a unanimous vote of shareholders.

The dividend policys defined by the Shareholders' General Meeting is:

- Distribution and payment in favor of each shareholder of a final dividend which will be equivalent to 50% of profit for the period.

- Distribution and payment, if possible during the year, of a provisional dividend which will be recorded against the aforementioned final dividend, This provisional dividend will normally be paid during the last quarter of the year and its amount can not exceed 50% of the retained earnings for distribution obtained during the year, which are reflected in the Company's financial statements as of September 30 of each year.

- The distribution and payment by the Company of the remaining balance of the final dividend related to profit for the year in up to two installments, which must be paid prior to June 30 of the following year.

- An amount equivalent to the remaining 50% of the Company's profit for the year will be retained and used to finance operations and one or more of the Company's investment projects with no prejudice of the possible future capitalization of this investment.

- The Board of Directors does not consider the payment of any additional or interim dividends.

- The application of the Company´s dividend policy is dependent upon final profit for the year, and in future, to the Company's regular forecasts and the existence of conditions or events that could affect them. Any significant change in the Company´s dividend policy or in events and conditions that may affect the Company´s dividend policy will be timely communicated to all shareholders.

14.6 Provisional dividends

On November 20, 2012, the Company reported to the SVS, that the Company's Board of Directors agreed to pay and distribute a provisional dividend of approximately US$0.94986 per share. The dividend was paid on December 12, 2012 from accumulated profits during the first nine months of 2012, in favor of all Shareholders registered in SQM Shareholders Register as of December 5, 2012. The dividend was paid in equivalent Chilean Pesos, based on U.S. Dollar exchange rate as published in the Official Gazette on December 5, 2012.

Notes to the consolidated financial statements as of December 31, 2012

Note 14 - Disclosures on equity (continued)

On April 26, 2012, in the Thirty-Seventh General Ordinary Shareholders' Meeting, the payment of a definite dividend of US$1,03679 per share was approved because of the net profit obtained during the 2011's commercial exercise, To that dividend, should be discounted US$0,73329 per share that has already been paid on account of provisory dividend and the remainder, then amounting to US$0,30350 per share, will be paid and distributed in favor of SQM's shareholders who are registered in the corresponding Record, during the fifth working day before the date when this will be paid, Such last amount, in case that correspond, will be paid in its equivalent in CLP (Chilean Peso) according to the value of "Dólar Observado" or "U.S. Dollar" published in the Official Gazette of April 26, 2012.

On November 22, 2011, it was reported to the Superintendence of Securities and Insurance that the Board of Directors of Sociedad Química y Minera de Chile S.A., in its meeting on November 22, 2011, unanimously agreed to pay and distribute the provisional dividend referred to in SQM's current "2011 Dividends Policy" which was informed to SQM's General Annual Ordinary Shareholders Meeting that was held on April 28 of this year, This, for the essential purpose of being able to pay and distribute as of December 19, 2011, a provisional dividend of US$0,73329 per share –and which is approximately equivalent to the total amount of US$193 million and the latter corresponds to 50% of the distributable net income of the fiscal year 2011 that has been accrued at September 30, 2011, The above, is charged against the net income of said fiscal year, in favor of the Shareholders who appeared registered in SQM's Shareholders Registry by the 5 working day prior to December 19, 2011, and in its equivalent in Chilean pesos according to the value of the "Observed dollar" or "USA dollar" that appears published in the Official Gazette on December 13, 2011.

At the Annual Board of Directors meeting held on April 28, 2011, the Directors unanimously agreed to pay a final dividend of US$0,7259 per share in relation to net profit for the year, Notwithstanding the above, US$0,41794 per share was already paid as an interim dividend, and this amount should be subtracted from the final dividend detailed above, In line with this, the balance, amounting to US$0,30798 per share, will be paid and distributed among shareholders of the Company who are registered with their respective shareholders registry as of the fifth business day prior to the day in which this dividend will be paid.

Dividends presented deducted from equity are:

	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Dividends attributable to controlling interests	253,438	270,915	173,527
Dividends payable	76,267	82,120	5,831

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Notes to the consolidated financial statements as of December 31, 2012

Note 15 – Provisions and other non-financial liabilities

15.1 Classes of provisions

	12/31/2012			12/31/2011			12/31/2010		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Legal provision	5,567	3,000	8,567	4,571	3,000	7,571	2,590	2,000	4,590
Provision for dismantling, restoration and rehabilitation costs	-	4,357	4,357	-	3,724	3,724	-	3,500	3,500
Other provisions	12,922	-	12,922	12,366	1,871	14,237	12,424	-	12,424
Total	18,489	7,357	25,846	16,937	8,595	25,532	15,014	5,500	20,514

(*) Legal provisions consists primarily of estimated obligations related to certain legal claims brought against the Company’s subsidiaries in Brazil and United States (see note 16.1).

Notes to the consolidated financial statements as of December 31, 2012

Note 15 - Provisions and other non-financial liabilities (continued)

15.2 Description of other provisions

Description of other provisions	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Current provisions			
Provision for tax loss in fiscal litigation	1,606	1,441	1,634
Royalties, agreement with CORFO (the Chilean Economic Development Agency)	7,712	6,800	5,182
Closure of Toco operations	-	-	3,264
Fines payable in Brazil	2,500	2,500	-
Miscellaneous provisions	1,104	1,625	2,344
Total	12,922	12,366	12,424
Long-term provisions			
Mine closure	4,357	3,724	3,500
Indemnity obligation to Yara South Africa	-	1,871	-
Total	4,357	5,595	3,500

15.3 Other non-financial liabilities, current

Description of other liabilities	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Tax withholdings	11,887	9,837	5,529
VAT payable	16,481	21,087	12,416
Guarantees received	872	920	1,028
Accrual for dividend	76,267	81,325	4,637
Monthly tax provisional payments	22,073	11,239	8,171
Deferred income	16,291	15,284	14,350
Withholdings from employees and salaries payable	7,546	5,554	4,936
Accrued vacations	20,710	15,874	14,854
Other current liabilities	73	841	1,538
Total	172,200	161,961	67,459

Notes to the consolidated financial statements as of December 31, 2012

Note 15 - Provisions and other non-financial liabilities (continued)

15.4 Changes in provisions for the year ending December 31, 2012:

Description of items that gave rise to variations	Legal complaints	Provision for dismantling, restoration and rehabilitation cost	Other provisions	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Total provisions, initial balance	7,571	3,724	14,237	25,532
Changes in provisions:				
Additional provisions	1,000	633	8,863	10,496
Provision used	(4)	-	(10,061)	(10,065)
Increase (decrease) in foreign currency translation	-	-	(117)	(117)
Total provisions, final balance	8,567	4,357	12,922	25,846

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Notes to the consolidated financial statements as of December 31, 2012

Note 15 - Provisions and other non-financial liabilities (continued)

15.4 Changes in provisions for the year ending December 31, 2011:

Description of items that gave rise to variations	Legal complaints	Provision for dismantling, restoration and rehabilitation cost	Other provisions	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Total provisions, initial balance	4,590	3,500	12,424	20,514
Changes in provisions:				
Additional provisions	3,000	224	13,076	16,300
Provision used	(19)	-	(11,080)	(11,099)
Increase (decrease) in foreign currency translation	-	-	(183)	(183)
Total provisions, final balance	7,571	3,724	14,237	25,532

Notes to the consolidated financial statements as of December 31, 2012

Note 15 - Provisions and other non-financial liabilities (continued)

15.4 Changes in provisions for the year ending December 31, 2010

Description of items that gave rise to variations	Legal complaints	Provision for dismantling, restoration and rehabilitation cost	Other provisions	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Total provisions, initial balance	590	3,500	15,852	19,942
Changes in provisions:				
Additional provisions	4,000	-	16,081	20,081
Provision used	-	-	(19,583)	(19,583)
Increase (decrease) in foreign currency translation	-	-	74	74
Total provisions, final balance	4,590	3,500	12,424	20,514

Notes to the consolidated financial statements as of December 31, 2012

Note 15 - Provisions and other non-financial liabilities (continued)

15.5 Detail of main classes of provisions

Legal expenses: Provision for legal claims brought against the Company's subsidiaries in Brazil and the United States.

Tax accrual in tax litigation: This accrual relates to lawsuits pending resolution of taxes claims in Brazil for SQM Brazil and NNC.

CORFO royalties agreement: Relates to the commercialization of mining properties payable from SQM Salar S.A. to CORFO on a quarterly basis. The royalty is calculated based on sales of products extracted from the Salar de Atacama.

Provisions are updated each reporting period based on changes in the facts and circumstances of each obligation.

There are no significant uncertainties with respect to the timing or amount of an specific provision.

Notes to the consolidated financial statements as of December 31, 2012

Note 16 - Contingencies and restrictions

16.1 Lawsuits and other relevant events

1.	Plaintiffs	: JB Comércio de Fertilizantes e Defensivos Agrícolas Ltda. (JB)
	Defendant	: Nitratos Naturais do Chile Ltda. (NNC)
	Date	: December 1995
	Court	: MM 1ª, Vara Civel de Comarca de Barueri, Brazil,
	Reason	: Compensation claim filed by JB against NNC for having appointed a distributor in a territory of Brazil for which JB had an exclusive contract,
	Status	: Lower court ruling against Nitratos Naturais do Chile Ltda. and recourse of appeal pending resolution
	Claim amount	: ThUS$1,800
2.	Plaintiff	: Nancy Erika Urra Muñoz
	Defendants	: Fresia Flores Zamorano, Duratec-Vinilit S.A. and SQM S.A. and their insurers
	Date	: December 2008
	Court	: 1st Civil Court of Santiago
	Reason	: Labor Accident
	Status	: Evidence
	Claim amount	: ThUS$ 550
3.	Plaintiffs	: Eduardo Fajardo Nuñez, Ana Maria Canales Poblete, Raquel Beltran Parra, Eduardo Fajardo Beltran and Martina Fajardo Beltran
	Defendants	: SQM Salar S.A. and insured parties
	Date	: November 2009
	Court	: 20th Civil Court in Santiago
	Reason	: Labor accident
	Status	: Summons to hear the judgement
	Claim amount	: ThUS$ 1,880
4.	Plaintiff	: City of Pomona, California USA
	Defendant	: SQM North America Corp (SQM NA) The lawsuit also was filed against Sociedad Química y Minera de Chile S.A. however the Company has not yet been formally notified
	Date	: December 2010
	Court	: United States District Court for the Central District of California

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Notes to the consolidated financial statements as of December 31, 2012

Note 16 - Contingencies and restrictions (continued)

16.1 Lawsuits and other relevant events, continued

	Reason	: Expenses and related damages to treat and remove perchlorate from groundwater alledegely caused by the Company's fertilizer products
	Status	: Pending appeal by the the plaintiff, who lost in the first instance.
	Claim amount	: Not possible to determine
5.	Plaintiff	: City of Lindsay, California USA
	Defendant	: SQM North America Corp (SQM NA) The lawsuit also was filed against Sociedad Química y Minera de Chile S.A. this lawsuit has not yet been notified to the Company
	Date	: December 2010
	Court	: United States District Court for the Eastern District of California
	Reason	: Expenses and related damages to treat and remove perchlorate from groundwater alledegely caused by the Company's fertilizer products
	Status	: Claim, Procedure suspended
	Claim value	: Not possible to determine
6.	Plaintiff	: Metalúrgica FAT Limitada
	Defendant	: SQM Salar S.A.
	Date	: August 2011
	Court	: 9th Civil Court in Santiago
	Reason	: Compensation for early termination of supply contract and installation of metal structures
	Status	: Evidence gathering
	Claim value	: ThUS$200
7.	Plaintiff	: Angelina Castillo Figueroa and others
	Defendant	: SQM Nitratos S.A. and its assurers
	Date	: June 2012
	Court	: 2nd Civil Court of Santiago
	Reason	: Demand for damages related to a 2010 explosion near Baquedano, that resulted in the death of six employees
	Status	: Evidence gathering
	Claim value	: ThUS$9,400

Notes to the consolidated financial statements as of December 31, 2012

Note 16 - Contingencies and restrictions (continued)

16.1 Lawsuits and other relevant events, continued

8.	Plaintiff	: Nilda Ester Muñoz Muñoz y otros
	Defendant	: Alejandro Reyes R., Transportes Transerik Limitada, Contructora Excon S.A., y SQM Salar S.A. and their insurers
	Date	: July 2012
	Court	: 15th Civil Court of Santiago
	Reason	: Claim for damages for an accident occurring in 2010 at our Salar de Atacama facility causing the death of Mr. Daniel Opazo Muñoz
	Status	: Answer to the complaint
	Claim value	: ThUS$2,400
9.	Plaintiff	: Sociedad industrial Seguel y Ortiz Limitada
	Defendant	: SQM Salar S.A.
	Date	: August 2012
	Court	: Arbitral
	Reason	: Indemnity for supposed damages derived from anticipated end of contract for services rendered
	Status	: Answer to the complaint
	Claim value	: ThUS$3,500
10.	Plaintiff	: María Angélica Alday Fuentes
	Defendant	: Vladimir Roco Alvarez, Compass Catering S.A. y SQM S.A.
	Date	: August 2012
	Court	: 1st Civil Court Antofagasta
	Reason	: Damages related to attempted sexual abuse
	Status	: Answer to the complaint
	Claim amount	: ThUS$200

The Company has only registered a provision for estimated losses in those lawsuits described above in which the probability of loss is considered to be more likely than not.

The Company and its subsidiaries have been involved and will likely continue to be involved either as plaintiffs or defendants in certain judicial proceedings that have been and will be heard by the Arbitral or Ordinary Courts of Justice who will make the final decision. Those proceedings governed by the appropriate legal regulations are intended to exercise or oppose certain actions or exceptions related to specefic mining claims either granted or to be

granted and that do not or will not have an adverse affect on the development of the Company and its subsidiaries.

Notes to the consolidated financial statements as of December 31, 2012

Note 16 - Contingencies and restrictions (continued)

16.1 Lawsuits and other relevant events, continued

Soquimich Comercial S.A. has been involved and will probably continue being involved either as plaintiff or defendant in certain judicial proceedings through which it intends to collect and receive the amounts owed, the total claim value of which is approximately ThUS$700.

The Company has made efforts and continues making efforts to obtain payment of certain amounts that are still owed it on occasion of its ongoing activities. Such amounts will continue required using judicial or non-judicial means by the plaintiffs, until the actions and exercise related to these actions are currently in full force and effect.

The Company and its subsidiaries have not received legal notice of any claims other than those mentioned above. The claims detailed above seek to annul certain mining claims that were purchased by SQM and ist subsidiaries, the proportional purchase value of which, with respect to the portion affected by the superimposition, exceeds the nominal and approximate amount of ThUS$150. The claims seek payment of certain amounts allegedly owed by the Company due to its own activities, which exceed the approximate, nominal and individual amount of ThUS$ 150.

16.2 Restrictions to the management or financial limits

Credit Agreements executed by the Company and its subsidiaries with national and foreign banks and international bonds outstanding, require the Company comply with the following consolidated financial ratios:

- Maintain a minimum Net Worth of ThUS$ 900,000.
- Maintain a Net Financial Debt to EBITDA ratio no greater than 3.00:1.00.
- Maintain a Leverage ratio no greater than 1.40:1.00.
- Maintain an Operating Subsidiaries' Interest Indebtedness ratio, defined as the sum of SQM Salar S.A. and SQM Industrial S.A. financial debt over Total Current Assets, no greater than 0.30:1.00.

The calculated ratios mentioned above as are as follows:

Indicator	12/31/2012	12/31/2011	12/31/2010
Net Worth ThUS$	2,187,446	1,864,380	1,670,820
Net Financial Debt/EBITDA	0.83	0.79	0.85
Leverage	1.02	1.08	1.02
Debt SQM Industrial and SQM Salar/Current Assets	0.04	0.05	-

Notes to the consolidated financial statements as of December 31, 2012

Note 16 - Contingencies and restrictions (continued)

Covenants included in notes issued outside of Chile require that the Company will not consolidate with or merge into any othere entity or convey or substantially transfer its properties and assets to another entity, unless (i) the successor enity will be a enity existing under the laws of the United States (or any State thereof or the District of Columbia) or Chile and will assume, by a supplemental indenture, the due and punctual payment of the principal, premium, if any related, and interest in respect of all the outstanding notes and the performance of every covenant in the indenture on the part of the Company to be performed or observed, (ii) immediately after giving effect to such transaction, no event of default, and no event which, after notice or lapse of time, or both, would become an event of default, will have happened and be continuing; and (iii) the Company will have delivered to the Trustee an officer's certificate and opinion of counsel stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with the foregoing provisions relating to such transaction. In case of any such consolidation, merger conveyance or transfer (other than a lease), such successor entity will succeed to and be substituted for the Company as obligor on the notes, with the same effect as if it had been named in the Indenture as such obligor.

In addition, SQM is required to provide quarterly financial information.

The Company and its subsidiaries are in full compliance with all limitations, restrictions and obligations mentioned above.

16.3 Commitments

SQM Salar S.A. entered into a royalty agreement with the CORFO which requires annual payments to CORFO for the commercialization of certain mining properties owned by CORFO and the related products produced from these mining properteis. Annual royalties are calculated based on the sales of each type of product. The contract expires in 2030. Royalties amounted to ThUS$27,193, ThUS$23,951 and ThUS$18,717 for the years ended December 31, 2012, 2011 and 2010.

16.4 Restricted or pledged cash

Isapre Norte Grande Ltda. in compliance with requirements established by the Chilean Superintendence of Healthcare, which regulates the running of pension-related health institutions, maintains a guarantee of financial instruments,

delivered in the form of deposits, in the custody and administration of Banco de Chile. This guarantee, according to the regulations issued by the Chilean Superintendence of Healthcare is the equivalent of the total amounts owed to its members and medical providers. Banco de Chile reports the present value of the guarantee to the Chilean Superintendence of Healthcare and Isapre Norte Grande Ltda. on a daily basis. As of December 31, 2012, 2011 and 2010, the guarantee amounted to ThUS$571, ThUS$428 and ThUS$514, respectively.

Notes to the consolidated financial statements as of December 31, 2012

Note 16 - Contingencies and restrictions (continued)

16.5 Securities obtained from third parties

Security received from third parties (distributors) to guarantee Soquimich Comercial S.A.'s compliance with contractual obligations derived from the distribution and sale of fertilizers amounted to ThUS$4,126, ThUS$4,467 and ThUS$6,389 as of December 31, 2012, 2011 and 2010, respectively. The following entities have provided securities:

Entity name	12/31/2012 ThUS$	**12/31/2011 ThUS$**	**12/31/2011 ThUS$**
Llanos y Wammes Soc, Com, Ltda	2,084	1,926	2,037
Fertglobal Chile Ltda.	1,042	1,541	3,352
Tattersall Agroinsumos S.A.	1,000	1,000	1,000

Notes to the consolidated financial statements as of December 31, 2012

Note 16 - Contingencies and restrictions (continued)

16.6 Indirect guarantees

Guarantees issued in which there is no current balance, reflect indirect guarantees in force and approved by the Company's Board of Directors and have not been drawn upon by the respective subsidiary.

				Pending balances as of the closing date of the financial statements		
Creditor of the guarantee	Debtor Name	Relationship	**Type of** guarantee	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Australian and New Zealand Bank	SQM North America Corp	Subsidiary	Bond	-	-	-
Australian and New Zealand Bank	SQM Europe N.V	Subsidiary	Bond	-	-	-
Generale Bank	SQM North America Corp	Subsidiary	Bond	-	-	-
Generale Bank	SQM Europe N.V.	Subsidiary	Bond	-	-	-
Kredietbank	SQM North America Corp	Subsidiary	Bond	-	-	-
Kredietbank	SQM Europe N.V.	Subsidiary	Bond	-	-	-
Banks and financial institutions	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-	-
Banks and financial institutions	SQM Europe N.V.	Subsidiary	Bond	-	-	-
Banks and financial institutions	SQM North America Corp	Subsidiary	Bond	-	-	-
Banks and financial institutions	Nitratos Naturais do Chile Ltda.	Subsidiary	Bond	-	-	-
Banks and financial institutions	SQM México S.A. de C.V.	Subsidiary	Bond	-	-	-
Banks and financial institutions	SQM Brasil Ltda.	Subsidiary	Bond	-	-	-
“BNP”	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-	-
Sociedad Nacional de Mineria A.G.	SQM Potasio S.A.	Subsidiary	Bond	-	-	-
ING Capital LLC	Royal Seed Trading A.V.V.	Subsidiary	Bond	-	-	80,055
		Subsidiary	Bond	50,235	50,207	-

Scotiabank & Trust (Cayman) Ltd.	Royal Seed Trading A.V.V.					
Scotiabank & Trust (Cayman) Ltd.	Royal Seed Trading A.V.V.	Subsidiary	Bond	50,164	-	-
Bank of America	Royal Seed Trading A.V.V.	Subsidiary	Bond	40,141	40,140	-
Export Development Canada	Royal Seed Trading A.V.V.	Subsidiary	Bond	50,020	50,024	-
The Bank of Tokyo-Mitsubishi UFJ Ltd.	Royal Seed Trading A.V.V.	Subsidiary	Bond	50,140	50,137	-
JP Morgan Chase Bank	SQM Industrial S.A.	Subsidiary	Bond	-	-	-
The Bank of Nova Scotia	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-	-
Morgan Stanley Capital Services	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-	-
The Bank of Tokyo-Mitsubishi UFJ Ltd.	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-	-
HSBC	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-	-
Deutsche Bank AG	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-	-
Credit Suisse International	SQM Investment Corp. N.V.	Subsidiary	Bond	-	-	-

Notes to the consolidated financial statements as of December 31, 2012

Note 17 - Earnings per Share

Basic earnings per share are calculated by dividing net income attributable to the Company's shareholders by the weighted average of the number of shares outstanding during that period,

As expressed, earnings per share are detailed as follows:

Basic earnings per share	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Earnings attributable to owners of the parent	649,167	545,758	382,122
Number of common shares in circulation	263,196,524	263,196,524	263,196,524
Basic earnings per share (US$ per share)	2,47	2,07	1,45

The Company has not entered into any operation or issued any securities or financial instruments with a potential dilutive effect. Therefore diluted earnings per share is the same as basic earnings per share.

Notes to the consolidated financial statements as of December 31, 2012

Note 18 - Effect of fluctuations on the foreign currency exchange rates

a) Foreign currency exchange differences recognized in profit or loss except for financial instruments measured at fair value through profit or loss:

	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Conversion foreign exchange gains (losses) recognized in the result of the year	(26,787)	(25,307)	(5,807)
Conversion of foreign exchange reserves attributable to the owners of the controlling entity	921	(2,781)	296
Conversion of foreign exchange reserves attributable to the non-controlling entity	61	(109)	367

b) Reserves for foreign currency exchange differences:

Foreign currency exchange differences are detailed as follows:

Detail	12/31/2012 ThUS$	**12/31/2011** **ThUS$**	**12/31/2010** **ThUS$**
Changes in equity generated through the equity method:			
Comercial Hydro S.A.	937	937	937
SQMC Internacional Ltda.	36	23	41
Proinsa Ltda.	27	17	31
Agrorama Callegari Ltda.	152	102	161
Isapre Cruz del Norte Ltda.	89	55	99
Almacenes y Depósitos Ltda.	103	57	90
Sales de Magnesio Ltda.	177	48	132
Sociedad de Servicios de Salud S.A.	33	24	39
Agrorama S.A.	(11)	(11)	-
Doktor Tarsa	(1,035)	(1,964)	-
Nutrisi Holding	(42)	(42)	-
SQM Vitas Fzco	(318)	(159)	-
Ajay Europe	(275)	(176)	-
Misr Specialty Ferti	(39)	(39)	-
SQM Eastmed Turkey	(42)	(40)	-

Charlee SQM (Thailand) Co. Lta.	(32)	(52)	-
Coromandel SQM India	(118)	(31)	-
SQM Italia SRL	28	-	-
Total	(330)	(1,251)	1,530

c) Functional and presentation currency

The functional currency in these companies corresponds to the currency of the country of origin of each entity, and its presentation currency is the U.S. Dollar.

Notes to the consolidated financial statements as of December 31, 2012

Note 18 - Effect of fluctuations on the foreign currency exchange rates (continued)

d) Reasons to use one presentation currency and a different functional currency

- The total revenues of these subsidiaries are associated with the local currency.
- The commercialization cost structure of these companies is affected by the local currency.
- The equities of these companies are expressed in local currency (Chilean peso).

Note 19 - Environment

19.1 Disclosures of disbursements related to the environment

The Company is concerned with protecting the environment both in its production processes and with respect to products manufactured. This commitment is supported by the principles indicated in the Company's Sustainable Development Policy. The Company is currently operating under an Environmental Management System (EMS) that has allowed it to strengthen its environmental performance through the effective application of the Company's Sustainable Development Policy.

Operations that use caliche as a raw material are carried out in desert areas with climatic conditions that are favorable for drying solids and evaporating liquids using solar energy. Operations involving the open-pit extraction of minerals, due to their low waste-to-mineral ratio, generate remaining deposits that slightly alter the environment. A portion of the ore extracted is crushed, a process in which in the emission of particulates. Currently this operation is only conducted at the Company´s Pedro de Valdivia operations.

Many of the Company's products are shipped in bulk at the Port of Tocopilla, Chile. In 2007, the city of Tocopilla was declared a zone saturated with MP10 particles mainly due to the emissions from electric power plants that operate in that city. In October 2010 the Decontamination Plan for Tocopilla was put in place. Accordingly, the Company has committed to taking several measures to mitigate the effects derived from bulk product movements in the port. These measures have been successfully implemented since 2007.

The Company carries out environmental monitoring plans based on specialized scientific studies, Within this context, the Company entered into a contract with the National Forestry Corporation (CONAF) aimed at researching the activities of flamingo groups that live in the Salar de Atacama lagoons. Such research includes a population count of

the birds, as well as breeding research. Environmental monitoring activities carried out by the Company at the Salar de Atacama and other systems in which it operates are supported by a number of studies that have integrated diverse scientific efforts from prestigious research centers, including Dictuc from the Pontificia Universidad Católica in Santiago and the School of Agricultural Science of the Universidad de Chile.

Notes to the consolidated financial statements as of December 31, 2012

Note 19 - Environment (continued)

19.1 Disclosures of disbursements related to the environment (continued)

Furthermore, within the framework of the environmental studies that the Company is conducting, the Company performs significant activities in relation to the recording of Pre-Columbian and historical cultural heritage, as well as the protection of heritage sites, in accordance with current Chilean laws. These activities have been specifically performed in the areas surrounding our Maria Elena and Nueva Victoria plants. This effort is being accompanied by cultural initiatives within the community and the organization of exhibits in local and regional museums.

As emphasized in its Sustainable Development Policy, the Company strives to maintain positive relationships with the communities surrounding the locations in which it carries out its operations, as well as to participate in communities' development by supporting joint projects and activities which help to improve the quality of life for residents. For this purpose, the Company has focused its efforts on activities involving the rescue of historical heritage, education and culture, as well as development, and in order to do so, it acts both individually and in conjunction with private and public entities.

19.2 Detail of information on disbursements related to the environment

Cummulative disbursements as of December 31, 2012 in related to investments in production processes, verification and control of compliance with environmental ordinances and laws relative to industrial processes and facilities, amounted to ThUS$23,207 and are detailed as follows:

Notes to the consolidated financial statements as of December 31, 2012

Note 19- Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Accumulated expenses as of December 31, 2012

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Descript the asse expense
SQM Industrial S.A.	Environmental Management (Expense as of December 2012)	Not classified	Expense	Not clas
SQM Industrial S.A.	IQ8G – Improvement of Bureau of Exchange, offices and facilities	Sustainability	Asset	Not clas
SQM Industrial S.A.	JQEZ – Change of Berrtrams Prilling Boiler CS	Sustainability: Replacement of equipment	Asset	Develop
SQM Industrial S.A.	JQH9 – Purchase of Bertrams Boiler	Sustainability: Replacement of equipment	Asset	Develop
SQM Industrial S.A.	MNYS - Measures of Technological Change Cultural Heritage Dissemination Maria Elena	Sustainability: Environment and Risk prevention	Expense	Not clas
SQM Industrial S.A.	MP5W - TK's Fuel Standards	Sustainability	Asset	Not clas
SQM Industrial S.A.	MPQU - Construction of Hazardous Chemical Supplies warehouse	Sustainability: Environment and Risk prevention	Asset	Develop
SQM Industrial S.A.	MQ8M - Reconditioning monitoring station ME	Sustainability: Renovation	Expense	Not clas
SQM Industrial S.A.	MQA8 – Normalization gas systems peripheral casinos (stage 1 of project)	Not classified	Expense	Not clas
SQM Industrial S.A.	MQAJ - Improvements to Camp Water and Sewage (P Contesse commitment to DDSS)	Not classified	Expense	Not clas
SQM Industrial S.A.	MQBM - Archaeological Digging Deployment Maria Elena - Toco	Sustainability: Environment and Risk prevention	Expense	Not clas
SQM Industrial S.A.	MQHF- Pilas ME Maintenance	Sustainability	Asset	Not clas

SQM Industrial S.A.	MQK2- Elimination of PCBs I	Not classified	Expense	Not clas

Notes to the consolidated financial statements as of December 31, 2012

Note 19 - Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Accumulated expenses as of December 31, 2012, continued

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Description the asset or expense Ite
SQM Industrial S.A.	PPC1 - Remove switches park OCB sub 3 and 1/12 Pedro de Valdivia	Sustainability: Replacement of equipment	Expense	Not classif
SQM Industrial S.A.	PPNK - Management of Ammonia PV stoppage plant	Sustainability: Environment and Risk prevention	Asset Expense	Not classif
SQM Industrial S.A.	PPZU - Standardize and certify Plant Fuel Tanks	Sustainability: Environment and Risk prevention	Asset	Not classif
SQM Industrial S.A.	SQ7X - Reach 2011-2013	Sustainability	Expense	Not classif
SQM Industrial S.A.	TQA2 – Improvement sewage Villa Prat	Not classified	Expense	Not classif
SQM Industrial S.A.	JQ8K – DIA Line 4 Floor Drying , Coya Sur (Project: Drying Line 4)	Environmental procedure	Asset	Not classif
SQM Industrial S.A.	FP55 - FPXA - Zone Mine EIS PB - PB Expansion EIS (Projects: Pampa Blanca Saltwater - Saltwater Stage I)	Environmental procedure	Asset	Not classif
SQM Industrial S.A.	JQB6 - NPTIV (DIA Planta NPT4, Coya Sur)	Environmental procedure	Asset	No Clasificado
SQM Industrial S.A.	PQLV- Mine PV New Area (DIA Pedro de Valdivia Mine)	Ambient procedure	Expense	Not classif
SQM Industrial S.A.	CQLX-Yard for Hazrdous Waste – S. del Carmen and Lagarto	Sustainability		Not classif
SQM S.A.	MQLQ- Gas Washing System	Sustainability: Risk Prevention and Environment	Asset	Developme
SQM S.A.	AQ0A - Well Drilling 4 Uptake Change Point Tamarugal Pampa	Sustainability: Natural Resources	Asset	Developme

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Notes to the consolidated financial statements as of December 31, 2012

Note 19 - Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Accumulated expenses as of December 31, 2012, continued

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Description the asset or expense Ite
SQM S.A.	IPFT - Cultural Heritage Region I	Sustainability: Environment and Risk prevention	Expense	Not classif
SQM S.A.	IPXE - Environmental Monitoring Plan Llamara Salt flat	Sustainability: Environment and Risk prevention	Expense	Not classif
SQM S.A.	IPXF - Environmental Monitoring Plan Tamarugal Pampa	Sustainability: Environment and Risk prevention	Expense	Not classif
SQM S.A.	IQ08 - PSA Llamara & Pampa Tamarugal	Sustainability: Natural Resources	Asset	Developme
SQM S.A.	IQ0C - Mine Area Enhancement NV	Sustainability: Environment and Risk prevention	Expense	Not classif
SQM S.A.	IQ1K - Construction of 3 observation wells in Sur Viejo	Sustainability: Natural Resources	Asset	Developme
SQM S.A.	IQ1M - PSA Re-injection of water to Puquios Llamara	Not classified	Asset	Not classif
SQM S.A.	IQ3S - Hazardous Materials Management Standardization	Sustainability: Environment and Risk prevention	Expense	Not classif
SQM S.A.	IQ52 - New Victoria Environment Office	Not classified	Expense	Not classif
SQM S.A.	IQ53 - Cultural heritage route Soronal adduction (Pampa Hermosa)	Sustainability: Environment and Risk prevention	Expense	Not classif
SQM S.A.	IQ54 - Cultural heritage Pampa Hermosa	Sustainability: Environment and Risk prevention	Expense	Not classif
SQM S.A.	IQ9V - Project Quillagua	Not classified	Expense	Not classif

SQM S.A.	IQOW- Equipping deposit for heritage interest at Humberstone	Sustainability: Environment and Risk prevention	Expense	Not classif
SQM S.A.	IQPJ- Cultural Heritage Measures in Mina Etapa	Sustainability	Expense	Not classif

Notes to the consolidated financial statements as of December 31, 2012

Note 19 - Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Accumulated expenses as of December 31, 2012, continued

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Description o the asset or expense Item
SQM S.A.	PQB9 - Change of exhaust SO2 gas	Sustainability	Asset	Not classified
SQM S.A.	IQ6M/ IQ6N - DIA Expansion Nueva Victoria Sur Mine (Projects: Exploration NVS7 2011 and Exploration Nva, Victoria Oeste)	Environmental procedure	Expense	Not classified
SQM S.A.	IP83 - DIA Expansion TLN-15 (Projects: Management Administration Expenses SQM Nueva Victoria)	Not classified	Expense	Not classified
SQM Salar S.A.	LQFD- Changing Houses	Sustainability	Asset	Not classified
SQM Salar S.A.	CQ4M – Regularization of Contractor facilities	Sustainability: Environment and Risk prevention	Asset	Not classified
SQM Salar S.A.	CQ8U - New Changing Room CL - HL	Capacity Upgrade	Asset	Not classified
SQM Salar S.A.	LP82 - Project for the Promotion of Agricultural Activity in Communities of the Salt deposit	Sustainability	Expense	Development
SQM Salar S.A.	LPTF – Environmental study and exploration 2010	Sustainability	Expense	Not classified
SQM Salar S.A.	LPTJ - Improvements Sanitary Works	Sustainability	Asset	Not classified
SQM Salar S.A.	LQDM – Certification of tanks	Sustainability	Asset - Expense	Not classified
SQM Salar S.A.	LQI6- Surveys and Ambient Prospections 2011 (EIA Operation Actualization in Salar de Atacama)	Ambient Procedure	Asset	Not classified
SQM Salar S.A.	LQNI-DIA Expansion of drying plant and compacted KCL facility	Ambient Procedure	Asset	Not classified
SIT S.A.	TQNA- Meteorological station Tocopilla (Decontamination plan system Tocopilla)	Sustainability: Risk and Environment Prevention	Asset	Not classified
SIT S.A.	MQ6Y - Maintenance and repair and bureau of exchange Tocopilla ME	Sustainability: Environment and Risk prevention	Expense	Not classified

Notes to the consolidated financial statements as of December 31, 2012

Note 19 - Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Accumulated expenses as of December 31, 2012, continued

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Description of the asset or expense Item
SIT S.A.	TQM2 – Capsulation Project charge/ discharge Fields 1 and 8	Costs Reduction	Expense	Not classified
SIT S.A.	TPR8 - Disposal of liquid waste generation by aspiration	Sustainability: Environment and Risk prevention	Expense	Not classified
SIT S.A.	TPYX – Equipping of dust collector of the cradle and seal - Field 3 Tocopilla	Sustainability: Environment and Risk prevention	Asset - Expense	Development
SIT S.A.	TQAP - Paving Field No, 3 and No, 4	Capacity Upgrade	Expense	Not classified
SIT S.A.	TQAV - Paving paths IV	Sustainability: Environment and Risk prevention	Expense	Development
SIT S.A.	TQLY- Dust Extractor for packing line N°1	Ambient Procedure	Expense	Not classified
SIT S.A.	TQQ5- Environental Divisions yard N°8	Sustainability: Environment and Risk prevention	Expense	Not classified
SQM Potasio S.A.	IQ4C - Camp Development (Osmosis and Others)	Capacity Upgrade	Asset	Not classified
SQM Nitratos S.A.	IQDN- Storage Rises – Maintenance of Mine NV	Sustainability: Risk Prev,, and Environment	Asset	Not classified
SQM Nitratos S.A.	PQI9 – Mine waste water treatment plant	Sustainability: Environment and Risk prevention	Asset	Not classified
SQM Nitratos S.A.	IQMH-Operation Standardization NV mine	Sustainability: Environment and Risk prevention	Asset	Not classified
				Total

Notes to the consolidated financial statements as of December 31, 2012

Note 19 - Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Future expenses as of December 31, 2012

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Descrip the asse expense
SQM Industrial S.A.	Environment management (Budget 2012 Available at IV Quarter 2012)	Not classified	Expense	Not clas
SQM Industrial S.A.	MNYS - Measures of Technological Change Cultural Heritage Dissemination Maria Elena	Sustainability: Environment and Risk prevention	Asset	Not clas
SQM Industrial S.A.	MP5W - TK's Fuel Standards	Sustainability	Asset	Not clas
SQM Industrial S.A.	MPQU - Construction of Hazardous Chemical Supplies warehouse	Sustainability: Environment and Risk prevention	Asset	Develop
SQM Industrial S.A.	MQBM - Archaeological Digging Deployment Maria Elena - Toco	Sustainability: Environment and Risk prevention	Asset - Expense	Not clas
SQM Industrial S.A.	MQHF – Sustaining of batteries ME	Sustainability	Asset - Expense	Not clas
SQM Industrial S.A.	MQK2 – Elimination of PCBs I	Not classified	Asset - Expense	Not clas
SQM Industrial S.A.	PPC1 - Remove switches park OCB sub 3 and 1/12 Pedro de Valdivia	Sustainability: Replacement of equipment	Asset - Expense	Not clas
SQM Industrial S.A.	PPZU - Standardize and certify Plant Fuel Tanks	Sustainability: Environment and Risk prevention	Asset - Expense	Not clas
SQM Industrial S.A.	SQ7X - Reach 2011-2013	Sustainability	Expense	Not clas
SQM Industrial S.A.	TQA2 - Drainage Improvement Villa Prat	Not classified	Asset - Expense	Not clas
SQM Industrial S.A.	CQLX- Yard for Dangerous Residue - S, Carmen y Lagarto	Sustainability: Risk Prevention and Environment	Asset - Expense	Not clas
SQM Industrial S.A.	JQL7- Engineering and Project for the reception of prilado and dried dust, KNO3	Capacity Upgrade	Expense	Researc

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Notes to the consolidated financial statements as of December 31, 2012

Note 19- Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Future expenses as of December 31, 2012

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Descrip the asse expense
SQM Industrial S.A.	FP55 - FPXA - EIA Expansion (Projects: Pampa Blanca Saltwater - Saltwater Stage I)	Sustainability	Asset	Develop
SQM Industrial S.A.	JQB6 – NPTIV (DIA Planta NPT4, Coya Sur)	Ambient Procedure	Asset	Not clas
SQM Industrial S.A.	PQLV – New Area of Mine PV (DIA Pedro de Valdivia Mine)	Ambient Procedure	Asset	Not clas
SQM S.A.	IPFT - Cultural Heritage Region I	Sustainability: Environment and Risk prevention	Expense	Not clas
SQM S.A.	IPXE - Environmental Monitoring Plan Llamara Salt flat	Sustainability: Environment and Risk prevention	Expense	Not clas
SQM S.A.	IPXF - Environmental Monitoring Plan Tamarugal Pampa	Sustainability: Environment and Risk prevention	Expense	Not clas
SQM S.A.	IQ1M - PSA Re-injection of water to Puquios Llamara	Not classified	Asset	Not clas
SQM S.A.	IQ3S - Hazardous Materials Management Standardization	Sustainability: Environment and Risk prevention	Asset	Not clas
SQM S.A.	IQ54 - Cultural heritage Pampa Hermosa	Sustainability: Environment and Risk prevention	Asset	Not clas
SQM S.A.	MQLQ – Fumes Washing System	Sustainability: Risk Prevention and Environment	Asset	Develop
SQM S.A.	IQOW- Equipping deposit of patrimony Humberstone	Sustainability: Risk and Environment Prevention	Expense	Not clas
SQM S.A.	IQ6M/ IQ6N - DIA Expansion Nueva Victoria Sur Mine (Projects: Exploration NVS7 2011 and	Sustainability: Natural Resources	Asset	Not clas

	Exploration Nva, Victoria Oeste)			
SQM Salar S.A.	LQDM – Certification of tanks	Sustainability	Expense	Not clas
SQM Salar S.A.	LQI6 –EIA Update: operation in the Salar de Atacama	Ambient Procedure	Asset	Not clas

Notes to the consolidated financial statements as of December 31, 2012

Note 19 - Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Future expenses as of December 31, 2012

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Descrip the asse expense
SQM Salar S.A.	LQNI-DIA Expansion of drying plant and compacted KCL facility	Ambient Procedure	Asset	Not clas
SQM Salar S.A.	LQG8 – Waste room Toconao Campsite	Not classified	Asset - Expense	Not clas
SIT S.A.	TPYX - Enabling the dust collector of the crib and court seal 3 Tocopilla	Sustainability: Environment and Risk prevention	Asset	Develop
SIT S.A.	TQAV - Paving paths IV	Sustainability: Environment and Risk prevention	Expense	Develop
SIT S.A.	TQQ5- Environental Divisions yard N°8	Sustainability: Environment and Risk prevention	Expense	Not clas
SQM Nitratos S.A.	IQMH-Normalización Operaciones área mina NV	Sustainability: Environment and Risk prevention	Asset	Not clas
				Total

Notes to the consolidated financial statements as of December 31, 2012

Note 19 - Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Accumulated expenses, as of December 31, 2011

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Desc the a expe
SQM Industrial S.A.	Environment Management (2010 Expense)	Not classified	Expense	Not c
SQM Industrial S.A.	SQ7X - Reach 2011-2013	Sustainability	Expense	Not c
SQM Industrial S.A.	ANMI - Infrastructure consulting for the storage of dangerous chemical substances	Sustainability: Environment and Risk prevention	Asset	Deve
SQM Industrial S.A.	FNWR EID Discard field Pampa Blanca	Sustainability: Environment and Risk prevention	Expense	Deve
SQM Industrial S.A.	FP55 - FPXA - Mine Area EIS PB - PB Expansion EIS (Projects: Pampa Blanca Saltwater - Saltwater Stage I)	Sustainability	Asset	Deve
SQM Industrial S.A.	JNTU - Assessment of waters at San Isidro	Sustainability: Environment and Risk prevention	Asset	Not c
SQM Industrial S.A.	JPX9 - Enhanced Ground Granulated EID-Prilado Coya Sur (Project: Pilot Plant TD and Pilot Testing of Resin)	Sustainability: Research and Development	Asset	Rese
SQM Industrial S.A.	MNYS - Measures of Technological Change Cultural Heritage Dissemination Maria Elena	Sustainability: Environment and Risk prevention	Asset	Not c
SQM Industrial S.A.	MP17 - Standardization Water Chlorination ME / CS / PV	Sustainability	Asset	Not c
SQM Industrial S.A.	MP5W - TK's Fuel Standards	Sustainability	Asset	Not c
SQM Industrial S.A.	MPIS - Stabilization of streets and sidewalks dust suppression	Sustainability	Asset	Deve
SQM Industrial S.A.	MPL5 - Repair sanitary and electrical services	Sustainability	Asset	Deve
SQM Industrial S.A.		Not classified	Asset	Not c

MPLS - Automation and Alarm Monitoring Station
Hospital information

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Notes to the consolidated financial statements as of December 31, 2012

Note 19 - Environment (continued)

19.2 Detail of information on disbursements related to the environment, continued

Accumulated expenses, as of December 31, 2011, continued

Identification of the Parent or subsidiary	Name of the project with which the disbursement is associated	Concept for which the disbursement was made or will be made	Asset / Expense	Descrip the asse expense
SQM Industrial S.A.	MQ51 - Terms of Reference Project ME equity measures	Sustainability: Environment and Risk prevention	Expense	Not clas
SQM Industrial S.A.	PPNK - Management of Ammonia PV stoppage plant	Sustainability: Environment and Risk prevention	Asset	Not clas
SQM Industrial S.A.	PPZU - Standardize and certify Plant Fuel Tanks	Sustainability: Environment and Risk prevention	Asset - Expense	Not clas
SQM Industrial S.A.	JQ8K – DIA Line 4 Floor Drying , Coya Sur (Project: Drying Line 4)	Capacity Upgrade	Asset	Develop
SQM Industrial S.A.	IQ8G – Improvement of Bureau of Exchange, offices and facilities	Sustainability	Asset	Not clas
SQM Industrial S.A.	MQ7P - ME Village sewer lids change	Sustainability	Expense	Not clas
SQM Industrial S.A.	JQB6 - EID Ground NPT4, Coya Sur (Project: NPTIV)	Capacity Upgrade	Asset	Develop
SQM Industrial S.A.	TQ78 - motorized sweepers	Sustainability: Replacement of equipment	Asset	Develop
Minera Nueva Victoria Ltda.	IPMN - Capacity Expansion Sanitary Iris	Capacity upgrade	Asset	Develop
SQM Industrial S.A.	MPQU - Construction of Hazardous Chemical Supplies warehouse	Sustainability: Environment and Risk prevention	Asset	Develop
SQM Industrial S.A.	PPC1 - Remove switches park OCB sub 3 and 1/12 Pedro de Valdivia	Sustainability: Replacement of equipment	Asset – Expense	Not clas
SQM Industrial S.A.	MQ8M - Reconditioning monitoring station ME	Sustainability: Renovation	Asset	Not clas