

CHEMICAL & MINING CO OF CHILE INC
Form 20-F/A
April 29, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

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

OR

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

For the fiscal year ended December 31, 2013

OR

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

OR

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 33-65728

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

(Exact name of registrant as specified in its charter)

CHEMICAL AND MINING COMPANY OF CHILE INC.

(Translation of registrant's name into English)

CHILE

(Jurisdiction of incorporation or organization)

El Trovador 4285, 6th Floor, Santiago, Chile +56 2 2425-2000

(Address of principal executive offices)

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

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

Title of each class

Name of each exchange on which registered

Series B shares, in the form of American Depositary Shares New York Stock Exchange

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

NONE

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

NONE

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

Series A shares 142,819,552

Series B shares 120,376,972

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

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

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

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

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

T Large accelerated filer £ Accelerated filer £ Non- accelerated filer

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

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

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

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

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

£ YES T NO

EXPLANATORY NOTE

Sociedad Química y Minera de Chile S.A. ("SQM") is filing this Amendment No. 1 to the annual report on Form 20-F for the fiscal year ended December 31, 2013, which was filed with the Securities and Exchange Commission on April 28, 2013 (the "Form 20-F"), solely to correct the period identified in the Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Except for the signature page and the updated certifications of our Chief Executive Officer and Chief Financial Officer, this Amendment No. 1 to our Form 20-F does not modify or update other disclosures in, or exhibits to, the Form 20-F. The financial statements of SQM included in this amendment have not changed since the filing of the Form 20-F.

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PRESENTATION OF INFORMATION

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

All references to "\$," "US\$," "U.S. dollars," "USD" and "dollars" are to United States dollars, references to "pesos," "CLP" and "Ch\$" are to Chilean pesos, references to ThUS\$ are to thousands of United States dollars, references to ThCh\$ are to thousands of Chilean pesos and references to "UF" are to *Unidades de Fomento*. The UF is an inflation-indexed, peso-denominated unit that is linked to, and adjusted daily to reflect changes in, the previous month's Chilean consumer price index. As of December 31, 2013, UF 1.00 was equivalent to US\$44.43 and Ch\$23,309.56.

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

Our fiscal year ends on December 31. As December 31 is a public holiday in Chile; certain financial information is reflected as of December 30, 2013.

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

1 kilometer equals approximately 0.6214 miles

1 meter equals approximately 3.2808 feet

1 centimeter equals approximately 0.3937 inches

1 hectare equals approximately 2.4710 acres

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

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

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

GLOSSARY

“assay values” Chemical result or mineral component amount that contains the sample.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“LIBOR” London Inter Bank Offered Rate.

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

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

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

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

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

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

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

“Proved Mineral Reserve” See “Reserves—Proved Mineral Reserve.”

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

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

“Resources—Indicated Mineral Resource” ** 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. The locations are too widely or inappropriately spaced to confirm geological continuity and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource.

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

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

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

A deposit may be classified as a Measured Mineral Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt, in the opinion of the Competent Person, as that term is defined under Chilean Law Number 20,235, determining the Mineral Resource, that the tonnage and grade of the deposit can be estimated within close limits and that any variation from the estimate would not significantly affect potential economic viability.

This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit. Confidence in the estimate is sufficient to allow the appropriate application of technical and economic parameters and to enable an evaluation of economic viability.

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

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

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

“Weighted average age” The sum of the product of the age of each fixed asset at a given facility and its current gross book value as of December 31, 2013 divided by the total gross book value of the Company's fixed assets at such facility as of December 31, 2013.

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

3.A. Selected Financial Data

The following table presents selected financial data as of December 31, 2013 and the previous three years. The selected financial data should be read in conjunction with the Consolidated Financial Statements and notes thereto, “Item 5. Operating and Financial Review and Prospects” and other financial information included herein.

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

The Company’s consolidated financial information as of and for the year ended, December 31, 2009 was restated in accordance with IFRS.

(in millions of U.S. dollars)⁽¹⁾

As of and for the year ended December 31,				
2013	2012	2011	2010	2009

Statement of income:

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Revenues	2,203.1	2,429.2	2,145.3	1,830.4	1,438.7
Cost of sales	(1,481.7)	(1,400.6)	(1,290.5)	(1,204.4)	(908.5)
Gross profit	721.5	1,028.6	854.8	626.0	530.2
Other income	96.7	12.7	47.7	6.5	17.0
Administrative expenses	(105.2)	(106.4)	(91.8)	(78.8)	(75.5)
Other expenses	(49.4)	(34.6)	(63.0)	(36.2)	(21.8)
Other gains (losses)	(11.4)	0.7	5.8	(7.0)	(13.7)
Finance income	12.7	29.1	23.2	12.9	13.5
Finance expenses	(58.6)	(54.1)	(39.3)	(35.0)	(31.0)
Equity income of associates and joint ventures accounted for using the equity method	18.8	24.4	21.8	10.7	4.5
Foreign currency exchange differences	(12.0)	(26.8)	(25.3)	(5.8)	(7.6)
Income before income tax expense	613.1	873.5	733.8	493.3	415.6
Income tax expense	(138.5)	(216.1)	(179.7)	(106.0)	(75.8)
Profit for the year	474.6	657.4	554.1	387.3	339.8
Profit attributable to:					
Controlling interests	467.1	649.2	545.8	382.1	338.3
Non-controlling interests	7.5	8.2	8.4	5.1	1.5
Profit for the year	474.6	657.4	554.1	387.3	339.8
Basic earnings per share ⁽²⁾	1.77	2.47	2.07	1.45	1.29
Basic earnings per ADS ⁽²⁾⁽³⁾	1.77	2.47	2.07	1.45	1.29
Dividends per share ⁽⁴⁾⁽⁵⁾⁽⁶⁾	1.04	1.25	1.04	0.66	1.24
Dividends per ADS ⁽⁵⁾⁽⁶⁾	1.04	1.25	1.04	0.66	1.24
Weighted average ⁽³⁾ shares outstanding (000s)	263,197	263,197	263,197	263,197	263,197

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

(2) The Company has not conducted any type of operation which would give rise to a potential dilutive effect on its earnings per share. The total number of outstanding shares is the same as the weighted average shares outstanding.

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

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

(5) Dividends may only be paid from net income as determined in accordance with IFRS; see Item 8.A.8. Dividend Policy. For dividends in Ch\$ see Item 8.A.8. Dividend Policy — Dividends.

(6) Dividend amount paid per calendar year to shareholders of the Company.

(in millions of U.S. dollars)	As of and for the year ended December 31,				
	2013	2012	2011	2010	2009
<u>Balance Sheet Data:</u>					
Total assets	4,767.6	4,416.4	3,871.6	3,372.8	3,141.8
Total liabilities	2,335.4	2,229.0	2,007.2	1,702.0	1,677.4
Total equity	2,432.2	2,187.4	1,864.4	1,670.8	1,464.5
Equity attributable to controlling interests	2,376.6	2,132.8	1,812.8	1,622.8	1,418.8
Equity attributable to non-controlling interest	55.6	54.7	51.5	48.0	45.7
Capital stock	477.4	477.4	477.4	477.4	477.4

EXCHANGE RATES

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

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

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

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

The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos. As of April 21, 2014 the rate of exchange for Chilean pesos was US\$1.00 per CH\$ 557.63.

Observed Exchange Rate (1)

Ch\$ per US\$

Year	Low (1)	High (1)	Average (1)(2)	Year/Month End(3)
2009	491.09	643.87	559.15	507.10
2010	468.01	549.17	510.22	468.01
2011	455.91	533.74	483.57	519.20
2012	469.65	519.69	486.59	479.96
2013	466.5	533.95	495.00	524.61
Last six months	Low (1)	High (1)	Average (1)(2)	Year/Month End(3)
2013				
October	493.36	508.58	500.81	507.64
November	507.64	528.19	519.25	529.64
December	523.76	533.95	529.45	524.61
2014				
January	524.61	550.53	537.03	553.84
February	546.94	563.32	554.41	559.38
March	550.53	573.24	563.84	551.18

Source: Central Bank of Chile

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

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

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

3.B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

3.D. Risk Factors

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

Risks Relating to our Business

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

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

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

Iodine prices followed an upward trend since late 2003 through 2012, reaching an average price of approximately US\$53 per kilogram in 2012, over 40% higher than average prices in 2011. During 2013, even though iodine demand reached record highs, demand growth softened, and supply increased, causing a decline in iodine prices. The average price of iodine seen by SQM was approximately US\$50 per kilogram in 2013, approximately 6% less than average prices seen by the Company in 2012. We cannot assure you that iodine prices or sales volumes will not continue to decline in the future.

In 2010, we observed demand recovery in the lithium market, which continued in 2011 and 2012. In 2013, we continued to see strong market growth, driven mostly by an increase in demand related to battery use. Nevertheless, demand growth was accompanied by an increase in supply from existing competitors. The average price of lithium carbonate in 2013 was US\$5,400 per ton. We cannot assure you that this positive demand trend will continue in the future. We cannot assure you that lithium prices and sales volumes will not decline in the future.

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

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

We sell our products in more than 115 countries around the world. In 2013, approximately 49% of our sales were made in emerging market countries: 17% in Central and South America (excluding Chile); 8% to Africa and the Middle East; 12% in Chile; and 12% in Asia and Oceania (excluding Japan). We expect to expand our sales in these and other emerging markets in the future. In addition, we may carry out acquisitions or joint ventures in jurisdictions in which we currently do not operate, relating to any of our businesses or to new businesses in which we believe we may have sustainable competitive advantages. The results of our operations and our prospects in other countries in

which we establish operations will depend, in part, on the general level of political stability and economic activity and policies in those countries. Future developments in the political systems or economies of these countries or the implementation of future governmental policies in those countries, including the imposition of withholding and other taxes, restrictions on the payment of dividends or repatriation of capital, the imposition of import duties or other restrictions, the imposition of new environmental regulations or price controls or changes in relevant laws or regulations, could have a material adverse effect on our business, financial condition and results of operations in those countries.

Our inventory levels may increase because of the global economic slowdown

In general, the global economic slowdown experienced during 2008 and 2009 had an impact on our inventories. Demand decreased during 2009 and, as a result, inventories increased significantly and continued to be high in 2013. Higher inventories carry a financial risk due to increased need for cash to fund working capital. Higher inventory levels could also imply increased risk of loss of product. We cannot assure you that inventory levels will not continue to remain high in 2014, or increase further, in the future. These factors could have a material adverse effect on our business, financial condition and results of operations.

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

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

New production of iodine or lithium carbonate from current or new competitors

During 2013, supply of iodine and lithium carbonate increased due to new supply from existing competitors entering the market and increases in production from some of our current competitors, which affected prices for both products. Potential new production of iodine and lithium carbonate from current or new competitors in the markets in which we operate could adversely affect prices. There is limited information on the status of new iodine or lithium carbonate production capacity expansion projects being developed by current and potential competitors and, as such, we cannot make accurate projections regarding the capacities of possible new entrants into the market and the dates on which they could become operational. If these potential projects are completed in the short term, they could adversely affect market prices and our market share, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

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

Our business is capital intensive. Specifically, the exploration and exploitation of reserves, mining and processing costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require

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

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

We rely on certain raw materials and various sources of energy (diesel, electricity, LNG, fuel oil and others) to manufacture our products. Purchases of raw materials that we do not produce and energy constitute an important part of our cost of sales, approximately 16% in 2013. In addition, we may not be able to obtain energy at any price if supplies of our sources of energy are curtailed or otherwise become unavailable. To the extent we are unable to pass on increases in raw materials and energy prices to our customers or we are unable to obtain energy, our business, financial condition and results of operations could be materially adversely affected.

Currency fluctuations may have a negative effect on our financial performance

We transact a significant portion of our business in U.S. dollars, and the U.S. dollar is the currency of the primary economic environment in which we operate. In addition, the U.S. dollar is our functional currency for financial statement reporting purposes. A significant portion of our costs, however, is related to the Chilean peso. Therefore, an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar would affect our costs of production. The Chilean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future. As of December 31, 2013, the Chilean peso exchange rate was Ch\$524.61 per U.S. dollar, while as of December 31, 2012, the Chilean peso exchange rate was Ch\$479.96 per U.S. dollar. The Chilean peso therefore depreciated against the U.S. dollar by 9% in 2013. As of March 17, 2014, the Observed Exchange Rate was Ch\$570.35 per U.S. dollar.

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

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

We have outstanding short and long-term debt that bears interest based on the London Interbank Offered Rate (“LIBOR”), plus a spread. Since we are currently hedging only a portion of these liabilities into fixed rates, we are exposed to interest rate risk relating to LIBOR fluctuations. As of December 31, 2013, approximately 16% our financial debt had LIBOR-based pricing that was not hedged into fixed rates. A relative increase in the rate could materially impact our business, financial condition and results of operations.

Our reserves estimates could be subject to significant changes

Our caliche ore mining reserves estimates are prepared by our own geologists, and were validated in January 2014, 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 Chilean Law No. 20,235 that Regulates the Position of Competent Person and Creates the Qualifying Committee for Competencies in Mining Resources and Reserves (*Ley que Regula la Figura de las Personas Competentes y Crea la Comisión Calificadora de Competencias de Recursos y Reservas Mineras* or “Competent Person Law”). Our Salar de Atacama brine mining reserve estimates are prepared by our own geologists, and were validated by Álvaro Henríquez, a geologist with over 10 years of experience in hydrogeology, who is currently employed in SQM as Superintendent of Geology, and is a Competent Person (*Persona Competente*), as the term is defined under Chilean Law No. 20,235.. Estimation methods involve numerous uncertainties as to the quantity and quality of the reserves, and reserve estimates could change upwards or downwards. In addition, our reserve estimates are not subject to review by external geologists or an external auditing firm. A downward change in the quantity and/or quality of our reserves could affect future volumes and costs of production and therefore have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

Our products, particularly iodine, lithium and their derivatives, are preferred raw materials for certain industrial applications, such as rechargeable batteries and liquid crystal display (“LCD”) screens. Changes in technology, the

development of substitute raw materials or other developments could adversely affect demand for these and other products which we produce.

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

Over 95% of our employees are employed in Chile, of which approximately 71% were represented by 25 labor unions as of December 31, 2013. As in previous years, during 2013 we renegotiated collective labor contracts with individual unions one year before the expiration of such contracts. As of December 31, 2013, we had concluded advanced negotiations with four labor unions, which represent 8.5% of our total unionized workers, signing new agreements with each for the next three years. We are in the process of negotiating collective labor contracts with the 21 remaining unions. We are exposed to labor strikes that could impact our production levels. If a strike occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in our product flow that could have a material adverse effect on our business, financial condition and results of operations.

Chilean Law No. 16,744, known as the Law on Work Related Accidents and Professional Diseases (*Ley de Accidentes de Trabajo y Enfermedades Profesionales* or the “Labor Accidents Law”), provides 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 either the National Geology and Mining Service (*Servicio Nacional de Geología y Minería* or “SERNAGEOMIN”) or the Labor Board (*Dirección del Trabajo* or “Labor Board”) or the National Health Service (*Servicio Nacional de Salud* or “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.

Lawsuits and arbitrations could adversely impact us

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

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

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

We operate in multiple jurisdictions with complex regulatory environments subject to different interpretations by companies and respective governmental authorities. These jurisdictions may each have their own tax codes, environmental regulations, labor codes and legal framework, which could complicate efforts to comply with these regulations, which could have, in turn, a material adverse effect on our business, financial condition and results of operations.

SQM employs its best efforts to ensure such compliance. For example, the second deadline for the registration of chemical substances under the European REACH regulations (Registration, Evaluation, Authorisation, and Restriction of Chemicals) expired in May 2013 and, prior to that, SQM managed to enroll 10 new substances that it can export to the European market with a tonnage limit equivalent to 100-1000 MT/year. The European Commission's Directorate General for Health and Consumers (DG Sanco) also issued, in July 2013, a statement on the presence of perchlorate in foods and, based on that, established provisional limits for their presence in the latter, including fruits and vegetables and indicating, at the same time, that the soil, water, and fertilizers are considered potential sources of perchlorate contamination in food. SQM fertilizers, currently marketed in the European market, contain less than 100 ppm of perchlorate. The industry is currently conducting studies of absorption in some target crops to demonstrate that the use of fertilizers, including those of SQM, allows compliance with the values set by DG Sanco. In turn, those provisional values could be ratified or modified by DG Sanco after issuing a risk assessment report which is currently being prepared by the European Food Safety Authority (EFSA) and is expected to be available in September of this year.

In 2012, the Occupational Health and Safety Administration (“OSHA”) aligned its Hazard Communication Standard to comply with the Globally Harmonized System (“GHS”), which requires companies to review hazard information for all chemicals imported into the US, classify chemicals according to the new classification criteria, and update labels and safety data sheets by June 2015. We are already working on a program which aims to comply with the requirements of this new regulation in line with the stages and deadlines established by OSHA. The updating of the Safety Data Sheets (“SDS”) for all products sold in the US has been finished, and the update of labels is in progress and will be completed the first quarter of 2015.

We could be adversely affected by the negative outcome of pending proceedings against our Chairman of the Board and certain other named defendants

On September 10, 2013, the SVS issued a press release disclosing it had instituted certain administrative proceedings against Mr. Julio Ponce (in his capacity as chairman and “controller” of entities with direct or indirect share ownership interests in the Company (the “Cascading Companies”)) and other named defendants, including the son of the Company’s Chief Executive Officer, alleging violations of Chilean corporate and securities laws (the “Cascading Companies Proceedings”). SQM has been informed that Mr. Ponce, who is Chairman of the Board of the Company, and related persons, beneficially own 29.92% of SQM’s total shares. See Item 6.E. Share Ownership. On January 31, 2014, the SVS added a number of financial institutions and asset managers, and certain of their controlling persons, executives or other principals, as named defendants to the Cascading Companies Proceedings.

The SVS alleges the existence of a scheme, involving the named defendants, whereby, through a number of transactions occurring between 2009 and 2011, the Cascading Companies sold securities of various companies, including securities of the Company, at below-market prices to companies related to Mr. Ponce and to other named defendants, which companies, after a lapse of time, sold such securities, in most instances back to the Cascading Companies, at prices higher than those at which they were purchased. The SVS alleges violation by the defendants of a number of corporate and securities laws in furtherance of the alleged scheme.

In response to the Cascading Companies Proceedings, Mr. Ponce has filed a criminal complaint against the superintendent of the SVS alleging, among others things, malfeasance in public office and abuse of power against private citizens. The High Complexity Crimes Unit (*Unidad de Delitos de Alta Complejidad*) of the Metropolitan District Attorney's Office (*Fiscalía Metropolitana Centro Norte*) is also investigating various criminal complaints filed by and against various parties to the Cascading Companies Proceedings.

In addition, the Chilean IRS (*Servicio de Impuestos Internos*) announced it is currently investigating the nature and characteristics of the transactions alleged to have occurred in the Cascading Companies Proceedings in order to determine whether the individuals or companies involved violated Chilean tax laws or filed false returns with the purpose of evading taxes.

The allegations made in connection with the Cascading Companies Proceedings do not relate to any acts or omissions of the Company or of any of its directors, officers or employees in their capacities as such. If any such claim were made by the SVS or by any other claimant, including the Chilean IRS, it could have a material adverse effect on the Company. In addition, a final disposition of claims in connection with the current Cascading Companies Proceedings that is adverse to Mr. Ponce or other named defendants could have a material adverse effect on the Company's market reputation and commercial dealings, even if no claim is asserted against the Company or any of its directors, officers or employees in their capacities as such.

Our water supply could be affected by geological changes

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

Risks Relating to Chile

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

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

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

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

Changes in mining or port concessions could affect our operating costs

We conduct our mining (including brine extraction) operations under exploitation and exploration concessions granted in accordance with provisions of the Chilean constitution and related laws and statutes. Our exploitation concessions essentially grant a perpetual right to conduct mining operations in the areas covered by the concessions, provided that we pay annual concession fees. Our exploration concessions permit us to explore for mineral resources on the land covered thereby for a specified period of time and to subsequently request a corresponding exploitation concession. SQM Salar S.A. holds 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 of 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 establishes 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, under the regulations of the Chilean Nuclear and Energy Commission (*Comisión Chilena de Energía Nuclear* or "CCHEN"), we are limited to 180,100 tons of total lithium extraction in the aggregate for all periods. More than halfway through the term of the lease agreement, we have extracted less than half of the total accumulated extraction limit of lithium. However, there can be no assurance that we will not reach the lithium extraction limit prior to the term of the lease agreement.

We also operate port facilities at Tocopilla, Chile for the shipment of our products and the delivery of certain raw materials, pursuant to concessions granted by Chilean regulatory authorities. These concessions are renewable provided that we use such facilities as authorized and pay annual concession fees.

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

Changes in water rights laws could affect our operating costs

We hold water rights that are key to our operations. These rights were obtained from the Chilean Water Authority (*Dirección General de Aguas*) for supply of water from rivers and wells near our production facilities, which we believe are sufficient to meet current operating requirements. However, the Chilean water rights code (*Código de Aguas* or the “Water Code”) is subject to changes, which could have a material adverse impact on our business, financial condition and results of operations. For example, an amendment published on June 16, 2005 modified the Water Code, allowing, under certain conditions, the granting of permanent water rights of up to two liters per second for each well built prior to June 30, 2004, in the locations where we conduct our mining operations, without considering the availability of water, or how the new rights may affect holders of existing rights. Therefore, the amount of water we can effectively extract based on our existing rights could be reduced if these additional rights are exercised. In addition, we must pay annual concession fees to maintain water rights we are not exercising. These and potential future changes to the Water Code could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

On April 1, 2014, a new tax bill was sent to the Congress. The proposed bill aims to increase the general corporate tax to 21% in 2014, 22.5% in 2015, 24% in 2016 and 25% in 2017. The tax bill also aims to change the manner in which the general corporate tax is applied: currently, such tax is applied on an imputed basis, whereby companies must pay a 20% tax on accrued profits and no further tax until those profits are distributed by the company. The bill proposes the gradual modification of this system, resulting in profits being taxed on an accrual basis as of 2017.

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

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

Our operations in Chile are subject to national and local regulations relating to environmental protection. We are required to conduct environmental impact studies or statements of any future projects or activities (or significant modifications thereto) that may affect the environment and we are required to obtain an environmental license for certain projects and activities. The environmental assessment service (*Servicio de Evaluación Ambiental* or “Environmental Assessment Service”) currently evaluates environmental impact studies submitted for its approval, and private citizens, public agencies or local authorities may challenge projects that may adversely affect the environment, either before these projects are executed or once they are already operating, if they fail to comply with applicable regulations. Enforcement remedies available include fines up to approximately US\$10 million and temporary or permanent closure of facilities and revocation of the environmental license.

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

We continuously monitor the impact of our operations on the environment and have, from time to time, made modifications to our facilities to minimize any adverse environmental impacts. We believe we are currently in compliance in all material respects with applicable environmental regulations in Chile. Future developments in the creation or implementation of environmental requirements, or in their interpretation, could result in substantially increased capital, operation or compliance costs or otherwise adversely affect our business, financial condition and results of operations. In connection with our current investments at the Salar de Atacama and Nueva Victoria, the success of these investments is dependent on the behavior of the ecosystem variables being monitored over time. If the behavior of these variables in future years does not meet environmental requirements, our operation may be subject to important restrictions by the authorities on the maximum allowable amounts of brine and water extraction.

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

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

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

Chile, a member of the International Labor Organization ("ILO"), has ratified the ILO's Convention 169 (the "Indigenous Rights Convention") concerning indigenous and tribal peoples. The Indigenous Rights Convention established several rights for indigenous individuals and communities. Among other rights, the Indigenous Rights Convention outlines that (i) indigenous groups be notified of and consulted prior to the development of any project on land deemed indigenous (without any veto or approval right) and of any legislative or administrative measure that may affect them directly; and (ii) indigenous groups have, to the extent possible, a stake in benefits resulting from the exploitation of natural resources in alleged indigenous land. The extent of these benefits has not been defined by the Chilean government. The new rights outlined in the Indigenous Rights Convention could affect the development of our investment projects in alleged indigenous lands which could have a material adverse effect on our business, financial condition and results of operations.

Chile is located in a seismically active region

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

Risks related to our shares and to our ADRs

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

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

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

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

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

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

Our share price may react negatively to future acquisitions and investments

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

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

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

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

In addition, there is no treaty between the United States and Chile providing for the reciprocal enforcement of foreign judgments. However, Chilean courts have enforced judgments rendered in the United States, provided that the Chilean

court finds that the United States court respected basic principles of due process and public policy. Nevertheless, there is doubt as to whether an action could be brought successfully in Chile in the first instance on the basis of liability based solely upon the civil liability provisions of the United States federal securities laws.

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

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

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

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

We believe that we were not classified as a passive foreign investment company, or PFIC, for 2013. Characterization as a PFIC could result in adverse U.S. tax consequences to you if you are a U.S. investor in our shares or ADSs. For example, if we (or any of our subsidiaries) are a PFIC, our U.S. investors may become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to burdensome reporting requirements. The determination of whether or not we (or any of our subsidiaries or portfolio companies) are a PFIC is made on an annual basis and will depend on the composition of our (or their) income and assets from time to time. See Item 10.E. Taxation – United States Tax Considerations.

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

Currently cash dividends paid by us to foreign shareholders are subject to a 35% Chilean withholding tax. If we have paid corporate income tax (the "First Category Tax") on the income from which the dividend is paid, a credit for the First Category Tax effectively reduces the rate of Withholding Tax. Changes in Chilean tax regulations could have adverse consequences for U.S. investors.

ITEM 4. INFORMATION ON THE COMPANY

4.A. History and Development of the Company

Historical Background

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

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

We were formed in 1968 through a joint venture between Compañía Salitrera Anglo Lautaro S.A. (“Anglo Lautaro”) and *Corporación de Fomento de la Producción* (“Production Development Corporation” or “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 ADRS have traded on the NYSE under the ticker symbol “SQM” since 1993.

Since our inception, in addition to producing nitrates, we have produced iodine, which is also found in the caliche ore deposits in northern Chile.

Between the years 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.

To help finance the above projects, we accessed the international capital markets by issuing additional Series B ADSs on the New York Stock Exchange in 1995. In 1999 we issued additional Series A shares, which were also listed on the New York Stock Exchange as ADSs. Effective March 27, 2008, the Company voluntarily delisted its Series A ADS (“SQM-A”) from the New York Stock Exchange. In addition, on April 5, 2013, we filed a Form F-6 in order to issue 100 million additional Series B ADSs on the New York Stock Exchange, to be effective as of April 15, 2013.

During the period from 2000 through 2004, we principally consolidated the investments carried out in the preceding five years. We focused on reducing costs and improving efficiencies throughout the organization.

Since 2005, we have strengthened our leadership in our main 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. 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, and we completed construction and began operations of our potassium nitrate plant as part of our joint venture with Migau in January 2011.

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 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.

In 2013, we sold our royalty rights over the Antucoya mining project to Antofogasta Minerals for a sum of US\$ 84 million. We also opened a trading office in Thailand.

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, and performed with internal financing through our capital expenditure program for investments in Chile.

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, 2013, 2012 and 2011 were as follows:

(in millions of US dollars) 2013 2012 2011

Capital Expenditures	371.7	446.0	501.1
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During 2011, we 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;

- 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 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.

During 2013, we had total capital expenditures of US\$371.7 million, primarily related to:

- improvement of nitrate-based products at Coya Sur;

- investment relating to increasing production capacity of potassium-based products at the Salar de Atacama;

- ongoing investment relating to increasing production capacity and efficiency in our nitrate and iodine facilities;

- optimization of our potassium chloride facility at the Salar de Atacama;

- projects to increase the efficiency of our human resources and logistics departments; and

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

The Board of Directors has approved a capital expenditures plan for 2014 of US\$135 million in connection with investments to be made in Chile. The 2014 capital investment program is primarily focused on the maintenance of our production facilities. Our 2014 capital investment program will not require any external financing; however, we reserve the right to access capital markets in order to optimize our financial position.

4.B. Business Overview

The Company

We believe that we are the world's largest producer of potassium nitrate, iodine and lithium chemicals. We 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 115 countries through our worldwide distribution network, with 88% of our sales in 2013 derived from countries outside Chile.

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

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

Our products are divided into six categories: specialty plant nutrients; iodine and its derivatives; lithium and its derivatives; potassium chloride and potassium sulfate; industrial chemicals; and other commodity fertilizers. Specialty plant nutrients are premium fertilizers that enable farmers to improve yields and the quality of certain crops. Iodine and its derivatives are mainly used in the X-ray contrast media and biocides industries and in the production of polarizing film, which is an important component in LCD screens. Lithium and its derivatives are mainly used in batteries, greases and frits for production of ceramics. Potassium chloride is a commodity fertilizer that is produced and sold by us worldwide. In addition, we complement our portfolio of plant nutrients through the buying and selling of other commodity fertilizers for use mainly in Chile. 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.

For the year ended December 31, 2013, we had revenues of US\$2,203.1 million, gross profit of US\$721.5 million and profit attributable to controlling interests of US\$467.1 million. Our world wide market capitalization as of December 31, 2013 was approximately US\$6.8 billion.

Our Series A and Series B common shares are listed on the Santiago Stock Exchange. Our Series B American Depositary Shares (“ADSs”) have been listed on the New York Stock Exchange (the “NYSE”) since 1993. Our ticker symbols on the Santiago Stock Exchange for our Series A and Series B common shares are “SQM-A” and “SQM-B,” respectively, and our ticker symbol on the NYSE for the Series B ADSs is “SQM.”

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

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

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

Lithium and its derivatives: We are a leading producer of lithium carbonate and lithium hydroxide, products which are used in a variety of applications, including electrochemical materials for batteries, frits for the ceramic and enamel industries, heat-resistant glass (ceramic glass), primary aluminum smelting process, air conditioning chemicals, lubricating greases, continuous casting powder for steel extrusion, and pharmaceuticals among others. Lithium carbonate and lithium hydroxide are also basic lithium chemicals used to produce a wide range of lithium derivatives.

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

Industrial Chemicals: We produce and market four industrial chemicals: sodium nitrate, potassium nitrate, potassium chloride and boric acid. Sodium nitrate is used primarily in the production of glass, explosives, charcoal briquettes and metal treatment. Potassium nitrate is used in the manufacturing of specialty glass, and it is also an important raw material for the production of frits for the ceramics and enamel industries. Solar salts, a combination of potassium nitrate and sodium nitrate are used as a thermal storage medium in solar-based electricity generating plants. Boric acid is used in the manufacture of frits for the ceramics and enamel industries, LCDs, glass and fiberglass. Potassium chloride is a basic chemical used to produce potassium hydroxide, and is also used as an additive in oil drilling as well as in food processing, among others.

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

The following table shows the percentage breakdown of our revenues for 2013, 2012 and 2011 according to our product lines:

	2013		2012		2011	
Specialty Plant Nutrition	31	%	28	%	34	%
Iodine and Derivatives	21	%	24	%	21	%
Lithium and Derivatives	9	%	9	%	9	%
Potassium	28	%	25	%	26	%
Industrial Chemicals	7	%	10	%	7	%
Other	4	%	4	%	4	%
Total	100	%	100	%	100	%

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 adjusting our production capacity in line with market needs; (ii) encourage demand growth and develop new iodine derivatives, (iii) participate in iodine recycling projects; (iv) reduce our production costs through improved processes and higher productivity in order to compete more effectively, and (v) supply a product with consistent quality according to the requirements of our customers.

Lithium and its derivatives

Our strategy in our lithium business is to (i) maintain our leading position in the lithium industry as a 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; (iv) reduce our production costs through improved processes and higher productivity in order to compete more effectively, and (v) supply a product with consistent quality according to the requirements of our customers.

Potassium

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

New Business Ventures

From time to time we evaluate opportunities to expand in our current core businesses or within new businesses in which we believe we may have sustainable competitive advantages, both within and outside Chile, and we expect to continue to do so in the future. We are 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 updating the geological model using new 2013 drill data that will be used in updating the resource estimate prior to advancing a preliminary economic assessment to completion. Additional exploration will be undertaken to confirm the updated geological model and test extensions to the known mineralized areas. 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 to non-metallic minerals such as nitrate, iodine, potassium, lithium and their respective derivatives

Main Business Lines

Specialty Plant Nutrition

We believe we are the world's largest producer of potassium nitrate. We estimate that our sales accounted for approximately 48% of global potassium nitrate sales by volume in 2013. This estimate does not include potassium nitrate we produced and sold locally in China, only net imports. During 2013, the potassium nitrate market remained stable, with global sales at 1 million MT. We also produce the following specialty plant nutrition products: sodium nitrate, sodium potassium nitrate and specialty blends (containing various combinations of nitrogen, phosphate and potassium and generally known as "NPK blends").

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

In particular, our specialty plant nutrients:

- are fully water soluble, allowing their use in hydroponics, fertigation, foliar applications and other advanced agricultural techniques;
- improve the water use efficiency of crops and help conserve water;

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

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

- do not release hydrogen after application, thereby avoiding increased soil acidity;
- possess trace elements, which promote disease resistance in plants; and
- are more attractive to customers who prefer products of natural origin.

In 2013, our specialty plant nutrients sales were US\$687.5 million, representing 31% of our total sales for that year and a 1.8% increase from US\$675.3 million specialty plant nutrients sales in 2012. 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.

Specialty Plant Nutrition: Our Market

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

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

Worldwide scarcity of water and arable land drives the development of new agricultural techniques to maximize the use of these resources. Irrigation has grown at an average annual rate of 1.5% during the last 20 years (a pace equal with population growth). However, micro-irrigation has grown at 10% per year over the same period. Microirrigation systems, which include drip-irrigation and micro-sprinklers, are the most efficient forms of technical irrigation. 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.

Specialty Plant Nutrition: Our Products

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

The following table shows our sales volumes of and revenues from specialty plant nutrients for 2013, 2012 and 2011.

	2013	2012	2011
Sales Volume (Th. MT)			
Sodium nitrate	26.2	24.4	22.2
Potassium nitrate and sodium potassium nitrate	512.6	469.3	551.1
Blended and other specialty plant nutrients ⁽¹⁾	308.9	286.5	276.0

Total Revenues (in US\$ millions)	687.5	675.3	721.7
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(1) Includes blended and other specialty plant nutrients. It also includes Yara's products sold pursuant to our commercial agreement

Specialty Plant Nutrition: Marketing and Customers

In 2013, we sold our specialty plant nutrients in close to 90 countries. During the same year, sales of our specialty plant nutrients were as per the table below. No single customer represented more than 10% of our specialty plant nutrient sales during 2013, and we estimate that our 10 largest customers accounted in the aggregate for approximately 23% of sales during that period.

Sales Breakdown	2013	2012	2011
Central & South America	14 %	18 %	14 %
North America	25 %	27 %	24 %
Europe	16 %	18 %	26 %
Chile	25 %	19 %	17 %
Others	20 %	18 %	19 %

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

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

In connection with our marketing efforts, we provide technical and agronomical assistance and support to some of our customers. By working closely with our customers, we are able to identify new, higher-value-added products and markets. Our specialty plant nutrients 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. In 2013, we launched the global Speedfol™ Crop SP project in order to promote a range of crop-specific, predominantly potassium nitrate-based, locally-produced, water-soluble NPK formulations for foliar spray applications. The Speedfol™ Crop SP project has a duration of five years and targets a variety of crops such as cereals grains, citrus, mango, cotton, soybean and coffee, in countries such as Brazil, China, India, Mexico, South Africa and the United States of America. Scientifically proven benefits of Speedfol™ Crop SP applications include increased yields, better quality (e.g. larger-sized fruits) and reduced crop losses (e.g. less premature fruit drop, less lodging incidence in cereals).

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

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 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, and offers us an increased our presence in China,

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 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 South Africa are the main focus markets of this joint venture and Dubai is the main productive unit. As part of the agreement, our phosphate plant located in Dubai became part of this joint venture. In 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.

The market for potassium nitrate in China is 350,000-400,000 MT, of which approximately 150,000 is related to the tobacco industry and 40,000-50,000 is related to the horticulture business. Our market share in agricultural potassium nitrate products in China is approximately 80% for water-soluble fertilizers and we expect to increase our market share for water-soluble NPK blends.

During 2013 we changed our development strategy for the Chinese water-soluble fertilizer segment. In particular, we revised our marketing and distribution strategy through our subsidiary SQM (Beijing) and in connection with the SQM-Migao joint venture, located in Qingdao of Shandong Province. Pursuant to this new strategy, our water-soluble fertilizer products produced by the SQM-Migao joint venture will be sold through SQM (Beijing), and the marketing team of the SQM-Migao joint venture will be integrated into SQM (Beijing). This change aims to enhance the efficiency of distribution channels for fertilizer products by consolidating marketing into a unified brand and management team, thus reducing costs. In addition, our strategy in this segment is to increase production of water-soluble fertilizers and extend our technologies for applications in order to increase popularity and expand the use of these products.

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

In 2009, SQM VITAS and Quimigra S.A, part of the Roullier Group, a French multinational group involved in plant, animal and human nutrition, entered into a joint venture for the construction and development of a new production facility in Port Cádiz, Spain, of nutritional solutions with high-added value to be destined for local demand. On June 12, 2013, the facilities were completed and began operating. The new facility has a production capacity of 15,000 MT per year. The production is focused on nutritional solutions with high added value destined to meet local demand for both, the Roullier Group and SQM, and to market to the agricultural sector in nearby countries.

Specialty Plant Nutrition: Fertilizer Sales in Chile

We market specialty plant nutrition products 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 2013. Soquimich Comercial S.A.'s consolidated revenues were approximately US\$230 million and US\$256 million in 2013 and 2012, respectively.

Specialty Plant Nutrition: Competition

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

In the potassium nitrate market our largest competitor is Haifa Chemicals Ltd. ("Haifa"), in Israel, which is a subsidiary of Trans Resources International Inc. We estimate that sales of potassium nitrate by Haifa accounted for approximately 33% of total world sales during 2013 (excluding sales by Chinese producers to the domestic Chinese market), compared to our share of the market which accounted for approximately 48% 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 2013, our revenues from iodine and iodine derivatives amounted to US\$461.0 million, representing 21% of our total revenues in that year. We estimate that our sales accounted for approximately 28% of world iodine sales by volume in 2013.

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. We have seen consistent growth in the iodine market over the last ten years, with the exception of 2009 which that was affected by the global financial crisis, with demand being led by uses related to X-ray contrast media and pharmaceuticals. During 2013, iodine demand only saw a moderate increase compared to 2012 as a consequence of high prices and stock optimization. We estimate that the global market size in 2013 was 31 thousand metric tons, with close to 60% of supply coming from Chilean producers, including us. Increased supply entered the market in 2012 and 2013.

Iodine: Our Products:

We produce iodine, and through a joint venture with Ajay Chemicals Inc., (“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 shows our total sales and revenues from iodine and iodine derivatives for 2013, 2012 and 2011:

	2013	2012	2011
Sales Volume (Th. MT)			
Iodine and derivatives	9.3	11.0	12.2
Revenues (in US\$ millions)	461.0	578.1	454.5

Our sales revenues decreased from US\$578.1 million in 2012 to US\$461.0 million in 2013. This decrease was primarily attributable to slower demand growth than seen in previous years, and supply outpacing demand.

Iodine: Marketing and Customers

In 2013, we sold our iodine products to approximately 300 customers in over 70 countries and most of our sales were exports: 37% was sold to customers in Europe, the Middle East and Africa, 36% to customers in North America, 11% to customers in Central and South America and 16% to customers in Asia and other regions. No single customer accounted for more than 13% of our iodine sales in 2013, and we estimate that our 10 largest customers accounted in the aggregate for approximately 50% of sales.

The following table shows the geographical breakdown of our sales for 2013, 2012, and 2011.

Sales Breakdown	2013	2012	2011
Europe, Middle East & Africa	37 %	31 %	36 %
North America	36 %	36 %	32 %
Central & South America	11 %	3 %	3 %
Others	16 %	30 %	29 %

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

Iodine: Competition

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

Iodine production in Chile starts from a unique mineral ore known as caliche ore, whereas in Japan, the United States, Turkmenistan, Azerbaijan, Indonesia, and Russia 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; Atacama Chemical S.A. (Cosayach), controlled by the Chilean holding Inverraz S.A.; ACF Minera S.A. owned by the Chilean family De Urruticoechea; Algorta Norte S.A., a joint venture between ACF Minera S.A. and Toyota Tsusho; SCM Bullmine; and Sirocco Mining Inc., a Canadian company previously known as Atacama Minerals) accounted for approximately 56% of global iodine sales in 2013 (28% by SQM and 28% by the other five Chilean producers).

We estimate that eight Japanese iodine producers accounted for approximately 31% of global iodine sales in 2013, including recycled iodine.

We estimate that iodine producers in the United States (one of which is owned by Ise Chemicals Ltd., a Japanese company) accounted for 5% of world iodine sales in 2013.

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.

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

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. As a result of new supply from other Chilean producers, our annual average iodine sales prices decreased to US\$ 50 per kilogram in 2013.

Demand for iodine varies depending upon overall levels of economic activity and the level of demand in the medical, pharmaceutical, industrial and other sectors that are the main users of iodine and iodine-derivative products. Certain substitutes for iodine ore are available for certain applications, such as antiseptics and disinfectants, which could represent a cost-effective alternative to iodine depending on prevailing prices. We believe that some substitution has taken place during 2012 and 2013.

The main factors of competition in the sale of iodine and iodine derivative products are reliability, price, quality, customer service and the price and availability of substitutes. We believe we have competitive advantages compared to other producers due to the size and quality of our mining reserves and the available production capacity. We believe our iodine is competitive with that produced by other manufacturers in certain advanced industrial processes. We also believe we benefit competitively from the long-term relationships we have established with our largest customers.

Lithium and its derivatives

We believe we are the leading producer of lithium carbonate and one of the world's largest producers of lithium hydroxide. In 2013, our revenues from lithium sales amounted to US\$196.5 million, representing 9% of our total revenues. We estimate that our sales accounted for approximately 27% of the sale of global lithium chemicals sales in volume.

Lithium: 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.

During 2013, lithium chemicals demand increased 4% reaching 130 thousand metric tons, with close to 50% supplied by Chilean producers.

Lithium: Our Products

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

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

The following table shows our total sales and revenues from lithium carbonate and its derivatives for 2013, 2012 and 2011:

	2013	2012	2011
Sales Volume (Th. MT)			
Lithium and derivatives	36.1	45.7	40.7
Revenues (in US\$ millions)	196.5	222.2	183.4

Our revenues in 2013 were US\$196.5 million, a 13% decrease from US\$222.2 million in 2012, due to lower sales volumes resulting from an increase in supply in 2013.

Lithium: Marketing and Customers

In 2013, we sold our lithium products to over 300 customers in approximately 50 countries. No single customer accounted for more than 10% of our lithium sales in 2013, and we estimate that our 10 largest customers accounted in aggregate for approximately 50% of sales.

The following table shows the geographical breakdown of our sales for 2013, 2012 and 2011.

Sales Breakdown	2013	2012	2011
Europe, Middle East & Africa	30 %	24 %	28 %
North America	13 %	10 %	10 %
Asia & Oceania and others	57 %	66 %	62 %

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

Lithium: Competition

Our main competitors in the lithium carbonate and lithium hydroxide businesses are Rockwood Lithium (“Rockwood”), a subsidiary of Rockwood Specialties Group Inc., and FMC Corporation (“FMC”). In addition, a number of Chinese producers together accounted for approximately 40% of the world market in 2013, in volume. 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 them are already under advanced development and others could materialize in the medium-term.

Potassium

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

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

In 2013, our potassium chloride and potassium sulfate revenues amounted to US\$606.3 million, representing 28% of our total revenues and a 0.2% increase compared to 2012. We are currently completing projects in the Salar de Atacama, which will enable us to increase production and sales of potassium-based 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. It is used to fertilize crops that can tolerate relatively high levels of chloride, and to fertilize crops that are grown under conditions with sufficient rainfall or irrigation practices that prevent chloride to accumulate to excess levels in the rooting systems of the plant.

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

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

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

Potassium: Market

During the last decade, the potassium chloride market has experienced rapid growth due to several key factors such as a growing world population, higher demand for protein-based diets and less arable land. All of these factors have contributed to growing demand for fertilizers and, in particular, potassium chloride, as efforts are being made to maximize crop yields and use resources more efficiently. For the last 10 years, the compound annual growth for the global potassium chloride market was approximately 1.6%.

According to most recent studies prepared by the International Fertilizer Industry Association in 2010-2010/11, cereals received 10.3 MT K₂O, (i.e., 37.4% of world K consumption, with a low contribution of wheat (6.2%) compared to rice (12.6%) and maize (14.9%)). In contrast, oilseeds represented 19.8% of the total (5.4 MT K₂O), with more than four fifths being applied to soybean (9.0%) and oil palm (7.2%) together. K fertilizer use on fibre crops and roots and tubers was modest (2.8 and 3.8%, respectively) compared to sugar crops (7.7%) and fruits and vegetables (16.6%). The remaining 11.8% were applied to other crops.

Demand in the potassium chloride market increased in 2013. We estimate that demand reached the level of 54 million MT for potassium chloride during 2013, an increase of approximately 6% as compared to 2012. After unfavorable farming conditions in several countries during 2012, production had to increase in order to meet demand (in a year

with historical low inventory levels). We expect the potassium chloride market maintain its growth trend to up to 57 million MT during 2014.

Average prices in the potassium market decreased significantly during 2013 due to unusual events. Uralkali, a leading company in the potash market, abandoned the business arrangement that it held with BPC and generated market uncertainty which affected the commodity's price levels. In the last quarter of 2013 the market saw major industry contracts close at significantly lower prices than previous years. We believe these price pressures will have an impact on our potassium revenues in the near term.

Potassium: Our Products

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

The following table shows our sales volumes of and revenues from potassium chloride and potassium sulfate for 2013, 2012 and 2011.

	2013	2012	2011
Sales Volume (Th. MT)			
Potassium Chloride & Potassium Sulfate	1,434.9	1,209.5	1,103.4
Revenues (in US\$ millions)	606.3	605.1	555.7

Potassium: Marketing and Customers

In 2013, we sold potassium chloride and potassium sulfate in approximately 70 countries. No single customer accounted for more than 20% of our sales of potassium chloride and potassium sulfate in 2013, and we estimate that our 10 largest customers accounted in the aggregate for approximately 53% of such sales.

The following table shows the geographical breakdown of our sales for 2013, 2012, and 2011.

Sales Breakdown	2013	2012	2011
Chile	4 %	5 %	8 %
Central & South America	41 %	42 %	32 %
Africa & the Middle East	14 %	11 %	15 %
North America	15 %	15 %	11 %
Others	26 %	27 %	34 %

Potassium: Competition

The prices in the potassium chloride market declined during the second half of 2013 as a result of the unexpected announcement made by the Russian company, Uralkali, on July 30, 2013, that it was terminating its participation in BPC. As a result of the termination of Uralkali's participation in BPC, there was increased price competition in the market. We believe that world market demand is the most important indicator when assessing pricing and the overall future of the potash market. We remain confident that total potash demand levels in 2014 will surpass levels recorded during 2013, which could lead to a positive change in the prices.

We estimate that we accounted for less than 3% of global sales of potassium chloride in 2013. Our main competitors are Uralkali, PCS, Belaruskali and Mosaic. We believe that in 2013 the leading producer in the market was Uralkali Group, which accounted for approximately 18% of global sales. PCS and Mosaic, accounted each 15% and 14% respectively, and Belaruskali, who accounted for approximately 13% of global sales.

In the potassium sulfate market, we have several competitors, of which the most important are K+S KALI GmbH (Germany), Tessenderlo Chemie (Belgium) and Great Salt Lake Minerals Corp. (United States). We believe that these 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 market 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 2013, our revenues from industrial chemicals were US\$245.2 million, representing approximately 7% of our total revenues for that year.

Industrial Chemicals: Market

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.

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.

Potassium chloride is a basic chemical used to produce potassium hydroxide, and is used as an additive in oil drilling as well as in food processing, among others.

Industrial Chemicals: Our Products

The following table shows our sales volumes of industrial chemicals and total revenues for 2013, 2012 and 2011:

	2013	2012	2011
Sales Volume (Th. MT)			
Industrial nitrates	173.5	277.7	181.2
Boric Acid	2.0	1.8	2.4
Revenues (in US\$ millions)	154.0	245.2	139.5

Sales of industrial chemicals decreased from US\$245.2 million in 2012 to US\$154.0 million in 2013 primarily as a result of a decrease in sales volumes of solar salts products due to new alternative energy projects that utilize industrial grade sodium and potassium nitrate solar thermal energy.

Industrial Chemicals: Marketing and Customers

We sold our industrial nitrate products in over 50 countries in 2013, with 47% percent of our sales of industrial chemicals to customers in North America, 35% to customers in Europe, the Middle East and Africa, 12% to customers in Central and South America and 6% to customers in other regions. No single customer accounted for more than 22% of our sales of industrial chemicals in 2012, and we estimate that our 10 largest customers accounted in the aggregate for approximately 59% of such sales.

The following table shows the geographical breakdown of our sales for 2013, 2012, and 2011.

Sales Breakdown	2013	2012	2011
Europe, Middle East & Africa	35 %	37 %	52 %
North America	47 %	49 %	26 %
Central & South America	12 %	7 %	17 %
Others	6 %	7 %	5 %

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.

Industrial Chemicals: Competition

We believe we are the world's largest producer of industrial sodium and potassium nitrate. In the case of industrial sodium nitrate, we estimate that our sales represented close to 50% of world demand in 2013 (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 23% of the market share. We estimate that our market share was approximately 28% for 2013.

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

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

Other Products

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

Production Process

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

- caliche ore deposits, which contain nitrates 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 2013, we operated three mines in this region: Pedro de Valdivia, El Toco (mining site of Maria Elena production facilities) and Nueva Victoria. In December 2013, mining operations at El Toco were temporarily suspended in an effort to optimize our production facilities with lower production costs.

Caliche ore is found under a layer of barren overburden in seams with variable thickness from one meter to five meters, and with the overburden varying in thickness between zero and two 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). 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 containing 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. In Nueva Victoria and El Toco, the run of mine ore is loaded in heaps and leached with water 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 2013, 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 it 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. A new potassium nitrate plant began operations in 2011. During 2013, we produced approximately 247,000 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 2013, 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 was stopped during October 2013.

As in the case of nitrates, the process of extracting iodine from the caliche ore is well established, but variations in the iodine and other chemical contents of the treated ore and other 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 to 700 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 2013 was approximately 10,757 metric tons: approximately 6,119 metric tons from Nueva Victoria and Iris, 3,165 metric tons from Pedro de Valdivia, and 1,474 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 extraction in the aggregate for all periods.

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

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. We expect to finish expansion capacity of compacted potassium chloride to 1.4 million metric tons per year during 2014.

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.

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

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

Raw materials

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

Other important raw materials are sodium carbonate (used for lithium carbonate production and for the neutralization of iodine solutions), sulfur, sulfuric acid, kerosene, anti-caking and anti-dust agents, ammonium nitrate (used for the preparation of explosives in the mining operations), woven bags for packaging our final products, electricity acquired from electric utilities, and liquefied natural gas and fuel oil 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 are 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 5,160,000 MMBtu per year, considering an average of consumption of 3,120,000 MMBtu 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. We signed a new contract in 2013 for liquefied natural gas with Solgas, which is in effect from 2013 to 2014.

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

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

Water Supply

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

Government Regulations

Regulations in Chile Generally

We are subject to the full range of government regulations and supervision generally applicable to companies engaged in business in Chile, including labor laws, social security laws, public health laws, consumer protection laws, 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 (*Chilean Nuclear Energy Commission*), 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. See “Risk factors—Risks relating to Chile.” The Water Code is subject to changes, which could have a material adverse impact on our business, financial condition and results of operations. 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 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 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 said company has taken the prescribed measures, and the period of time before work may be resumed may last for a number of hours, days, or longer. The effects of this law could have a material adverse effect on our business, financial condition and results of operations.

On December 2, 2009, Law No. 20,393 went into effect, establishing 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, a position which, 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 rule on 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 Consolidated Financial Statements and below 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 of 1994, amended in 2010 (*Ley sobre Bases Generales del Medio Ambiente* or the “Environmental Law”).

Health and safety at work are fundamental aspects in the management of mining operations, which is why SQM has made constant efforts to maintain good health and safety conditions for the people working at its mining sites. 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. Annually, the Environmental Enforcement Superintendence audits a sample of approved projects to verify compliance with the environmental permits, and it may pursue fines or sanctions if applicable, which can be challenged in the Environmental Court.

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.

International Regulations

In May 2013, the second deadline for registration of chemicals under European regulation REACH (Regulation, Evaluation, Authorisation and Restriction of Chemical Substances) expired. SQM registered 10 substances imported to the European market in the tonnage threshold of 100-1000 MT/year.

In July 2013, the Health and Consumers Directorate-General of the European Commission (“DG Sanco”) released a statement about the presence of perchlorate in food, setting provisional maximum levels in all foods, including fruits and vegetables, and indicating that fertilizers, in addition to soil and water, are considered to be potential sources of perchlorate contamination in food. The provisional values could be kept or changed by DG Sanco after the release of a risk assessment report which is currently being developed by the European Food Safety Authority (“EFSA”), and which is expected to be ready on September 2014. SQM fertilizers marketed in the European market contain less than 0,01% of perchlorate, and uptake studies in targeted crops are being performed by the industry to demonstrate compliance with the above referred provisional values.

In 2012, the Occupational Health and Safety Administration (“OSHA”) aligned its Hazard Communication Standard to comply with the Globally Harmonized System (“GHS”), which requires companies to review hazard information for all chemicals imported into the US, classify chemicals according to the new classification criteria, and update labels and safety data sheets by June 2015. We are already working on a program which aims to comply with the requirements of this new regulation in line with the stages and deadlines established by OSHA. The updating of the Safety Data Sheets (“SDS”) for all products sold in the US has been finished, and the update of labels is in progress and will be completed the first quarter of 2015.

Research and development, patents and licenses

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

4.C. Organizational Structure

All of our principal operating subsidiaries are essentially wholly-owned, except for Soquimich Comercial S.A., which is approximately 61% owned by us and whose shares are listed and traded on the Santiago Stock Exchange, and Ajay SQM Chile S.A., which is 51% owned by us. The following is a summary of our main subsidiaries as of December 31, 2013. For a list of all our consolidated subsidiaries, see Note 2.5 to our Consolidated Financial Statements.

Principal subsidiaries	Activity	Country of Incorporation	SQM Beneficial Ownership Interest (Direct/Indirect)
SQM Nitrates S.A.	Extracts and sells caliche ore to subsidiaries and affiliates of SQM	Chile	100%

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

4.D. Property, Plant and Equipment

Discussion of our mining rights is organized below according to the geographic location of our mining operations. SQM's mining interests located throughout the valley of the Tarapacá and Antofagasta regions of northern Chile (in a part of the country known as “el Norte Grande”), referred to collectively as the “Caliche Ore Mines”, are discussed first. The Company's mining interests within the Atacama Desert in the eastern region of el Norte Grande (the “Salar de Atacama Brines”) are discussed second.

Description of the Caliche Ore Mines

As of December 31, 2013, we held constituted exploitation rights to mineral resources representing approximately 551,418 hectares. In addition, as of December 31, 2013, we held exploration rights to mineral resources representing approximately 21,600 hectares, and we have applied for additional exploration rights for approximately 500 hectares. Currently, Pedro de Valdivia, María Elena and Nueva Victoria are being exploited.

Pedro de Valdivia

The mine and facilities that we operate in Pedro de Valdivia are located 170 kilometers northeast of Antofagasta and are accessible by highway. These facilities have been in operation since 1931 and were previously owned and operated by Anglo Lautaro. The areas currently being mined are located approximately 17 kilometers southeast and approximately 20 kilometers west of the Pedro de Valdivia production facilities. Our mining facilities at Pedro de Valdivia have a Weighted average age of approximately 10.1 years. Electricity, natural gas and fuel oil are the primary sources of power for this operation.

María Elena

The mining operations using heap leaching were temporarily suspended in October 2013. The María Elena mine and facilities, named El Toco, are located 220 kilometers northeast of Antofagasta and are accessible by highway. The area mined until operations were suspended is located approximately 14 kilometers north of the María Elena production facilities. Electricity, natural gas, and fuel oil are the primary sources of power. The Weighted average age of the Company's mining facilities at María Elena is approximately 13.5 years.

Pampa Blanca

We operated mining facilities in Pampa Blanca, which is located 100 kilometers northeast of Antofagasta, until operations were suspended in March 2010. Ore from the Pampa Blanca mine was transported by truck to nearby heap leaching pads where it is used to produce iodine and nitrate salts. The Weighted average age of the ore recovery facilities at Pampa Blanca is approximately 14.8 years. Electricity, produced by mobile diesel generators was the primary source of power.

Nueva Victoria

We currently conduct caliche ore operations in Nueva Victoria, which is located 180 kilometers north of María Elena and is accessible by highway. Since 2007, the Nueva Victoria mine includes the mining properties Soronal, Mapocho and Iris. Ore from Nueva Victoria is transported by truck to heap leaching pads where it is then used to produce iodine is produced in Nueva Victoria and the Iris plants. Electricity is the primary source of power. The Weighted average age of the ore recovery facilities at Nueva Victoria is approximately 7.2 years.

Description of the Salar de Atacama Brines

Salar de Atacama Brines

As of December 31, 2013, 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 of 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 establishes 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 extraction in the aggregate for all periods. 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 297,688 hectares of constituted exploitation rights in the Salar de Atacama.

In addition, as of December 31, 2013, we held constituted exploration rights covering approximately 70,100 hectares, and we had applied for additional exploration rights covering approximately 55,800 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 6.8 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.

Concessions, Extraction Yields and Reserves for the Caliche Ore Mines and Salar Brines

Concessions Generally

Caliche ore. We hold our mineral rights pursuant to one of two types of exclusive concessions granted pursuant to applicable law in Chile:

- “Exploitation Concessions” These are concessions whereby we are legally entitled to use the land in order to exploit (1) the mineral resources contained therein on a perpetual basis subject to annual payments to the Chilean government; or
- “Exploration Concessions” These are concessions whereby we are legally entitled to use the land in order to explore (2) for mineral resources for a period of two years, at the expiration of which the concession may be extended one time only for two additional years if the area covered by the concession is reduced by half.

An Exploration Concession is generally obtained for purposes of evaluating the mineral resources in an area. Generally, after the holder of the Exploration Concession has determined that the area contains exploitable mineral resources, such holder will apply for an Exploitation Concession for the area. Such application will give the holder absolute priority with respect to such Exploitation Concession against third parties. If the holder of the Exploration Concession determines that the area does not contain commercially exploitable mineral resources, the concession is usually allowed to lapse. An application also can be made for an Exploitation Concession without first having obtained an Exploration Concession for the area involved.

Concessions for the Caliche Ore Mines and Salar Brines

As of December 31, 2013, approximately 93% of our total mining concessions were held pursuant to exploitation concessions and 7% pursuant to exploration concessions. Of the exploitation concessions, approximately 88% already have been granted pursuant to applicable Chilean law, and approximately 12% are in the process of being granted. Of the exploration concessions, approximately 70% already have been granted pursuant to applicable Chilean law, and approximately 30% are in the process of being granted.

We made payments to the Chilean government for our exploration and exploitation concessions of approximately US\$9.7 million in 2013.

The following table shows our constituted exploitation and exploration concessions as of December 31, 2013:

Mines	Exploitation concessions		Exploration concessions		Total	
	Total number	Hectares	Total number	Hectares	Total number	Hectares
Pedro de Valdivia	565	144,737	16	4,500	581	149,237
Maria Elena-EI Toco	647	190,352	42	10,600	689	200,952
Pampa Blanca	469	137,662	21	5,900	490	143,562
Nueva Victoria	306	78,667	1	600	307	79,267
Subtotal Caliche Ore Mines	1,987	551,418	80	21,600	2,067	573,018
Salar de Atacama ⁽¹⁾	1,025	444,808	112	70,100	1,137	514,908
Subtotal Mines	3,012	996,226	192	91,700	3,204	1,087,926
Subtotal other Areas	7,931	1,763,668	251	62,800	8,182	1,826,468
Total	10,943	2,759,894	443	154,500	11,386	2,914,394

(1) See Description of Salar Brines, Item 4.D.

Extraction yields

The following table shows certain operating data relating to each of our mines for 2013, 2012 and 2011:

(in thousands, unless otherwise stated)	2013	2012	2011
Pedro de Valdivia			
Metric tons of ore mined	11,571	12,027	12,151
Average grade nitrate (% by weight)	7.5	7.3	7.2
Iodine (parts per million (ppm))	415	406	417
Metric tons of crystallized nitrate produced	445	466	454
Metric tons of iodine produced	3.2	3.2	3.1
Maria Elena⁽¹⁾			
Metric tons of ore mined	5,870	6,787	6,787
Average grade nitrate (% by weight)	6.6	6.2	6.2
Iodine (ppm)	484	454	454
Metric tons of crystallized nitrate produced	—	—	—
Metric tons of iodine produced	1.5	1.7	1.7
Coya Sur⁽²⁾			
Metric tons of crystallized nitrate produced	441	491	395
Pampa Blanca⁽¹⁾			
Metric tons of ore mined	—	—	—
Iodine (ppm)	—	—	—
Metric tons of iodine produced	—	—	—
Nueva Victoria⁽¹⁾			
Metric tons of ore mined	23,515	23,937	18,418
Iodine (ppm)	462	465	457
Metric tons of iodine produced	6.1	6.0	5.2
Salar de Atacama ⁽³⁾			
Metric tons of lithium carbonate produced	33	41	38
Metric tons of potassium chloride and potassium sulfate produced	1,908	1,977	1,448

(1) Operations at the El Toco and Pampa Blanca mines were temporarily suspended in November 2013 and March 2010 respectively. Operations at the Iris Iodine Plant were temporarily suspended in October 2013.

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

potassium nitrate, plants.

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

Reserves

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 five meters and has an overburden between zero and two meters. This horizontal layering is a natural geological condition and allows the Company to estimate the continuity of the caliche bed based on surface geological reconnaissance and analysis of samples and trenches. 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 margin of error greater than that of proven reserves. However, the degree of certainty of probable reserves is high enough to assume continuity between points of observation.

Probable reserves are the economically mineable part of an "Indicated Mineral Resource" and, in some circumstances, a "Measured Mineral Resource." An indicated mineral resource is the part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. The 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.

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

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

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, 2013 are set forth below. The Company holds 100% of the concession rights for each of these mines.

Mine	Proven Reserves (1) (6) (millions of metric tons)	Nitrate Average Grade (percentage by weight)	Iodine Average Grade (parts per million)	Cutoff Grade Average for Mine (5)
Pedro de Valdivia	194.4	7.1%	369	Nitrate 6.0 %
María Elena	134.1	7.2%	416	Nitrate 6.0 % - Iodine 300 ppm
Pampa Blanca	71.4	5.6%	544	Iodine 300 ppm
Nueva Victoria	336.7	5.7%	442	Iodine 300 ppm – Nitrate 6.0%

In addition, the updated estimates of our probable reserves of caliche ore at each of our principal mines as of December 31, 2013, are as follows:

Mine	Probable Reserves (1) (2) (7) (millions of metric tons)	Nitrate Average Grade (percentage by weight)	Iodine Average Grade (parts per million)	Cutoff Grade (5)
Pedro de Valdivia (3)	118.7	6.9	% 444	Nitrate 6.0 %
María Elena	98.0	7.3	% 380	Nitrate 6.0 %
Pampa Blanca	447.8	5.8	% 538	Iodine 300 ppm
Nueva Victoria	59.1	7.6	% 362	Nitrate 6.5 %

Notes on Reserves:

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

- 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
- (2) 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.
- (3) The increase in probable reserves of Pedro de Valdivia, from 78.5 MMTons to 118.7 MMTons is the product of a recognition program in unexplored areas of Lynch.

- Information set forth in the table above was validated in January 2014, by Mrs. Marta Aguilera, a geologist with over 20 years of experience in the field. She is currently employed by SQM as Manager Exploration and Mining
- (4) Development. Mrs. Aguilera is a Competent Person ("*Persona Competente*"), as that term is defined under Chilean Law Number 20,235.

- The cutoff grades referring to the Proven and Probable reserves are variable due to the fact that the various mines
- (5) have different areas which in turn demonstrate variable cutoff grades, according to required objectives. The assigned values correspond to averages of the different sectors.

- The Proven reserves include the projection of indicated and measured resources and the measured mineral resources (bonanza - 3d). The Proven reserves may change as a result of the exploitation method, producing
- (6) differences between the reserves calculated in the mining plan and the material placed in vats or heaps. The average exploitation factor for different mining operations is around 80%, allowing, with this factor, to project these reserves to a Proven Exploitable category.

- To increase and ensure the quality of the probable reserve, an average geological factor greater than 60% is
- (7) considered allowing projecting this reserve to a minable category.

The proven and probable reserves shown above are the result of exploration and evaluation of approximately 19.4% of the total caliche-related mining property of our Company. However, we have explored those areas in which we believe there is a higher potential of finding high-grade caliche ore minerals. The remaining 80.6% 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.

The subject of the dilution factors is as follows:

The Proven reserves consist of: Measured Mineral resources (bonanza or 3d) and the projection of indicated resources to measured resources (a projection factor is applied here which, on the average, reaches 0.7). In turn, the measured mineral resources are indicated entirely without any correction factor.

The Probable reserves are comprised of Inferred resources; these become Probable reserves without any correction factor or projection.

In the Exploitable Proven Reserves category, we apply an average dilution factor of 0.8 - 0.9 to our proven reserves.

For Probable reserves, the projection factor is reduced to an average of 0.6 - 0.7.

The dilution factor applied to the measured resources averages 10 - 12%, in order to project them to exploitable, in the case of iodine at Nueva Victoria, while for Pampa Blanca and Maria Elena, it averages 20%. For Pedro de Valdivia, the dilution factor averages 25% (Lynch 20% - Manchas Antiguas 30%). This factor increases in the measure that we change the resources category. For example, the factor to project NV's indicated resources to measured resources considers a 10% dilution, while to project Lynch's indicated resources to measured resources, the dilution increases to 30%.

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 2013, we continued a basic reconnaissance program on new mining properties including a geological mapping of the surface and spaced drill-hole campaign covering approximately 7,143 hectares. Additionally, we conducted general explorations based on a closer grid pattern of drill-holes over a total area of approximately 3,920 hectares and, in addition, carried out in-depth sampling of approximately 1,239 hectares (1,113 hectares at Pedro de Valdivia, 126 hectares at Nueva Victoria). There is no exploration and development program in 2014.

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

2013	2012	2011
Gross Price	Gross Price	Gross Price
Margin	Margin	Margin

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Iodine and derivatives	56 %	US\$50/kg	63 %	US\$53/kg	58 %	US\$34/kg
Specialty Plant Nutrition	22 %	US\$811/ton	32 %	US\$866/ton	32 %	US\$850/ton
Industrial Chemicals	28 %	US\$877/ton	34 %	US\$877/ton	40 %	US\$745/ton

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 exploitation concessions of approximately 819.2 square kilometers where we have carried out geological exploration, brine sampling and geostatistical analysis. We estimate that our proven and probable reserves as of December 31, 2013 based on economic restrictions, geological exploration, brine sampling and geostatistical analysis up to a depth of 100 meters of our total exploitation concessions, and additionally, up to a depth of 500 meters over approximately 47% of the same total area, are as follows:

	Proven Reserves (1) (millions of metric tons)	Probable Reserves (1) (millions of metric tons)	Total Reserves (millions of metric tons)
Potassium (K+) (2)	52.8	18.6	71.4
Sulfate (SO ₄ -2) (3)	31.0	10.3	41.3
Lithium (Li+) (4)	3.0	3.1	6.1
Boron (B ₃ +) (5)	0.9	0.3	1.2

Notes on Reserves:

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

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

A cutoff grade of 1% K is used in the calculation considering MOP-S as the low margin scenario and using diluted brine with higher contaminants as raw material, yielding on the lower side of approx. 47% recovery. In this scenario cost for MOP production is competitive considering actual and recent years historic market situation.

Cutoff for lithium Extraction is set to 0,05% Li. Cost of the process is competitive in the market though small increase from actual cost is considered to accommodate more evaporation area (to reach required Li concentration) and the use of additives to maintain brine quality feeding the plant.

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 2 and 3D. We calculate the volume of brine effectively drainable or exploitable in each evaluation unit. We consider chemical parameters to determine the process to be applied to the brines. Based on the chemical characteristics, the volume of brine and drainable porosity, we determine the number of metric tons for each of the chemical ions. 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 and remain as an indicated resource until further exploration is performed. 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.

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

	2013		2012		2011
	Gross Margin	Price	Gross Margin	Price	Gross Margin
Potassium Chloride and Potassium Sulfate	27 %	US\$423/ton	41 %	US\$500/ton	39 %
Lithium and derivatives	49 %	US\$5,444/ton	50 %	US\$4,863/ton	46 %
				US\$4,427/ton	

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.

PRODUCTION FACILITIES

Our principal production facilities are located near our mines and extraction facilities in northern Chile. The following table shows the principal production facilities as of December 31, 2013:

Location	Type of Facility	Approximate Size (Hectares)
Pedro de Valdivia (1)	Nitrates and iodine production	236
María Elena (1)	Nitrates and iodine production	98
Coya Sur (1)	Nitrates and iodine production	251
Pampa Blanca (1)	Concentrated nitrate salts and iodide production	129
Nueva Victoria (1)	Concentrated nitrate salts and iodine production	537
Salar de Atacama (2)	Potassium chloride, lithium chloride, potassium sulfate and boric acid	4,122
Salar del Carmen, Antofagasta (2)	Lithium carbonate and lithium hydroxide production	63
Tocopilla	Port facilities	22

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

(2) Includes production facilities and solar evaporation ponds.

We own, directly or indirectly through subsidiaries, all of the facilities free of any material liens, pledges or encumbrances, and believe that they are suitable and adequate for the business we conduct in them. As of December 31, 2013, the approximate gross book value of the property and associated plant and equipment at our locations was as follows: Pedro de Valdivia (US\$118.5 million), María Elena (US\$143.2 million), Coya Sur (US\$339.5 million),

Pampa Blanca (US\$16.5 million), Nueva Victoria (US\$316.9 million), Salar de Atacama (US\$786.4 million), Salar del Carmen (US\$212.4 million) and Tocopilla (US\$89.7 million).

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

The approximate Weighted average age of our production facilities as of December 31, 2013 was as follows: Pedro de Valdivia (10.1 years), María Elena (13.5 years), Coya Sur (3.5 years), Nueva Victoria (7.2 years), Salar de Atacama (6.8 years), and Salar del Carmen (9.6 years). Our railroad line between our production facilities and Tocopilla was originally constructed in 1890, but the rails, locomotives and rolling stock have been replaced and refurbished as needed. The Tocopilla port facilities were originally constructed in 1961 and have been refurbished and expanded since that time. The Weighted average age of the Tocopilla port facilities is approximately 11.1 years. We consider the condition of our principal plant and equipment to be good.

The map below shows the location of SQM's principal mining operations and land concessions that have been granted and those that are in the process of being granted.

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 some cases use their own contracted vessels for delivery. Trucking is provided by a mix of spot, contracted and customer- owned equipment.

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Trade and Other Accounts Receivable

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

- those which we have the intention of selling immediately in the near future and which are held-for-sale;
- those designated at their initial recognition as available-for-sale; and

those through which we do not intend to recover for reasons other than credit impairment and therefore must be classified as available-for-sale.

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

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

Income tax

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

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

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

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

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

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

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

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

Inventories

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

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

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

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

Obligations related to staff severance indemnities and pension commitments

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

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

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

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

The discount rate used for calculating obligations outside the United States was 6% for the periods ended as of December 31, 2013 and 2012.

Our United States subsidiary, SQM North America Corp. has established pension plans for its retired employees that are calculated by measuring the projected benefit obligation in accordance with International Accounting Standards (“IAS”) using a net salary progressive rate net of adjustments to inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 5.0% interest rate for 2013 and 2012. The net balance of this obligation is presented in the line item called Provisions for Employee Benefits, Non-Current.

Mining development costs

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

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

Asset value impairment

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

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

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

industrial chemicals and other products and services.)

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

Financial derivatives and hedging transactions

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

- a. fair value hedge of assets and liabilities recognized (fair value hedges); or
- b. hedging of a single risk associated with an asset or liability recognized or a highly possible foreseen transaction (cash flow hedge).

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

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

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

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

a. Fair value hedge

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

For fair value hedging related to items recorded at amortized cost, the adjustment of the fair value is amortized against income on the remaining years to its expiration. Any adjustment to the carrying value of a hedged financial instrument

for which the effective rate is used is amortized with a debit or credit to profit or loss at its fair value attributable to the risk being covered.

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

b. Cash flow hedge

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

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

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

5.A. Operating Results

Introduction

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

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

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

Overview of Our Results of Operations

We divide our operations into the 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:

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.

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

	2013			2012			2011		
	US\$	%		US\$	%		US\$	%	
Specialty plant nutrition	687.5	31 %		675.3	28 %		721.7	34 %	
Iodine and derivatives	461.0	21 %		578.1	24 %		454.5	21 %	
Lithium and derivatives	196.5	9 %		222.2	9 %		183.4	9 %	
Potassium	606.3	28 %		605.1	25 %		555.7	26 %	
Industrial chemicals	154.0	7 %		245.2	10 %		139.5	7 %	
Other Income ⁽¹⁾	97.9	4 %		103.2	4 %		90.5	4 %	
Total	2,203.1	100		2,429.2	100		2,145.3	100	

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

(in millions of U.S. dollars)	Year Ended December 31,					
	2013		2012		2011	
	US\$	%	US\$	%	US\$	%
Revenues	2,203.1	100.0	2,429.2	100.0	2,145.3	100.0
Cost of sales	(1,481.7)	67.3	(1,400.6)	57.7	(1,290.5)	60.2
Gross profit	721.5	32.7	1,028.6	42.3	854.8	39.8
Other income	96.7	4.4	12.7	0.5	47.7	2.2
Administrative expenses	(105.2)	4.8	(106.4)	4.4	(91.8)	4.3
Other expenses	(49.4)	2.2	(34.6)	1.4	(63.0)	2.9
Other gains (losses)	(11.4)	0.5	0.7	—	5.8	0.3
Finance income	12.7	0.6	29.1	1.2	23.2	1.1
Finance expenses	(58.6)	2.6	(54.1)	2.2	(39.3)	1.8
Equity income of associates and joint ventures accounted for using the equity method	18.8	0.8	24.4	1.0	21.8	1.0
Foreign currency exchange differences	(12.0)	0.5	(26.8)	1.1	(25.3)	1.2
Income before income tax expense	613.1	27.8	873.5	36.0	733.8	34.2
Income tax expense	(138.5)	6.3	(216.1)	8.9	(179.7)	8.4
Profit attributable to:						
Controlling interests	467.1	21.2	649.2	26.7	545.8	25.4
Non-controlling interests	7.5	0.3	8.2	0.3	8.4	0.4
Profit for the year	474.6	21.5	657.4	27.1	554.1	25.8

Results of Operations – 2013 compared to 2012

Revenues

During 2013, we generated total revenues of US\$2,203.1 million, a 9.3% decrease compared to US\$2,429.2 million in 2012.

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

Specialty plant nutrition

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

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

* Includes trading of other specialty fertilizers.

The speciality plant nutrition market experienced stable demand growth during 2013 when compared to 2012. We have not seen any curtailment of supply, and do not expect any new supply from any of the three main players, including SQM, in the market.

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

Iodine and its derivatives

Revenues for iodine and its derivatives during 2013 totaled US\$461.0 million, a 20.3% decrease compared to US\$578.1 million in 2012. Set forth below are sales volume data for the specified years.

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

Iodine market growth was approximately 2% during 2013, slightly lower than the growth rates we have seen in previous years. We believe this is related to inventory optimization from our customers. Based on our analysis, consumption continued to grow at a rate of 2-4% during 2013, slightly higher than demand growth. As we have seen in recent years, demand was led primarily by x-ray contrast media and LCD and LED applications.

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

We are the world leader in the iodine market, with the largest capacity, the best natural resources, and a significant cost advantage. We believe that total demand will grow between 3-4% during 2014. Despite these positive signals, we believe our sales volumes could decrease during 2014 as uncertainty surrounding the production and sales volumes of our competitors continues. We have also seen pressure on pricing in recent months, as announced at the end of 2013. We expect this pressure to continue through 2014.

Lithium and its derivatives

Revenues for lithium and its derivatives totaled US\$196.5 million during 2013, an 11.6% decrease compared to US\$222.2 million in 2012. Set forth below are sales volume data for the specified years.

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

The lithium market continued to grow in 2013, due primarily to growth in the rechargeable battery. Demand growth reached 4%, while demand growth in batteries grew well over 10%.

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

We believe the lithium market is positioned to grow in the short and long term resulting from the development of new technologies, as well as due to the strong growth in industrial applications. We expect lithium market demand to grow between 8-10% in 2014.

Potassium

Potassium revenues for 2013 totaled US\$606.3 million, a 0.2% increase as compared to US\$606.3 million in 2012. Set forth below are sales volume data for the specified years.

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

As anticipated, the potassium chloride market demand increased in 2013; we estimate that demand reached levels close to 53 million metric tons for potassium chloride during 2013, an increase of 6% when compared to 2012. The prices in the potassium chloride market declined during the second half of 2013 as a result of the unexpected announcement made by the Russian company, Uralkali, on July 30, 2013, that it was terminating its participation in BPC. As a result of the termination of Uralkali's participation in BPC, there was increased price competition in the market.

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

We continued to take advantage of our developed distribution network, and distributed potassium chloride to customers all over the world. Our biggest market continued to be Brazil, which, in 2013, accounted for approximately one third of our potassium chloride sales. Moving forward, we expect demand to grow in 2014 to over 55 million tons. Additionally, we expect our sales volumes of potassium chloride and potassium sulfate to increase over 10% when compared to sales volumes seen in 2013. As we have stated in the past, we believe that market demand is the most important indicator when evaluating the potash market, and specifically future potassium chloride prices.

Industrial chemicals

Industrial chemicals revenues for 2013 totaled US\$154.0 million, a 37.2% decrease as compared to US\$245.2 million in 2012. Set forth below are sales volume data for the specified years by product category.

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

Industrial chemical demand for traditional applications such as detergents and glass has remained relatively stable when compared to 2012.

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

Sales volumes in this business line in 2014 are expected to be lower than sales volumes seen in 2013. However, we do see a peaked interest in the market, and expect sales volumes to return in 2015; these estimations are based on current negotiations. The long-term prospects in the solar salt market remain positive.

Other products and services

Revenues from sales of other commodity fertilizers and other products totaled US\$97.9 million during 2013, a 5.1% decrease compared to US\$103.2 million in 2012.

Cost of sales

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

depreciation and amortization.

Gross profit

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

Administrative expenses

Administrative expenses as a percentage of revenues increased in 2013 as compared to 2012. Administrative expenses were US\$105.2 million (5.9% of revenues) in 2013 and US\$106.4 million (4.4% of revenues) in 2012. The increase to 5.9% of revenues was mostly caused by decreases in revenues and relatively stable expenses.

Other expenses

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

Other gains (losses)

Other gains (losses) decreased by 1.6% to a loss of US\$11.3 million in 2013 from a gain of US\$0.7 million in 2012.

Finance income

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

Finance expenses

Finance expenses increased by 8.3% to US\$58.6 million in 2013 from US\$54.1 million in 2012, but remained relatively stable as a percentage of revenues, representing 2.1% of revenues in 2012 as compared to 2.6% of revenues in 2013. The increase in finance expenses was due to a net increase in indebtedness during 2013.

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

Equity income of associates and joint ventures accounted for using the equity method decreased by 23.0% to US\$18.8 million in 2013 from US\$24.4 million in 2012, representing 0.9% of revenues both in 2013.

Foreign currency exchange differences

Losses from foreign currency exchange differences decreased by 44.9% to a loss of US\$11.9 million in 2013 from a loss of US\$26.8 million in 2012, and decreased as a percentage of revenues, representing 0.5% of revenues in 2013 as compared to 1.1% of revenues in 2012. 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 2013, the Chilean peso appreciated by 9.4% against the U.S. dollar.

Income tax expense

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

Profit for the year

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

Results of Operations – 2012 compared to 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.

(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, which 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 by 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 and 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 0.03% 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 associated companies 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 associated companies and joint ventures accounted for using the equity method

Equity income of associated companies 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 taxes were US\$216.1 million, compared to income taxes of US\$179.7 million in 2011. During 2012, the Chilean tax rate increased to 20%. The effective tax rate in 2012 was 24.7% compared with 24.5% in 2011. The difference between the statutory and effective tax rates is due primarily to royalty taxes on income.

Profit for the year

Profit for the year 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.

Impact of Foreign Exchange Rates

We transact a significant portion of our business in U.S. dollars, which is the currency of the primary economic environment in which we operate and is our financial currency for financial reporting purposes. A significant portion of our operating costs is related to the Chilean peso, and therefore an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar affects our costs of production. Additionally, as an international company operating in Chile and several other countries, we transact a portion of our business and have assets and liabilities in Chilean pesos and other non-U.S. dollar currencies, such as the Euro, the South African Rand and the Mexican peso. As a result, fluctuations in the exchange rate of such currencies to the U.S. dollar may affect our financial condition and results of operations. See Note 24 of Financial Statements included in this Annual Report.

We monitor and attempt to maintain our non-dollar assets and liabilities position in balance and make use of foreign exchange contracts and other hedging instruments aiming to minimize our exposure to the risks of changes in foreign exchange rates. As of December 31, 2013, for hedging purposes we had open contracts to buy U.S. dollars and sell Euros for approximately US\$8.6 million (EUR6.2million) and sell South African rand for approximately US\$30 million (ZAR301 million), as well as forward exchange contracts to sell U.S. dollars and buy Chilean pesos for US\$92.5 million (CH\$48,526 million). As of this date, all of our UF and Chilean pesos bonds were hedged with cross-currency swaps to the U.S. dollar for approximately US\$ 555.3 million.

Also, we had open forward exchange contracts to buy U.S. dollars and sell Chilean pesos to hedge our time deposits in Chilean Pesos for approximately US\$134.1 million (CH\$70,384 million).

5.B. Liquidity and Capital Resources

As of December 31, 2013, we had US\$908.5 million of cash and cash equivalents and time deposits. In addition, as of December 31, 2013, we had unused uncommitted working capital credit lines amounting to US\$555.0 million.

Shareholders' equity increased from US\$2,132.8 million as of December 31, 2012 to US\$2,409.5 million as of December 31, 2013. Our ratio of total liabilities to total equity (including non-controlling interest) on a consolidated basis decreased from 1.02 as of December 31, 2012 to 0.94 as of December 31, 2013.

We evaluate from time to time our cash requirements to fund capital expenditures, dividend payouts and increases in working capital. 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 shows our cash flows for 2013, 2012, and 2011:

(in millions of U.S. dollars)	2013	2012	2011
Net cash from (used in):			
Net cash from operating activities	651.7	650.2	571.3
Net cash used in financing activities	(2.3)	(197.7)	(105.2)
Net cash used in investing activities	(487.4)	(562.9)	(516.2)
Effects of exchange rate fluctuations on cash and cash equivalents	(9.8)	(10.3)	(29.6)
Net increase (decrease) in cash and cash equivalents	(152.3)	(120.6)	(79.7)

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 operating activities, borrowings under credit facilities and issuance of debt securities.

The Board of Directors has approved a capital expenditures plan for 2014 of US\$135 million in connection with investments to be made in Chile. The 2014 capital investment program is primarily focused on the maintenance of our production facilities. Our 2014 capital investment program will not require any external financing; however, we reserve the right to access capital markets in order to optimize our financial position. See “Business—Business strategy—Capital expenditure program.”

Our other major use of funds is the payment of dividends. We paid dividends of US\$273.6 million and US\$334.8 million during 2013 and 2012, respectively. Our 2013 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 3.40 as of December 31, 2013, a change from 3.70 as of December 31, 2012. The following table shows key information about our outstanding long- and short-term debt as of December 31, 2013.

Debt Instrument⁽¹⁾⁽²⁾	Interest rate	Issue date	Maturity date	Amortization
3.625% Notes due 2023 — US\$ 300 million	3.625	% Apr. 3, 2013	Apr. 3, 2023	Bullet
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

(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.

As of December 31, 2013, we had total financial debt of US\$1,834 million, compared to US\$1,599 million as of December 31, 2012. Taking into account the effects of financial derivatives, our total financial debt amounted to US\$1,803.5 million as of December 31, 2013 and US\$1,498.4 million as of December 31, 2012. Of the total debt as of December 31, 2013, US\$401.4 million was short-term debt. All of our UF and Ch\$ local bonds, as of December 31, 2013, were hedged with cross-currency swaps to the U.S. dollar.

All of our long-term debt (including the current portion) as of December 31, 2013 was denominated in U.S. dollars, and all our UF and Ch\$ local bonds were hedged with cross-currency swaps to the U.S. dollar.

The financial covenants related to our debt instruments include: (i) limitations on the ratio of total liabilities to equity (including non-controlling interest) on a consolidated basis, (ii) minimum net worth requirements, (iii) limitations on net financial debt to EBITDA, (iv) limitations on interest indebtedness of operating subsidiaries and (v) minimum production assets. We believe that the terms and conditions of our debt agreements are standard and customary and that we are in compliance in all material respects with such terms and conditions as of December 31, 2013.

The following table shows the maturities of our long-term debt by year as of December 31, 2013 (in millions of US dollars):

Maturity⁽¹⁾	Amount
2014	357,3
2015	95,1
2016	285.1
2017	191.6
2018	5.1
2019 and thereafter	805.7
Total	1,410.4

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, 2013, 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 2013, a market value of US\$23 million in favor of SQM.

Environmental Projects

In 2013, we made disbursements amounting to US\$13.3 million related to environmental, safety and health projects. We have budgeted future disbursements for the year 2014 amounting to approximately US\$ 9.6 million related to environmental, safety and health projects. This amount forms part of the capital expenditure program discussed above.

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

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

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

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

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

For the years ended December 31, 2013, 2012 and 2011, we invested US\$9.3 million, US\$ 10.4 million, and US\$6.9 million, respectively, on research and development activities.

5.D. Trend Information

Our revenues totaled US\$2,203.1 million during 2013, representing a decrease of 9.3% from revenues of US\$2,429.2 million in 2012. Gross margin was US\$721.5 million (32.7% of revenues), 29.9% lower than gross margin of US\$1,028.6 million (42.3% of revenues) in 2012. Profit attributable to controlling interests decreased by 27.8% to US\$467.1 million in 2013, compared to US\$649.2 million in 2012.

Our sales volumes in the specialty plant nutrition business line in 2013 increased by 8.6% compared to 2012. This increase was a result of increased demand in the market. In particular, this product line depends 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. However, the specialty plant nutrition markets tend to be less volatile than commodity and fertilizer markets. We saw this during 2013 as prices fell in the speciality plant nutrition business line approximately 6%, while prices in the potassium chloride and potassium sulfate business lines fell over 15%. 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 business line decreased by 11.5% in 2013 as a result of new supply from competitors in the market, and a result of slightly slower growth rates than we have seen in previous years. Therefore, we saw pressure on prices in the iodine market, and our average price in the business line was 5.7% lower than average prices seen during 2012. We continue to be a world leader in the iodine market, and these special market conditions have created unique opportunities for us.

Our sales volumes in the lithium business line decreased by 21% in 2013 compared to 2012. However, despite lower sales volumes, we saw increased prices in this business line during 2013 when compared to 2012, up 11.9%. The decrease in sales volumes can be attributed to increased supply from competitors. 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 business line increased by 18.6% in 2013 compared to the prior year. Average prices in the potassium market fell following during the second half of 2013, and therefore our average prices for 2013 were 15.5% lower than prices seen during 2012. We expect market sales volumes to increase during 2014, and believe that this could have a positive impact on prices.

Our sales volumes in the industrial chemicals product line decreased by 37.2% in 2013 compared to 2012. As anticipated, the decrease was caused by delays in new alternative energy projects that utilize industrial-grade sodium and potassium nitrate in solar thermal energy storage. In particular, our sales volumes in solar salts decreased by approximately 100,000 metric tons during 2013. We remain confident in the long-term prospects in the solar thermal energy storage market, and are currently working on negotiations sales contracts for 2015 and beyond.

5.E. Off-Balance Sheet Arrangements

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

5.F. Tabular Disclosure of Contractual Obligations

The following table shows our material expected obligations and commitments as of December 31, 2013:

		Less Than	1 - 3	3 - 5	More Than
	Total	1 year	years	Years	5 years
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Long- and short-term debt	1,819,317	382,463	3383,339	197,762	855,762
Capital lease obligations	-	-	-	-	-
Operating leases	132,946	6,997	13,994	13,994	97,961
Purchase commitments (*)	127,484	127,484	-	-	-
Staff severance indemnities	34,839	-	-	-	34,839
Total Contractual Obligations and Commitments	1,894,306	287,324	350,940	553,808	702,234

(*) The purchase commitments held by the Company are recognized as a liability when the services and goods are received by the Company.

5.G. Safe Harbor

The information contained in Items 5.E and 5.F contains statements that may constitute forward-looking statements. See “Cautionary Statement Regarding Forward-Looking Statements” in this Annual Report, for safe harbor provisions.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. Directors and Senior Management

We are managed by our executive officers under the direction of our Board of Directors, which, in accordance with our by-laws, consists of eight directors, seven of whom are elected by holders of Series A common shares and one of whom is elected by holders of Series B common shares. The entire Board of Directors is regularly elected every three years at our ordinary shareholders' meeting. Cumulative voting is allowed for the election of directors. At the annual ordinary shareholders' meeting that took place on April 25, 2013, a new Board was elected, and their terms will expire in 2016. The Board of Directors may appoint replacements to fill any vacancies that occur during periods between elections. If a vacancy occurs, the entire Board must be elected or re-elected at the next regularly scheduled meeting of shareholders. Our Chief Executive Officer is appointed by the Board of Directors and holds office at the discretion of the Board. The Chief Executive Officer appoints our executive officers. There are regularly scheduled meetings of the Board of Directors once a month. Extraordinary meetings may be called by the Chairman when requested by (i) the director elected by holders of the Series B common shares, (ii) any other director with the assent of the Chairman or (iii) an absolute majority of all directors. The Board has a Directors' Committee and its regulations are discussed below.

Our directors as of the date of this Annual Report are as follows:

Name	Position and relevant experience	Current position held since
Julio Ponce L. ⁽¹⁾	Chairman of the Board and Director. Mr. Ponce is a Forestry Engineer with a degree from the Universidad de Chile. He joined SQM in 1981. He is also Chairman of the board of directors of the following corporations: Sociedad de Inversiones Pampa Calichera S.A., Sociedad de Inversiones Oro Blanco S.A., Norte Grande S.A. and Soquimich Comercial S.A. He is the brother of Eugenio Ponce L.	September 1987
Wayne R. Brownlee	Vice Chairman of the Board and Director. Mr. Brownlee is Executive Vice-President, Treasurer and Chief Financial Officer of Potash Corporation of Saskatchewan, Inc. Mr. Brownlee earned degrees in Arts and Science and Business Administration from the University of Saskatchewan. He is on the board of directors of Great Western Brewing Company. He became a director of SQM in December 2001.	December 2001
Hernan Buchi B.	Director. Mr. Buchi is a Civil Engineer with a degree from the Universidad de Chile. He served as Vice Chairman of SQM's Board from January 2000 to April 2002. He is currently a member of the board of directors of Quinenco S.A. Banco de Chile, S.A.C.I. Falabella and Madeco S.A., among others. He is also Chairman of the board of directors of the Universidad del Desarrollo.	April 1993

Name	Position and relevant experience	Current position held since
Patricio Contesse Fica.	Mr. Contesse is a lawyer who obtained his degree from the Pontificia Universidad Católica de Chile. He is also a member of the Board of Directors of Sociedad de Inversiones Pampa Calichera S.A. and Norte Grande S.A. Prior to joining SQM, he was an associate at Barros & Errázuriz Abogados, and CEO of Potasios de Chile S.A. and Nitratos de Chile S.A. He is the son of Patricio Contesse G.	April 2013
Jose Maria Eyzaguirre B.	Director. Mr. Eyzaguirre is a lawyer and is a partner of the Chilean law firm Claro y Cía. He obtained his law degree from the Universidad de Chile and was admitted to the Chilean Bar in 1985. In 1987, he obtained a Master's Degree from New York University School of Law. He was admitted to the New York Bar in 1988. He is also a member of the board of directors of Gasoducto del Pacifico S.A., a transandean gas pipeline, Embotelladora Andina S.A., a bottler of The Coca Cola Company, and Chairman of the board of directors of Club de Golf Valle Escondido.	December 2001
Juan Antonio Guzmán M.	Mr. Guzmán is an Industrial and Chemical Engineer from Pontificia Universidad Católica de Chile and has a Ph.D. from the Polytechnic of North London. He has professional experience in managing different organizations both in the public service (Minister of Education) and in the private sector where he has been appointed to several executive positions as CEO and Board member (Gener, Polpaico, CGE, Sonda, Indisa). Furthermore he has been active as owner in entrepreneurial activities in sectors such as Energy, Education, Real Estate and Health.	April 2013
Alejandro Montero P.	Mr. Montero graduated from the Pontificia Universidad Catolica de Chile with a degree in Business Administration. He is a Partner and CEO of Celfin Capital, a BTG Pactual company. Mr. Montero joined Celfin Capital in December 1993 to restructure the Research Unit. He became a Partner in 1997 and CEO in 2007.	April 2013
Wolf von Appen	Director. Mr. Von Appen is an entrepreneur. He is currently a member of Centro de Estudios Publicos.	May 2005

Our executive officers as of the date of this Annual Report were as follows:

Name	Position and relevant experience	Current position held since
Patricio Contesse G.	Chief Executive Officer. Mr. Contesse is a Forestry Engineer with a degree from the Universidad de Chile. He joined SQM in 1981 as CEO, a position he held until 1982, and again in 1988 for one year. In the past, he has been CEO of Celco Limitada, Schwager S.A. and Compañía de Aceros del Pacífico S.A. He has also served as Operations Senior Executive Vice President of Codelco Chile, President of Codelco USA and Executive President of Codelco Chile. Mr. Contesse is also a member of the board of directors of Soquimich Comercial S.A. He is the father of Patricio Contesse F.	March 1990
Patricio de Solminihac T.	Chief Operating Officer and Executive Vice President. Mr. de Solminihac is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Master in Business Administration from the University of Chicago. He joined SQM in 1988 as Business Development Vice President. Currently he is a member of the board of directors of Melon S.A. Mr. de Solminihac is also a member of the board of directors of Soquimich Comercial S.A.	January 2000
Matías Astaburuaga S.	General Counsel and Senior Vice President. Mr. Astaburuaga is a lawyer with a degree from the Pontificia Universidad Católica de Chile. He joined SQM in 1989. Prior to joining SQM, he was Regional Counsel of The Coca Cola Export Corporation, Andean Region and Regional Counsel of American Life Insurance Company, Latin America Region.	February 1989

Name	Position and relevant experience	Current position held since
Ricardo Ramos R.	Chief Financial Officer and Senior Vice President of Business Development. Mr. Ramos is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile. He joined SQM in 1989. Mr. Ramos is also a member of the board of directors of Soquimich Comercial S.A.	November 1994
Jaime San Martín L.	Nueva Victoria Operations Senior Vice President. Mr. San Martín is a Transportation Engineer with a degree from the Pontificia Universidad Católica de Chile. He joined SQM in 1995 as Project Manager. He became Metallic Mining Development Manager in 1997, and Development Manager in 1998, Business Development and Mining Property Vice President in 1999, Technical Senior Vice President in 2001, and Senior Vice President of Lithium Operations and Mining Affairs in January 2007. From 2008 until August 2013, he was the Senior Vice President of Nueva Victoria Operations (iodine and nitrates in the I Region of Chile). He left the Company is August 2013	March 2008
Eugenio Ponce L.	Senior Commercial Vice President. Mr. Ponce is a Mechanical Engineer with a degree from the Universidad Católica de Valparaíso. In 1981, he joined SQM as a Sales Manager. He became Commercial Manager in 1982, Commercial and Operations Manager in 1988 and Chief Executive Officer of SQM Nitratos S.A. in 1991. Currently he is a member of the board of directors of Soquimich Comercial S.A. and Vice Chairman of the board of directors of Pampa Calichera S.A. He is the brother of Julio Ponce L.	April 1981
Carlos Díaz O.	Senior Vice President Operations, Nitrates-Iodine. Mr. Diaz is an Industrial Civil Engineer with an engineering degree and an MBA from the Pontificia Universidad Católica de Chile. In 1996, he joined SQM as Planning Engineer in the Sales Division where he was promoted to Planning Manager in 1998. In 2002, he assumed the position of Deputy Financial Manager of the Commercial Offices and after four years took up the position of Logistics Manager.	October 2012

Name	Position and relevant experience	Current position held since
Pauline De Vidts S.	Senior Vice President of Human Resources and Sustainability. Mrs. De Vidts is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Ph.D. in Chemical Engineering from Texas A&M University. She joined SQM in 1996 to work in process development for the Salar de Atacama Operations, becoming Development Manager for these operations in 1998, and later Corporate R&D and Environmental Issues Vice President in 2001. Since 2005, she has overseen safety, health and environmental issues, and in 2011, she also began overseeing public affairs for SQM. In 2013, she began her new role in the current position.	August 2013
Juan Carlos Barrera P.	Senior Vice President Operations, Salar and Lithium. Mr. Barrera is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Masters in Business Administration degree from Tulane University and a Masters in Business Administration degree from Universidad de Chile. He joined SQM in 1991 as an advisor in the Business Development area and has served in many positions since then. In 1995, he became Business Development Manager of SQM Nitratos S.A. In 1999, he became the Corporate Quality Manager, in 2000, Corporate Supply Chain Vice President and, in 2006, General Manager of Soquimich Comercial S.A.	January 2007
Daniel Jiménez Sch..	Senior Vice President of Exploration. Mr. Jiménez is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Masters in Business Administration degree from Old Dominion University. He joined SQM in 1991, holding several positions in the finance and sales areas at SQM's headquarters and foreign subsidiaries in USA and Belgium, countries he was based in for eight years. In 2002, he became VP Sales and Marketing Iodine, Lithium and Industrial Chemicals.	August 2013

- (1) Mr. Julio Ponce's ownership interest in SQM is explained in Item 6.E. Share Ownership.
- (2) The individual beneficially owns less than one percent of the Company's shares

6.B. Compensation

During 2013, directors were paid a monthly fee (UF 300 to the Chairman and UF 50 to each of the remaining seven directors), which was independent of attendance and the number of Board sessions. In addition, the directors received variable compensation (in Chilean pesos) based on a profit-sharing program approved by the shareholders. In 2013, the Chairman received the equivalent of 0.35% of 2012 profit and each of the remaining seven directors received the equivalent of 0.04% of 2012 profit.

In addition, during 2013, members of the Directors' Committee were paid UF 17 regardless of the number of sessions held by the Committee. Additionally, shareholders approved variable compensation for the 2013 fiscal year of an amount equal to 0.013% of 2012 profit for each Committee member. This remuneration is also independent from what the Committee members obtain as members of our Board of Directors.

During 2013, the compensation paid to each of our directors, who served on the Board during the year, was as follows (amounts in Chilean pesos):

	SQM Board Meeting(Ch\$)	SQM Committee (Ch\$)	SQM Committee Meeting (Ch\$)	Total (Ch\$)
Julio Ponce L.	1,175,395,866	—	82,791,807	1,258,187,673
Hernan Buchi B.	136,303,635	43,973,524	—	180,277,159
*Eduardo Novoa C.	127,873,049	41,627,438	—	169,500,487
Jose Maria Eyzaguirre B.	137,077,176	—	—	137,077,176
*Daniel Yarur E.	127,873,049	—	—	127,873,049
Wolf Von Appen	145,008,656	43,973,524	—	188,982,180
**Patricio Contesse Fica	9,227,566	—	—	9,227,566
**Alejandro Montero Purviance	8,062,089	—	—	8,062,089
Wayne Brownlee	145,006,762	—	—	145,006,762
*Kendrick T. Wallace	136,944,673	—	—	136,944,673
**Juan Antonio Guzman Molinari	8,062,089	2,741,109	—	10,803,198
Total	2,156,834,610	132,315,595	82,791,807	2,371,942,012

* until april 2013

**since may 2013

For the year ended December 31, 2013, the aggregate compensation paid to our 117 principal executives based in Chile was US\$24.1 million. We do not disclose to our shareholders or otherwise make available to the public information as to the compensation of our individual executive officers.

We maintain incentive programs for our employees, based on individual performance, company performance, and short- medium- and long-term indicators. Additionally, in order to provide incentives to key executives and to retain such executives, we maintain a long-term cash bonus compensation plan for certain senior executives, which consists of a long-term bonus linked to share price and is payable between 2015 and 2018.

As of December 31, 2013, the provision providing a long-term bonus linked to our share price would have increased or decreased by approximately US\$1.5 million per each movement of US\$1 in the Series B common share price, when the share price is above US\$50. The amount of actual cash bonuses payable under the long-term incentive program will vary depending on the market share price of the Series B common shares on the date as of which the bonuses are paid.

As of December 31, 2013, we had a provision related to all of the incentive programs in an aggregate of US\$25.2 million.

We do not maintain any pension or retirement programs for the members of the Board or our executive officers in Chile.

6.C. Board Practices

Information regarding the period of time each of SQM's current Directors has served in his office is provided in the discussion of each member of the Board above in Item 6.A Directors and Senior Managers.

The date of expiration of the term of the current Board of Directors is April 2016. The contracts of our executive officers are indefinite. On April 5, 2013, Mr. Kendrick T. Wallace resigned from his position as Director of the Company. As required by our by-laws and in light of this vacancy, we held elections for the entire board at the regularly scheduled meeting on shareholders on April 25, 2013.

The members of the Board are remunerated in accordance with the information provided above in Item 6.B. Compensation. There are no contracts between SQM, or any of its subsidiaries, and the members of the Board providing for benefits upon termination of their term.

Directors' Committee – Audit Committee

As required by Chilean Law, during 2013 we had a Directors' Committee (*Comité de Directores*) composed of three Directors, which performs many of the functions of an audit committee. This Directors' Committee complies with the requirements of the NYSE corporate governance rules applicable to audit committees. Under the NYSE corporate governance rules, the audit committee of a U.S. company must perform the functions detailed in the NYSE Listed Company Manual Rules 303A.06 and 303A.07. Non-U.S. companies are required to comply with Rule 303A.06 but are not at any time required to comply with Rule 303A.07.

As of December 31, 2013, our Directors' Committee was comprised of three Directors: Mr. Buchi, Mr. Guzmán and Mr. Von Appen. Each of the three members meet the NYSE independence requirements for audit committee members. According to Chilean independence requirements, Mr. Guzmán meets the requirements for independence. Our Directors' Committee operates in accordance with *article 50 bis* of the Chilean Corporations Act, which provides that the Directors' Committee will, among other things:

- (a) examine and issue an opinion regarding the external auditor's report including financial statements prior to its final presentation for approval at the ordinary shareholders meeting;

- (b) propose to the Board the external auditors and the rating agencies that will be presented at the ordinary shareholders meeting;
- (c) examine and elaborate a report concerning the operations covered by Title XVI of the Chilean Corporations Act, which relates to related party transactions; and
- (d) examine the remuneration and compensation plans of the senior management.

Accordingly, the following were the main activities of our Directors' Committee during 2013:

- (a) analysis of unaudited financial reports;
- (b) analysis of audited financial reports;
- (c) analysis of reports and proposals submitted by external auditors, account inspectors and rating agencies, and recommendations to the Board of Directors regarding external auditors and rating agencies that could be designated by shareholders at the respective annual general shareholders meeting;
- (d) analysis of tax and other non-audit services provided by external auditors for SQM and its subsidiaries in Chile and abroad;
- (e) analysis of functions, objectives and working programs of the Internal Audit Department;

- (f) analysis of SQM's senior executives' remuneration and compensation plans;
- (g) analysis of the records relating to the transactions referred to in Title XVI of the Chilean Corporations Act;
- (h) analysis of matters related to the Sarbanes-Oxley Act, especially regarding Section 404;
- (i) analysis of matters related to IFRS standards issued by U.S. standard-setter, the Public Company Accounting Oversight Board; and
- (j) analysis of an internal control report.

On April 25, 2013, the Annual General Shareholders Meeting of SQM approved an operational budget for the Directors Committee; the operational budget is equivalent to the annual remuneration of the members of the Directors Committee.

The activities carried out by the Committee, as well as the expenses incurred by it, are to be disclosed at the General Shareholders Meeting. During 2013, the Directors Committee did not incur any consulting expenses.

Article 50 bis of the Chilean Corporations Act states that the Committee should consist of three Directors, of which at least one member should preferably be independent from the controller (i.e. any person or entity who "controls" the company for Chilean law purposes), if any, and that their functions be remunerated.

Comparative Summary of Differences in Corporate Governance Standards

The following table provides a comparative summary of differences in corporate governance practices followed by us under our home-country rules and those applicable to U.S. domestic issuers pursuant to Section 303A of the New York Stock Exchange (NYSE) Listed Company Manual.

Listed Companies that are foreign private issuers, such as SQM, are permitted to follow home country practices in lieu of the provisions of Section 303A, except such companies are required to comply with the requirements of Section 303A.06, 303A.11 and 303A.12(b) and (c).

Section NYSE Standards

SQM practices pursuant to Chilean Stock Exchange regulations

303A.01 Listed companies must have a majority of independent directors.

There is no legal obligation to have a majority of independent directors on the Board but, according to Chilean law, the Company's directors cannot serve as executive officers.

No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).

A director would not be considered independent if, at any time, within the last 18 months he or she:

In addition, a director is not independent if:
 303A.02 (i) The director is, or has been within the last three years, an employee of the listed company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company.
 (ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

(i) Maintained any relationship of a relevant nature and amount with the company, with other companies of the same group, with its controlling shareholder or with the principal officers of any of them or has been a director, manager, administrator or officer of any of them;
 (ii) Maintained a family relationship with any of the members described in (i) above;
 (iii) Has been a director, manager, administrator or principal officer of non-profit organizations that have received contributions from (i) above;

Section NYSE Standards

(iii) (A) The director is a current partner or employee of a firm that is the listed company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the listed company's audit within that time.

(iv) The director or an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee.

(v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

303A.03 The non-management directors must meet at regularly scheduled executive sessions without management.

303A.04 (a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.

(b) The nominating/corporate governance committee must have a written charter that addresses:

(i) the committee's purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate

SQM practices pursuant to Chilean Stock Exchange regulations

(iv) Has been a partner or a shareholder that has had or controlled, directly or indirectly, 10% or more of the capital stock or has been a director, manager, administrator or principal officer of an entity that has provided consulting or legal services for a relevant consideration or external audit services to the persons listed in (i) above;

(v) Has been a partner or a shareholder that has had or controlled, directly or indirectly, 10% or more of the capital stock or has been a director, manager, administrator or principal officer of the principal competitor, supplier or clients.

These meetings are not needed given that directors cannot serve as executive officers.

This committee is not required as such in the Chilean regulations. However, pursuant to Chilean regulations SQM has a Directors' Committee (see Board practices above).

governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and
(ii) an annual performance evaluation of the committee.

303A.05 Listed companies must have a compensation committee composed entirely of independent directors, and must have a written charter

This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations, SQM has a Director's Committee (see Board practices above) that is in charge of reviewing management's compensation.

303A.06 Listed companies must have an audit committee.

This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations, SQM has a Directors' Committee that performs the functions of an audit committee and that complies with the requirements of the NYSE corporate governance rules.

Section NYSE Standards

303A.07 The audit committee must have a minimum of three members. All audit committee members must satisfy requirements of independence, and the committee must have a written charter. The listed companies must have an internal audit function to provide management with ongoing assistance of the Company's risk management process and the system of internal controls

303A.08 Shareholders must have the opportunity to vote on all equity-compensation plans and material revisions thereto.

303A.09 Listed companies must adopt and disclose corporate governance guidelines.

303A.10 Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers.

303A.11 Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listed standards.

303A.12 Each listed company CEO must (a) certify to the NYSE each year that he or she is not aware of any violation by the listed company of NYSE corporate governance listing standards; (b) promptly notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with any applicable provisions of Section 303A; and (c) must submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must

SQM practices pursuant to Chilean Stock Exchange regulations

Pursuant to Section 303A.00, SQM is not required to comply with requirements in 303A.07. Pursuant to Chilean Regulations SQM has a Director's Committee (see Board practices above) that also performs the functions of an audit committee with certain requirements of independence.

SQM does not have equity compensation plans. However, as mentioned in Item 6.B Compensation, the Company does have a long-term cash bonus compensation plan. Directors and executives may only acquire SQM shares by individual purchases. The purchaser must give notice of such purchases to the Company and the Superintendence of Securities and Insurance.

Chilean law does not require that corporate governance guidelines be adopted. Directors' responsibilities and access to management and independent advisors are directly provided for by applicable law. Directors' compensation is approved at the annual meeting of shareholders, pursuant to applicable law.

Not required in the Chilean regulations. SQM has adopted and disclosed a Code of Business Conduct and Ethics, available at the Company's website, www.sqm.com.

Pursuant to 303A.11, this table shows a comparative summary of differences in corporate governance practices followed by SQM under Chilean regulations and those applicable to U.S. domestic issuers pursuant to Section 303A.

Not required in the Chilean regulations. The CEO must only comply with Section 303A.12 (b) and (c).

submit an interim Written Affirmation as and when required by the interim Written Affirmation form specified by the NYSE. The annual and interim Written Affirmations must be in the form specified by the NYSE.

The NYSE may issue a public reprimand letter to
303A.13 any listed company that violates a NYSE listing Not specified in the Chilean regulations.
standard.

6.D. Employees

As of December 31, 2013, we had 4,792 permanent employees, 209 of whom were employed outside of Chile. The average tenure of our permanent employees is approximately 7.2 years.

	As of December 31,		
	2013	2012	2011
Employees in Chile	4,583	5,450	4,720
Employees outside of Chile	209	193	182
Total employees	4,792	5,643	4,902

As of December 31, 2013, 71% of our permanent employees in Chile were represented by 25 labor unions, which represent their members in collective negotiations with us. Compensation for unionized personnel is established in accordance with the relevant collective bargaining agreements. The terms of most such agreements currently in effect are three years, and expiration dates of such agreements vary from contract to contract. Under these agreements, employees receive a salary according to a scale that depends upon job function, seniority and productivity. Unionized employees also receive certain benefits provided by law and certain benefits provided under the applicable collective bargaining agreement, which vary depending upon the terms of the collective agreement, such as 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.

Over 95% of our employees are employed in Chile, of which approximately 71% were represented by 25 labor unions as of December 31, 2013. As in previous years, during 2013, we renegotiated collective labor contracts with individual unions one year before the expiration of such contracts. As of December 31, 2013, we had concluded

advanced negotiations with four labor unions, which represent 8.5% of our total unionized workers, signing new agreements with each for durations of three years. We are in the process of negotiating collective labor contracts with the 21 remaining unions. We are exposed to labor strikes that could impact our production levels. If a strike occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in our product flow that could have a material adverse effect on our business, financial condition and results of operations.

6.E. Share Ownership

As of December 31, 2013, SQM had a “controlling group”, as such term is defined in Title XV of Chilean Law N°18,045. SQM has been informed that, as of December 31, 2013, Mr. Julio Ponce Lerou, Chairman to the Board of SQM, and related persons, control 100% of Inversiones SQYA Ltda. (“SQYA”), which controls indirectly 29.92% of all shares of SQM (consisting of 71,736,516 Series A shares and 7,007,688 Series B shares), as follows: (i) SQYA controls 67.31% of Norte Grande S.A. (“Norte Grande”), which controls 76.34% of Sociedad de Inversiones Oro Blanco S.A., which controls 88.62% of Sociedad de Inversiones Pampa Calichera S.A. (“Pampa Calichera”), which controls 19.67% of SQM; (ii) Pampa Calichera controls 99.99% of Inversiones Global Mining (Chile) Limitada, which controls 3.34% of SQM; and (iii) Norte Grande controls 76.34% of Nitratos de Chile S.A., which controls 98.62% of Potasios de Chile S.A., which controls 10.07% of Pampa Calichera and 6.91% of SQM. Thus, Pampa Calichera and its related companies, Inversiones Global Mining (Chile) Limitada and Potasios de Chile S.A. (“Pampa Group”), control 29.92% of SQM. In addition, the Pampa Group has also informed SQM that, as of December 31, 2013, it owns an additional 35,889 shares of SQM, currently held under custody at Larraín Vial Corredora de Bolsa S.A.

Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A., and the Esperanza Delaware Corporation (“Kowa Group”) are owners of 2.08% of all shares in SQM. On December 21, 2006, the Pampa Group and the Kowa Group entered into a Joint Operation Agreement which, together, allows them to control 32% of all shares in SQM. Therefore, the Pampa Group, together with Kowa Group, indirectly control 32% of all SQM shares, giving them the status of “controlling group” of the Company.

We do not grant stock options or other arrangements involving the capital of SQM to directors, managers or employees.

The following table shows the combined stakes that the Controller Group held in SQM as of:

	% Beneficial ownership	
December 31, 2013	32.00	%
December 31, 2012	34.05	%
December 31, 2011	34.05	%

Separately from any ownership interest held by the Controller Group, as of December 31, 2013, SQM has been informed that the Canadian company Potash Corporation of Saskatchewan Inc. (“PCS”) indirectly controls 100% of the shares of Inversiones El Bordo Limitada and 100% of the shares of Inversiones RAC Chile Limitada. PCS also owns shares of SQM through BTG Pactual Chile S.A. Corredora de Bolsa. Through these companies, PCS owns 32% of the total shares of SQM. For additional information regarding share ownership of the Company, see Item 7. below.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major Shareholders

The following table shows certain information concerning beneficial ownership of the Series A and Series B common shares of SQM as of December 31, 2013 with respect to each shareholder known by us to beneficially own more than 5% of the outstanding Series A or Series B common shares. The following information is derived from our records and reports filed by certain of the persons named below with the SVS and the Santiago Stock Exchange.

Shareholder	Number of series A shares beneficially owned	% series A shares		Number of series B shares beneficially owned	% series B shares	% total shares
The Bank of New York	—	—		56,302,367	46.77	% 21.39 %
Sociedad de Inversiones Pampa Calichera S.A. ⁽¹⁾	44,758,830	31.34	%	6,971,799	5.79	% 19.65 %
Inversiones El Bordo Ltda. ⁽²⁾	29,225,196	20.46	%	18,028,676	14.98	% 17.95 %
Inversiones RAC Chile Ltda. ⁽²⁾	19,200,242	13.44	%	2,202,773	1.83	% 8.13 %
Potasios de Chile S.A. ⁽³⁾	18,179,147	12.73	%	—	0	% 6.19 %

Pampa Calichera is a publicly held corporation whose shares are traded on the Santiago Stock Exchange.

(1) Originally, the shareholders of Pampa Calichera were employees of SQM. Pampa Calichera was formed to hold the capital stock of SQM contributed by such employees or later acquired in the open market.

(2) PCS owns 100% of Inversiones El Bordo Limitada and 100% of Inversiones RAC Chile Ltda., and, accordingly, is the beneficial owner of 85,047,999 of SQM's shares. In addition, PCS owns shares of SQM through BTG Pactual Chile S.A. Corredora de Bolsa, and is the beneficial owner of 32.00% of SQM's total shares. The stake held by PCS as of December 31, 2012 and 2011 was, respectively, 32.00% and 32.00% of SQM's total shares.

(3) As of December 31, 2013, SQM had a "controlling group", as such term is defined in Title XV of Chilean Law N°18,045. SQM has been informed that, as of December 31, 2013, Mr. Julio Ponce Lerou, Chairman to the Board of SQM, and related persons, control 100% of Inversiones SQYA Ltda. ("SQYA"), which controls indirectly 29.92% of all shares of SQM (consisting of 71,736,516 Series A shares and 7,007,688 Series B shares), as follows: (i) SQYA controls 67.31% of Norte Grande S.A. ("Norte Grande"), which controls 76.34% of Sociedad de Inversiones Oro Blanco S.A., which controls 88.62% of Sociedad de Inversiones Pampa Calichera S.A. ("Pampa Calichera"), which controls 19.67% of SQM; (ii) Pampa Calichera controls 99.99% of Inversiones Global Mining (Chile) Limitada, which controls 3.34% of SQM; and (iii) Norte Grande controls 76.34% of Nitratos de Chile S.A., which controls 98.62% of Potasios de Chile S.A., which controls 10.07% of Pampa Calichera and 6.91% of SQM. Thus, Pampa Calichera and its related companies, Inversiones Global Mining (Chile) Limitada and Potasios de Chile

S.A. (“Pampa Group”), control 29.92% of SQM. In addition, the Pampa Group has also informed SQM that, as of December 31, 2013, it owns an additional 35,889 shares of SQM, currently held under custody at Larraín Vial Corredora de Bolsa S.A.

Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A., and the Esperanza Delaware Corporation (“Kowa Group”) are owners of 2.08% of all shares in SQM. On December 21, 2006, the Pampa Group and the Kowa Group entered into a Joint Operation Agreement which, together, allows them to control 32% of all shares in SQM. Therefore, the Pampa Group, together with Kowa Group, indirectly control 32% of all SQM shares, giving them the status of “controlling group” of the Company.

On December 21, 2006, Pampa Calichera and Kowa executed a joint performance agreement that allows them to become the “controller group” of the Company, as such term is defined under Chilean law. We have been informed that, as of December 31, 2013, Mr. Julio Ponce L. and related persons beneficially owned, through Pampa Calichera and certain other companies, 29.92% of the shares of the Company. As of December 31, 2013, Kowa Group owned, directly and indirectly, 2.08% of the shares of the Company. As of December 31, 2013, pursuant to the joint performance agreement, the “controller group” led by Mr. Julio Ponce L. beneficially owned 32.00% of the total shares of the Company.

Series A and Series B common shares have the same economic rights (i.e., both series are entitled to share equally in any dividends declared on the outstanding stock) and voting rights at any shareholders meeting, whether ordinary or extraordinary, with the exception of the election of the Board, in which the Series A shareholders elect seven members and the Series B shareholders elect one member. Additionally, Series B common shares cannot exceed 50% of SQM's issued and outstanding stock; shareholders of at least 5% of this Series may call an ordinary or extraordinary shareholders' meeting; and the director elected by this Series may request an extraordinary Board meeting without the authorization of the Chairman of the Board. These conditions will remain in effect until 2043. Under our by-laws, the maximum individual voting power personally and/or in representation of other shareholders per Series is limited to 37.5% of the subscribed shares of each Series with voting rights and 32% of the total subscribed shares with voting rights. To calculate these percentages, shares that belong to the voting shareholder's related persons must be added. In addition, the director elected by the Series B shareholders cannot vote in the election of the Chairman of the Board if a tie vote has occurred in the prior voting process. As of December 31, 2013, there are 142,819,552 Series A common shares and 120,376,972 Series B common shares outstanding.

7.B. Related Party Transactions

Title XVI of the Chilean Corporations Act regulates transactions with related parties for publicly held corporations and its related parties.

Articles 146 to 149 of the Chilean Corporations Act requires that our transactions with related parties (i) have as their purpose to contribute to SQM's interests (ii) be on price, terms and conditions similar to those customarily prevailing in the market at the time of their approval and (iii) satisfy the requirements and procedures established by the Chilean Corporations Act. Violation of such articles may also result in administrative or criminal sanctions and civil liability may be sought by SQM, shareholders or interested third parties that suffer losses as a result of such violations.

In addition, article 89 of the Chilean Corporations Act requires that transactions between affiliates, subsidiaries or related parties of a closed-stock company, such as some of SQM's main affiliates and subsidiaries, shall also be on terms similar to those customarily prevailing in the market. Directors and executive officers of companies that violate article 89 are liable for losses resulting from such violations.

With respect to SQM, operations with related parties include negotiations, proceedings, contracts or operations involving SQM and its controller, directors, managers and officers, and their spouses and relatives, and other companies and persons connected to the abovementioned parties or mentioned in the by-laws or by the Directors' Committee. Such operations may only be carried out if (i) their objective is to contribute to SQM's interests and if their price, terms and conditions conform to prevailing market prices, terms and conditions at the time of their approval and (ii) they satisfy the requirements and procedures established by the Chilean Corporations Act. Such requirements include, among others:

- that the operation be informed to the Directors' Committee and to the Board of Directors prior to its execution;

that the Board of Directors, excluding any Directors involved in the operation, approves the operation with an absolute majority of its members, or, if an absolute majority is not feasible, with a unanimous vote by the Directors not involved in the transaction, or, if neither of these options is available, that an extraordinary shareholders' meeting be held and that shareholders representing 2/3 of the outstanding shares with voting rights approve the operation. In the latter case, prior to the meeting, the shareholders must be provided with a report by an independent evaluator and with statements by the directors as to whether or not such operation is in SQM's interest;

that the grounds for the decision and for the exclusion be recorded in the respective minutes of the Board meeting; and

that the agreement and the names of the directors who approved the same be reported at the next shareholders' meeting. Infractions will not affect the validity of the operation but they will grant SQM or its shareholders the right to demand that the related party committing such infraction refund the amount equivalent to the benefits received by such party in the operation to SQM, and that such party indemnify for any corresponding damages.

However, the Board of Directors may authorize the following operations with related parties to be carried out without following such requirements and procedures, as long as such authorization is obtained in advance: (a) operations wherein the amount of the transaction is not significant or (b) operations that, according to the general policies on customary practices determined by the Board of Directors, are considered normal based on SQM's business activities or (c) operations carried out between legal entities wherein SQM holds at least a 95% ownership interest in the counterpart.

We believe that we have complied with the applicable requirements of the referred articles in all transactions with related parties. Accounts receivable from and payable to related companies are stated in U.S. dollars and accrue no interest. Other than the above, transactions are made under terms and conditions that are similar to those offered to unrelated third parties. We further believe that we could obtain from third parties all raw materials now being provided by related parties that are not our affiliates. The provision of such raw materials by new suppliers could initially entail additional expenses.

In each case, terms and conditions vary depending on the transaction pursuant to which it was generated.

The Company regularly enters into business arrangements with related parties, principally its joint ventures and associates, which are described in Note 9.0 to the Consolidated Financial Statements.

7.C. For additional information concerning our transactions with affiliates and other related parties, see Note 8 of the Consolidated Financial Statements. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. Consolidated Statements and Other Financial Information

8.A.1 See Item 18. Financial Statements

8.A.2 See Item 18. Financial Statements.

8.A.3 See Item 18. Financial Statements—Reports of Independent Registered Public Accounting Firm.

8.A.4 Not applicable.

8.A.5 Not applicable.

8.A.6 Export Sales

We derive most of our revenues from sales outside of Chile. The distribution of sales presented below reflects the location of the Company's subsidiaries making such sales and does not necessarily reflect the final destination of the products sold.

The following is the composition of the consolidated sales for the periods ending on December 31, 2013, 2012, and 2011:

US\$	2013	2012	2011
Foreign sales	1,960,767	2,159,739	1,897,776
Total sales	2,203,140	2,429,160	2,145,286
% of foreign sales	89.00	% 88.91	% 88.46

8.A.7 Legal Proceedings

In October 2010, the City of Pomona, California, named Sociedad Química y Minera de Chile S.A. (SQM) and SQM North America Corporation (SQMNA) as defendants in an action filed in the California Superior Court for Los Angeles County. In this matter the plaintiff seeks damages for alleged groundwater contamination from the use of defendant's fertilizer products. This case has been dismissed by the trial court and is currently on appeal by the plaintiff to the Ninth Circuit Court of Appeals.

In October 2010, the City of Lindsay, California, named Sociedad Química y Minera de Chile S.A. (SQM) and SQM North America Corporation (SQMNA) as defendants in an action filed in the California Superior Court for Tulare County. In this matter the plaintiff seeks damages for alleged groundwater contamination from the use of defendant's fertilizer products. This case is pending in the trial court subject to the resolution of the Ninth Circuit Court of Appeals in the City of Pomona's action.

SQM has not been served in either action. SQMNA and SQM (if it is legally served) intend to vigorously defend both actions.

We are party to various other lawsuits arising in the ordinary course of business. For more information on these lawsuits, see Note 16.1 to our Consolidated Financial Statements. Also see Item 3.D. Risk Factors—Risks Relating to our Business—Lawsuits and arbitrations could adversely impact us.

8.A.8. Dividend Policy

As required by Chilean law and regulations, our dividend policy is decided upon from time to time by our Board of Directors and is announced at the Annual Ordinary Shareholders' Meeting, which is generally held in April of each year. Shareholder approval of the dividend policy is not required. However, each year the Board must submit the declaration of the final dividend or dividends in respect of the preceding year, consistent with the then-established dividend policy to the Annual Ordinary Shareholders' Meeting for approval. As required by the Chilean Companies Act, unless otherwise decided by unanimous vote of the holders of issued shares, we must distribute a cash dividend in an amount equal to at least 30% of our consolidated net income for that year (determined on an IFRS basis), unless and except to the extent it has a deficit in retained earnings.

The dividend policy for 2012 established that SQM must distribute and pay in favor of its shareholders, as a final dividend, the amount in Chilean pesos equivalent to 50% of the distributable income for 2012. At the Annual Shareholders' Meeting held on April 25, 2013, SQM's shareholders approved a payment of a definitive dividend in the amount of US\$1.23323 per share. From this definitive dividend, the interim dividend amount of US\$0.94986 per share was deducted. Payments for this dividend were made on May 8, 2013.

At the Annual Shareholders' Meeting held on April 25, 2013, shareholders also agreed to pay and distribute a dividend equal to 50% of the distributable income corresponding to 2013. For this purpose, distributable net income includes income for the year included in the income statement item "Profit (Loss) Attributable to Owners of the Parent" less significant changes in the fair value of assets and liabilities that are not realized - and which correspond to earnings net of taxes that have been generated in relation to the acquisition of companies. Also, at the same meeting, shareholders agreed to the payment and distribution of an interim dividend. The interim dividend was paid on December 6, 2013 in the amount of US\$0.75609 per share.

We generally declare dividends in U.S. dollars (but may declare dividends in Chilean pesos) and pay such dividends in Chilean pesos. When a dividend is declared in U.S. dollars, the exchange rate to be used to convert the dividend into Chilean pesos is decided by the shareholders at the meeting that approves the dividend, which has usually been the Observed Exchange Rate on the date the dividend is declared. In the case of interim dividends, the exchange rate to be used is the Observed Exchange Rate published five business days before the payment date.

Although the Board of Directors has no current plan to recommend a change in the dividend policy, the amount and timing for payment of dividends is subject to revision from time to time, depending upon our then current level of sales, costs, cash flow and capital requirements, as well as market conditions. Accordingly, there can be no assurance as to the amount or timing of declaration or payment of dividends in the future. Any change in dividend policy would ordinarily be effective for dividends declared in the year following adoption of the change, and a notice as to any such change of policy must be filed with Chilean regulatory authorities and would be publicly available information.

Dividends

Each Series A Share and Series B Share is entitled to share equally in any dividends declared on the outstanding capital stock of SQM.

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The following table shows the U.S. dollar equivalent of dividends per share and per ADS paid in each of the years indicated, based on the Observed Exchange Rate for the date on which the dividend was declared.

Dividends Declared for the business year	Paid in	Per Share		Per ADS (1) US\$
		Ch\$		
2008 (interim)	2008	243.34		0.37994
2008	2009	515.90		0.85835
2009 (interim)	2009	191.32		0.37994
2009	2010	126.69		0.24137
2010 (interim)	2010	198.90		0.41794
2010	2011	142.40		0.30798
2011 (interim)	2011	376.99		0.73329
2011	2012	147.66		0.30350
2012(interim)	2012	456.93		0.94986
2012	2013	134.56		0.28337
2013 (interim)	2013	401.60		0.75609

The Series A ADSs were delisted from the New York Stock Exchange on March 27, 2008. The ratio of ordinary (1) shares to Series B ADSs changed from 10:1 to 1:1 on March 28, 2008. The calculation in the table for all periods is based on a ratio 1:1.

Dividends payable to holders of ADSs will be paid net of conversion expenses of the Depositary and will be subject to Chilean withholding tax, currently imposed at the rate of 35% (subject to credits in certain cases).

As a general requirement, a shareholder who is not a resident of Chile must register as a foreign investor under one of the foreign investment regimes contemplated by Chilean law to have dividends, sale proceeds or other amounts with respect to its shares remitted outside Chile through the Formal Exchange Market. Under the Foreign Investment Contract, the Depositary, on behalf of ADR holders, will be granted access to the Formal Exchange Market to convert cash dividends from Chilean Pesos to U.S. dollars and to pay such U.S. dollars to ADR holders outside Chile net of taxes, and no separate registration of ADR holders is required.

8.B. Significant Changes

No significant change has occurred since the date of the financial statements set forth in Item 18.

ITEM 9. THE OFFER AND LISTING

9.A. Offer and Listing Details

Price History

The table below shows, for the periods indicated, the reported high and low closing prices for our shares on the Santiago Stock Exchange and the high and low closing prices of the ADSs as reported by the NYSE, as the two main exchanges on which our shares are traded. On March 27, 2008, the Company voluntarily delisted its series A ADRs from the New York Stock Exchange. In addition, on March 28, 2008, a ration change for the Company's series B ADSs entered into effect, modifying the ratio of ordinary shares to Series B ADSs from the previous ration of 10:1 to a new ratio of 1:1.

(a) Last 5 years

	Santiago Stock Exchange				NYSE	
	Per Share (1)				Per ADS	
	Series A		Series B		Series B (3)	
	High	Low	High	Low	High	Low
	Ch\$	Ch\$	Ch\$	Ch\$	US\$	US\$
2009	22,000	17,000	21,839	14,319	40.18	23.84
2010	27,000	21,000	26,536	17,561	58.42	31.91
2011	30,000	25,000	30,787	23,495	66.60	45.86
2012	30,050	26,000	30,475	26,155	65.09	51.12
2013	27,350	16,500	27,700	12,126	58.76	22.82

(b)

Last 8 quarters

Santiago Stock Exchange				NYSE	
Per Share (1)				Per ADS	
Series A		Series B		Series B (3)	
High	Low	High	Low	High	Low
Ch\$	Ch\$	Ch\$	Ch\$	US\$	US\$

2012						
First quarter	27,690	26,000	29,138	27,603	60.50	54.49

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Second quarter	28,000	27,000	28,869	26,267	59.74	51.12
Third quarter	30,050	27,400	30,475	27,739	65.09	56.09
Fourth quarter	30,020	27,300	29,352	26,155	62.05	55.10

2013

First quarter	27.350	25.500	27.700	25.729	58.76	54.20
Second quarter	25.500	20.600	25.899	19.743	54.94	39.04
Third quarter	20.600	16.500	20.530	12.765	40.43	24.98
Fourth quarter	21.500	17.650	15.368	12.126	30.52	22.82

(c) Last 6 months

	Santiago Stock Exchange				NYSE	
	Per Share (1)				Per ADS	
	Series A		Series B		Series B (3)	
	High	Low	High	Low	High	Low
	Ch\$	Ch\$	Ch\$	Ch\$	US\$	US\$
October 2013	21.500	20.000	15.368	13.534	30.52	27.12
November 2013	21.500	18.500	14.729	12.635	28.75	24.35
December 2013	19.500	17.650	13.410	12.126	25.88	22.82
January 2014	18.500	17.650	15.388	13.300	28.51	24.91
February 2014	19.000	18.222	17.047	13.699	30.8	24.52
March 2014	19.071	17.767	18.781	16.577	33.1	29.9

(1) Pesos per share of Common Stock reflect nominal price at trade date.

(2) Series A shares started trading on the New York Stock Exchange on April 9, 1999.

(3) Series B shares began trading on the New York Stock Exchange on September 20, 1993. Historical prices have been restated to reflect the change in the ratio of local shares to ADSs from 10:1 to 1:1, effective March 28, 2008.

As of December 31, 2013, there were 56,302,367 Series B ADRs outstanding. As of December 31, 2013, such ADSs represented approximately 21.39% of the total number of issued and outstanding shares of our Company.

9.B Plan Of Distribution

Not Applicable.

9.C Markets

The Series A shares and the Series B shares are currently traded on the Santiago Stock Exchange, the Bolsa Electrónica de Chile Bolsa de Valores S.A., (the Electronic Stock Exchange), and the Bolsa de Corredores Bolsa de Valores S.A., (the Valparaíso Stock Exchange). As of December 31, 2013, each series was also traded on the New York Stock Exchange in the form of ADSs at a ratio of 1:1. The ADSs representing Series B shares have traded on the NYSE since September 20, 1993. The depositary bank for these ADSs is the Bank of New York Mellon.

9.D *Selling Shareholders*

Not applicable.

9.E *Dilution*

Not applicable.

9.F *Expenses Of The Issue*

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. Share Capital

Not applicable.

10.B. Memorandum and Articles of Association

SQM S.A., headquartered at El Trovador No. 4285, 6th Floor, Santiago, Chile, is an open stock corporation *-sociedad anónima abierta-* organized under the laws of the Republic of Chile. The Company was constituted by public deed issued on June 17, 1968 by Mr. Sergio Rodríguez Garcés, Notary Public of Santiago. Its existence was approved by Decree No. 1,164 of June 22, 1968, of the Ministry of Finance, and it was registered on June 29, 1968, in the Business Registry of Santiago, on page 4,537 No. 1,992.

Corporate purposes

Our main purposes, which appear in article 4 of our By-laws, are to: **(a)** perform all kinds of chemical or mining activities and businesses and, among others, those related to researching, prospecting, extracting, producing, working, processing, purchasing, disposing of, and marketing properties, as applicable, of all metallic and non-metallic and fossil mining substances and elements of any type or nature, to be obtained from them or from one or more concessions or mining deposits, and in their natural or converted state, or transformed into different raw materials or manufactured or partially manufactured products, and of all rights and properties thereon; **(b)** manufacture, produce, work, purchase, transfer ownership, import, export, distribute, transport, and market in any way, all kinds of fertilizers, components, raw materials, chemical, mining, agricultural, and industrial products, and their by-products; **(c)** generate, produce, distribute, purchase, transfer ownership, and market, in any way, all kinds of electrical, thermal, geothermic or other type of power, and hydric resources or water rights in general; **(d)** request, manifest, claim, constitute, explore, work, lease, transfer ownership, and purchase, in any way, all kinds of mining concessions; **(e)** purchase, transfer ownership, and administer, in any way, any kind of telecommunications, railroads, ships, ports, and any means of transport, and represent and manage shipping companies, common carriers by water, airlines, and carries in general; **(f)** manufacture, produce, market, maintain, repair, assemble, construct, disassemble, purchase and transfer ownership, and in any way, any kind of electromechanical structure, and substructure in general, components, parts, spares, or parts of equipment, and machines, and execute, develop, advice, and market, any kind of electromechanical or smelting activities; **(g)** purchase, transfer ownership, lease, and market any kind of agro industrial and farm forestry activities, in any way **(h)** purchase, transfer ownership, lease, and market, in any way, any kind of urban or rural real estate; **(i)** render any kind of health services and manage hospitals, private clinics, or similar facilities; **(j)** construct, maintain, purchase, transfer ownership, and manage, in any way, any kind of roads, tunnels, bridges, water supply systems, and other required infrastructure works, without any limitation, regardless of whether they may be public or private, among others, to participate in bids and enter into any kind of contracts, and to be the legal owner of the applicable concessions; and **(k)** purchase, transfer ownership, and market, in any way, any kind of intangible properties such as stocks, bonds, debentures, financial assets, commercial papers, shares or rights in corporations, and

any kind of bearer securities or instruments, and to administer such investments, acting always within the Investment and Financing Policies approved by the applicable General Shareholders Meeting. We may comply with the foregoing by acting ourselves or through or with other different legal entities or natural persons, within the country or abroad, with properties of our own or owned by third parties, and additionally, in the ways and territories, and with the aforementioned properties and purposes, we may also construct and operate industrial or agricultural facilities or installations; constitute, administer, purchase, transfer ownership, dissolve, liquidate, transform, modify, or form part of partnerships, institutions, foundations, corporations, or associations of any kind or nature; perform all actions, enter into all contracts, and incur in all obligations convenient or necessary for the foregoing; perform any business or activity related to our properties, assets, or patrimony, or with that of our affiliates, associated companies, or related companies; and render financial, commercial, technical, legal, auditing, administrative, advisory, and other pertinent services.

Directors

As stated in article 9 of the Company's By-laws, the Company has 8 Directors. One of the Directors must be “independent” as such term is defined in article 50 bis of Law No. 18,046. Moreover, the possession of shares is not a condition necessary to become a Director of the Company.

As stated in article 10 of the Company's By-laws, the term of the Directors is of three years and they can be reelected indefinitely; thus, there is no age limit for their retirement.

The Company's By-laws, in articles 16 and 16 bis, essentially establish that the transactions in which a Director has a material interest must comply with the provisions set forth in articles 136 and 146 to 149 of Law No. 18,046 and the applicable regulations of such Law.

The Board of Directors duties are remunerated, as stated in article 17 of the Company's By-laws, and the amount of that compensation is fixed yearly by the Ordinary Shareholders' Meeting. Therefore, Directors can neither determine nor modify their compensation.

Directors cannot authorize Company loans on their behalf.

The Board of Directors must provide shareholders and the public with sufficient, reliable and timely information pertaining to the Company's legal, economic and financial situation, as required by the Law or the Chilean Superintendency of Securities and Insurance. The Board of Directors must adopt the appropriate measures in order to avoid the disclosure of such information to persons other than those persons who should possess such information as a result of their title, position or activity within the Company before such information is disclosed to shareholders and the public. The Board of Directors must treat business dealings and other information about the Company as confidential until such information is officially disclosed. No Director may take advantage of the knowledge about commercial opportunities that he has obtained through his position as Director.

Independent Directors and Directors Committee

According to Chilean Law, SQM must appoint at least one Independent Director and a Directors' Committee, due to the fact that (a) the Company has a market capitalization greater than or equal to UF 1,500,000 and (b) at least 12.5%

of the Company's shares with voting rights are held by shareholders who, on an individual basis, control or possess less than 10% of such shares.

Persons who have not been involved in any of the circumstances described in the Law at any time during the preceding 18 months are considered independent. Candidates for the position of Independent Director must be proposed by shareholders representing 1% or more of the Company's shares, at least 10 days prior to the date of the Shareholders' Meeting that has been called in order to elect the Directors. No less than two days prior to the respective Shareholders' Meeting, the candidate must provide the Chief Executive Officer with a sworn statement indicating that he: (a) accepts his candidacy for the position of Independent Director (b) does not meet any of the conditions that would prevent him from being the Independent Director (c) is not related to the Company, the other companies of the group to which the Company belongs, the controller of the Company, or any of the Company's officers in such a way that would deprive a sensible person of a reasonable degree of autonomy, interfere with his ability to perform his duties objectively and effectively, generate a potential conflict of interest, or interfere with his independent judgment, and (d) assumes the commitment to remain independent as long as he holds the position of Director.

The Directors' Committee shall have the following powers and duties: (a) to examine the reports of the external auditors, the balance sheet and other financial statements presented by the Company's managers or liquidators to its shareholders and issue an opinion about the same prior to their submission for the approval of the shareholders (b) to propose to the Board of Directors the external auditors and risk rating agencies to be proposed to the shareholders at the respective Shareholders' Meeting. In the event that an agreement cannot be reached, the Board of Directors shall formulate its own suggestion, and both options shall be submitted for shareholder consideration at such Shareholders' Meeting (c) to examine the information relating to operations referred to in articles 146 to 149 of Law No. 18,046 and to prepare a report about such operations. A copy of such report shall be sent to the Board of Directors, and such report must be read at the Board Meeting called for the purpose of approving or rejecting the respective operation or operations (d) to examine the remuneration system and compensation plans for the Company's management, officers and employees (e) to prepare an annual report on its activities, including its main recommendations to the shareholders (f) to inform the Board of Directors about whether or not it is advisable to hire the external audit firm to provide non-audit services where the audit firm is not prohibited from providing such services because the nature of the same could pose a threat to the audit firm's independence, and (g) any other issues indicated in the Company's by-laws or authorized by a Shareholders' Meeting or the Board of Directors.

The Directors' Committee shall be comprised of three members, with at least one independent member. In the event that more than three Directors have the right to form part of the Committee, these same Directors shall unanimously determine who shall make up the Committee. In the event that an agreement cannot be reached, the Directors who were elected with a greater percentage of votes by shareholders controlling or possessing less than 10% of the Company's shares shall be given priority. If there is only one Independent Director, this Director shall name the other members of the Committee among the other Directors who are not independent. Such other members of the Committee shall have all of the rights associated with such position. The members of the Committee shall be compensated for their role. The amount of their remuneration shall be set annually at the General Shareholders' Meeting, and it may not be less than the remuneration set for the Company Directors, plus an additional 1/3 of that amount. The General Shareholders' Meeting shall determine a budget for the expenses of the Committee and its advisors. Such budget may not be less than the sum of the annual remunerations of the Committee members. The Committee may need to hire professional advisory services in order to carry out its duties in accordance with the abovementioned budget. The proposals made by the Committee to the Board of Directors that are not accepted by the latter must be reported to the Shareholders' Meeting prior to the vote by shareholders on the corresponding matter or matters. In addition to the responsibilities that are associated with the position of Director, the members of the Committee are jointly and severally liable for any damages they cause in performing their duties as such to the shareholders and to the Company.

Shares

Dividends are annually distributed to the Series A and Series B shareholders of record on the fifth business day prior to the date for payment of the dividends. The By-laws do not specify a time limit after which dividend entitlement elapses but Chilean regulations establish that after 5 years, unclaimed dividends are to be donated to the Fire Department.

Article 5 of the Company's By-laws establishes that Series B shares may in no case exceed fifty percent of the issued, outstanding and paid shares of SQM Series B. SQM Series B shares have a restricted right to vote as they can only elect one Director of the Company, regardless of their capital stock's share. Series B shares have the right to call for an Ordinary or Extraordinary Shareholders' Meeting when the shareholders of at least 5% of the Series B issued shares request so and for an Extraordinary Board of Directors Meeting without the Chairman's authorization when it is requested by the Director elected by the shareholders of the Series B shares. Series A shares have the option to exclude the Director elected by Series B shareholders from the voting process in which the Chairman of the Board is to be elected, if there is a tie in the first voting process. However, articles 31 and 31 bis of the Company's By-laws establish that in General Shareholders' Meetings each shareholder will have a right to one vote for each share he owns or represents and (a) that no shareholder will have the right to vote for himself or on behalf of other shareholders of the same Series A or Series B shares representing more than 37.5% of the total outstanding shares with right to vote of each Series and (b) that no shareholder will have the right to vote for himself or on behalf of other shareholders representing more than 32% of the total outstanding shares with a right to vote. In calculating a single shareholder's ownership of Series A or B shares, the shareholder's stock and those pertaining to third parties related to them are to be added.

Article 5 bis of the Company's By-laws establishes that no person may directly or by means of related third persons concentrate more than 32% of the Company's total shares with right to vote.

Each Series A share and Series B share is entitled to share equally in the Company's profits, i.e., they have the same rights on any dividends declared on the outstanding shares of SQM.

The Company By-laws do not contain any provision relating to (a) redemption provisions (b) sinking funds or (c) liability to capital calls by the Company.

As established in article 103 of Law No. 18,046, a company subject to the supervision of the Superintendency of Securities and Insurance (SVS) may be liquidated in the following cases:

- (a) Expiration of the duration term, if any, as established in its By-laws;
- (b) All the shares end up in the possession of one individual for more than ten continuous days;
- (c) By agreement of an Extraordinary Shareholders Meeting;
- (d) By abolition, pursuant to applicable laws, of the decree that authorized its existence;
- (e) Any other reason contemplated in its By-laws.

Article 40 of the Company's By-laws states that in the event of liquidation, the Shareholders' Meeting will appoint a three-member receiver committee that will have the authority to carry out the liquidation process. Any surplus will be distributed equally among the shareholders.

The only way to change the rights of the holders of the SQM shares is by modifying its By-laws, which can only be carried out by an Extraordinary Shareholders' Meeting, as established in article 28 of the Company By-laws.

Shareholders' meetings

Article 29 of the Company's By-laws states that the call to a Shareholders' Meeting, either Ordinary or Extraordinary, will be by means of a highlighted public notice that will be published at least three times, and on different days, in the newspaper of the legal address determined by the Shareholders' Meeting, and in the way and under the conditions indicated by the regulations. Additionally, a notice will be sent by mail to each shareholder at least fifteen days prior to the date of the Meeting, which shall include a reference of the matters to be addressed at the meeting. However, those meetings with the full attendance of the shares with right to vote may be legally held, even if the foregoing formal notice requirements are not met. Notice of any Shareholders' Meeting shall be delivered to the SVS at least fifteen days in advance of such meeting.

Any holder of Series A and/or Series B shares registered in the Company's shareholder registry on the fifth business day prior to the date of the meeting will have a right to participate at that meeting.

Article 67 of Law No. 18,046 provides that decisions made at Extraordinary Shareholders' Meeting on the following matters require the approval of 2/3 of the outstanding shares with voting rights: (1) transformation or division of the Company and its merger with another company; (2) modification of the Company's term of duration, if any; (3) early dissolution of the Company; (4) change of the corporate domicile; (5) capital decrease; (6) approval of contributions and estimation of non-cash assets; (7) modification of powers reserved for Shareholders Meetings or limitations on powers of the Board of Directors; (8) reduction in the number of members of the Board of Directors; (9) disposal of 50% or more of the Company's assets; formulation or modification of any business plan exceeding the above percentage; disposal of 50% or more of an asset belonging to a subsidiary that represents at least 20% of the Company's assets and disposal of shares of the referred subsidiary such that the parent company would lose its position as controller of the same; (10) method in which profits are distributed; (11) granting of real or personal guarantees as sureties for third-party obligations that exceed 50% of the Company assets, except for subsidiaries, in which case approval of the Board of Directors shall suffice; (12) acquisition of own shares as set forth in articles 27A and 27B of the said law; (13) other matters indicated in the By-laws; (14) amendment of the Company By-laws as a result of errors in the constitution process and amendments in the By-laws involving one or more of the matters stated in the preceding numbers; (15) forced sale of shares carried out by the controller who would acquire more than 95% of the Company's shares in a tender offer, and (16) approval or ratification of proceedings or contracts with related parties in accordance with the provisions of articles 44 and 147 of Law No. 18,046.

Amendments to the By-laws that are intended to create, modify, defer or suspend preferential rights shall be approved by 2/3 of the shares of the affected Series.

The transformation of the Company, the merger of the same, the disposal of assets referred to in number (9) above, the constitution of guarantees set forth in number (11) above, the constitution of preferences or the increase, postponement or decrease of the existing preferences, the reparation of formal nullities incurred in the By-laws and the possession of more than 95% of the Company's shares and other matters contemplated in the Law or in the By-laws, confer "withdrawal rights".

Foreign shareholders

There exists no restriction on ownership or share concentration, or limiting the exercise of the related right to vote, by local or foreign shareholders other than those discussed under Item 2.B. Memorandum and Articles of Association -Shares above.

Change in control

The Company By-laws provide that no shareholder may hold more than 32% of the Company's shares, unless the By-laws are modified at an Extraordinary Shareholders' Meeting. Moreover, on December 12, 2000, the Chilean Government published the Ley de Oferta Pública de Acciones ("Public Share Offering Law") or (OPA law) that seeks to protect the interests of minority shareholders of open stock corporations in transactions involving a change in control, by requiring that the potential new controller purchase the shares owned by the remaining shareholders either in total or pro rata. The law applies to those transactions in which the controlling party would receive a material premium price compared with the price that would be received by the minority shareholders.

There are three conditions that would make it mandatory to operate under the OPA law:

- 1) When an investor wants to take control of a company's stock.
- 2) When a controlling shareholder holds two-thirds of the company's stock. If such shareholder buys one more share, it will be mandatory to offer to acquire the rest of the outstanding stock within 30 days of surpassing that threshold.
- 3) When an investor wants to take control of a corporation, which, in turn, controls an open stock corporation that represents 75% or more of the consolidated assets of the former corporation.

Parties interested in taking control of a company must (i) notify the company of such intention in writing, and notify its controllers, the companies controlled by it, the SVS and the markets where its stocks are traded and (ii) publish a highlighted public notice in two newspapers of national circulation at least 10 business days prior to the date of materialization of the OPA.

Disclosure of share ownership

The Company's By-laws do not provide for a minimum threshold at which share ownership must be disclosed.

10.C. Material Contracts

The following summarizes the terms and conditions of the main contracts to which SQM or any subsidiary is a party:

On February 12, 1999, SQM S.A. entered into an Electrical Energy Supply contract with Electroandina S.A. This contract allowed for two three-year renewal options, at the option of SQM. The two options were exercised. As a result, the contract extends through March 16, 2016. Early termination of the contract is subject to payment of non-amortized investments.

On March 21, 1997, SQM Salar S.A. entered into an Electricity Supply agreement with Norgener S.A. The term of this contract extends through March 20, 2017, and early termination is subject to penalties.

On January 13, 1998, SQM Nitratos S.A. entered into an Electrical Energy Supply agreement with Norgener S.A. The term of this contract extends through January 31, 2013. Early termination of the contract is subject to payment of non-amortized investments.

On March 30, 2012, SQM S.A. entered into an Electrical Energy Supply agreement with Norgener S.A. The term of this contract extends through December 31, 2030. Early termination of the contract is subject to an agreement between both parties, or in case of Force-Majeure extended for more than 12 months.

In addition, the Company, during the normal course of business, has entered into different contracts, some of which have been described herein, related to its production, commercial and legal operations. We believe all of these contracts are standard for this type of industry, and none of them is expected to have a material effect on the Company's results of operations.

10.D. Exchange Controls

The Central Bank of Chile is responsible for, among other things, monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile permits the investor access to the Formal Exchange Market. Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 of 1974 or can be registered with the Central Bank of Chile under the Central Bank Act, Law No 18,840 of October 1989. The Central Bank Act is an organic constitutional law requiring a "special majority" vote of the Chilean Congress to be

modified.

Our 1993, 1995 and 1998 capital increases were carried out under and subject to the then current legal regulations, whose summary is hereafter included:

A '*Convención Capítulo XXVI del Título I del Compendio de Normas de Cambios Internacionales*' or Compendium of Foreign Exchange Regulations of the Central Bank of Chile, "Foreign Investment Contract" was entered into and among the Central Bank of Chile, our Company and the Depositary, pursuant to Article 47 of the Central Bank Act and to Chapter XXVI of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile, "Chapter XXVI", which addresses the issuance of ADSs by a Chilean company. Absent the Foreign Investment Contract, under applicable Chilean exchange controls, investors would not be granted access to the Formal Exchange Market for the purposes of converting from Chilean pesos to U.S. dollars and repatriating from Chile amounts received in respect to deposited Series B shares, or Series B shares withdrawn from deposit on surrender of ADSs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying Series B shares and any rights arising therefrom). The following is a summary of the material provisions contained in the Foreign Investment Contract. This summary does not purport to be complete and is qualified in its entirety by reference to Chapter XXVI and the Foreign Investment Contract.

Under Chapter XXVI and the Foreign Investment Contract, the Central Bank of Chile has agreed to grant to the Depositary, on behalf of ADS holders, and to any investor not residing or not domiciled in Chile who withdraws Series B shares upon delivery of ADSs (such Series B shares being referred to herein as "Withdrawn Shares") access to the Formal Exchange Market to convert Chilean pesos to U.S. dollars (and remit such U.S. dollars outside of Chile) in respect of the Withdrawn Shares, including amounts received as (a) cash dividends, (b) proceeds from the sale in Chile of Withdrawn Shares, or from shares distributed because of the liquidation, merger or consolidation of the Company, subject to receipt by the Central Bank of Chile of a certificate from the holder of such shares (or from an institution authorized by the Central Bank of Chile) that such holder's residence and domicile are outside Chile and a certificate from a Chilean stock exchange (or from a brokerage or securities firm established in Chile) that such shares were sold on a Chilean Exchange, (c) proceeds from the sale in Chile of preemptive rights to subscribe for additional Series A and Series B shares, (d) proceeds from the liquidation, merger or consolidation of the Company and (e) other distributions, including without limitation those resulting from any recapitalization, as a result of holding Withdrawn Shares. Transferees of Withdrawn Shares will not be entitled to any of the foregoing rights under Chapter XXVI unless the Withdrawn Shares are redeposited with the Depositary. Investors receiving Withdrawn Shares in exchange for ADSs will have the right to redeposit such shares in exchange for ADSs, provided that the conditions to redeposit described hereunder are satisfied.

Chapter XXVI provided that access to the Formal Exchange Market in connection with dividend payments will be conditioned upon certification by the Company to the Central Bank of Chile that a dividend payment has been made and any applicable tax has been withheld. Chapter XXVI also provided that access to the Formal Exchange Market in connection with the sale of Withdrawn Shares or distributions thereon will be conditioned upon receipt by the Central Bank of Chile of certification by the Depositary that such shares have been withdrawn in exchange for ADSs and receipt of a waiver of the benefit of the Foreign Investment Contract with respect thereto until such Withdrawn Shares are redeposited.

Chapter XXVI and the Foreign Investment Contract provide that a person who brings certain types of foreign currency into Chile, including U.S. dollars, to purchase Series B shares with the benefit of the Foreign Investment Contract must convert it into Chilean pesos on the same date and has 5 banking business days within which to invest in Series B shares in order to receive the benefits of the Foreign Investment Contract. If such person decides within such period not to acquire Series B shares, he can access the Formal Exchange Market to reacquire foreign currency, provided that the applicable request is presented to the Central Bank within 7 banking business days of the initial conversion into Chilean pesos. Series B shares acquired as described above may be deposited for ADSs and receive the benefits of the Foreign Investment Contract, subject to receipt by the Central Bank of Chile of a certificate from the Depositary that such deposit has been effected and that the related ADSs have been issued and receipt by the Custodian of a declaration from the person making such deposit waiving the benefits of the Foreign Investment Contract with respect to the deposited Series B shares.

Access to the Formal Exchange Market under any of the circumstances described above is not automatic. Pursuant to Chapter XXVI, such access requires approval of the Central Bank of Chile based on a request presented through a banking institution established in Chile. The Foreign Investment Contract will provide that if the Central Bank of Chile has not acted on such request within seven banking days, the request will be deemed approved.

Under current Chilean law, foreign investments abiding by the Foreign Investment Contract cannot be changed unilaterally by the Central Bank of Chile. No assurance can be given, however, that additional Chilean restrictions applicable to the holders of ADSs, the disposition of underlying Series B shares or the repatriation of the proceeds from such disposition could not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed.

As of April 19, 2001, Chapter XXVI of Title I of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile was eliminated and new investments in ADSs by non-residents of Chile, are now governed by Chapter XIV of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile. This was made with the purpose of simplifying and facilitating the flow of capital to and from Chile. According to the new regulations, such investments must be carried out through Chile's Formal Exchange Market and only reported to the Central Bank of Chile. Foreign investments may still be registered with the Foreign Investment Committee under Decree Law 600 of 1974, as amended, and obtain the benefits of the contract executed under Decree Law 600.

The Central Bank is also responsible for controlling incurrence of loan obligations to be paid from Chile and by a Chilean borrower to banks and certain other financial institutions outside Chile. Chapter XIV establishes what type of loans, investments, capital increases and foreign currency transactions are subject to the current Chapter XIV framework. Foreign currency transactions related to foreign loans must be performed through the Formal Exchange Market, and such transactions and the subsequent modifications of original loans must be properly informed to the Central Bank. Transactions prior to April 19, 2001, will continue to be regulated by the previous legal framework, except in cases where an express request has been presented to the Central Bank resigning previous rights to be regulated by the provisions of Chapter XIV. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIV.

As of December 31, 2013, we had bonds issued in the international markets under Rule 144A/Regulation S of US\$200 million, US\$250 million and US\$300 million. Additionally, we had outstanding bilateral loans through wholly owned subsidiaries in the amount of US\$240 million, which were fully guaranteed by us.

Any purchases of U.S. dollars in connection with payments on these loans will occur with the Formal Exchange Market. There can be no assurance, however, that restrictions applicable to payments in respect to the loans could not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed.

10.E. Taxation

Chilean Tax Considerations

The following describes the material Chilean income tax consequences of an investment in SQM ADSs by an individual who is not domiciled or resident in Chile or any legal entity that is not organized under the laws of Chile and does not have a permanent establishment located in Chile, a ("foreign holder"). This discussion is based upon Chilean income tax laws presently in force, including Ruling No. 324 (1990) of the Chilean Internal Revenue Service and other applicable regulations and rulings. The discussion is not intended as tax advice to any particular investor, which can be rendered only in light of that investor's particular tax situation.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign holders, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may only be amended by another statute. In addition, the Chilean tax authorities issue rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations and interpretations, but Chilean tax authorities may change said rulings, regulations and interpretations prospectively.

Cash Dividends and Other Distributions

Cash dividends paid by the Company with respect to the shares, including shares represented by ADSs held by a U.S. holder will be subject to a 35% Chilean withholding tax, which is withheld and paid by the Company, the "Withholding Tax." If the Company has paid corporate income tax, the "First Category Tax", on the income from which the dividend is paid, a credit for the First Category Tax effectively reduces the rate of Withholding Tax. When a credit is available, the Withholding Tax is computed by applying the 35% rate to the pre-tax amount needed to fund the dividend and then subtracting from the tentative withholding tax so determined the amount of First Category Tax actually paid on the pre-tax income. Under Chilean income tax law, dividends are assumed to have been paid out of our oldest retained tax profits for purposes of determining the rate at which the First Category Tax was paid.

The effective Withholding Tax rate, after giving effect to the credit for First Category Tax, generally is:

$$\frac{(\text{Withholding Tax rate}) - (\text{First Category Tax effective rate})}{1 - (\text{First Category Tax effective rate})}$$

The effective rate of Withholding Tax to be imposed on dividends paid by the Company will vary depending upon the amount of the First Category Tax paid by the Company on the earnings to which the dividends are attributed. The Company distributed an interim dividend in December 2013 corresponding to the business year 2013. The dividend, paid in December 2013, was considered taxable, and the total tax retention rate was approximately 21.1%.

Dividend distributions made in property (such as distribution of cash equivalents) would be subject to the same Chilean tax rules as cash dividends. Stock dividends are not subject to Chilean taxation.

Capital Gains

Gains from the sale or other disposition by a foreign holder of ADSs outside Chile will not be subject to Chilean taxation. The deposit and withdrawal of the shares in exchange for ADRs will not be subject to any Chilean taxes.

The tax basis of the shares received in exchange for ADSs (repatriation) will be the acquisition value of the shares. The shares exchanged for ADSs are valued at the highest price at which they trade on the Chilean Stock Exchange on the date of the exchange or on either of the two business days preceding the exchange. Consequently, the conversion

of ADSs into the shares and the immediate sale of such shares at a price equal to or less than the highest price for Series B shares on the Chilean Stock Exchange on such dates will not generate a gain subject to Chilean taxation.

Gain recognized on a sale or exchange of shares (as distinguished from sales or exchanges of ADSs representing such shares) will be subject to both the First Category Tax and the Withholding Tax if either (i) the foreign holder has held the shares for less than one year since exchanging the ADSs for the shares, (ii) the foreign holder acquired and disposed of the shares in the ordinary course of its business or as a regular trader of shares, or (iii) the foreign holder and the purchaser of the shares are related parties within the meaning of Chilean tax law. The amount of the First Category Tax may be credited against the amount of the Withholding Tax. In all other cases, gain on the disposition of the shares will be subject only to a capital gains tax, which is assessed at the same rate as the First Category Tax. Gain recognized in the transfer of common shares that have significant trading volumes in the stock exchange, however, is not subject to capital gains tax in Chile, provided that the common shares are transferred in a local stock exchange authorized by the SVS, within the process of a public tender of common shares governed by the Chilean Securities Market Act. Law No. 20,448 states that common shares must also have been acquired after April 19, 2001, either on a local stock exchange authorized by the SVS, within the referred process of public tender of a common shares governed by the Chilean Securities Market Act, in an initial public offering of common shares resulting from the formation of a corporation or a capital increase of the same, in an exchange of convertible securities subject to public offer, or in the redemption of mutual funds shares. According to Ruling No. 224 (2008) of the Chilean Internal Revenue Service, common shares received by exchange of ADRs are also considered as “acquired on a stock exchange” if the respective ADRs have been acquired on a foreign stock exchange authorized by the SVS (i.e. London Stock Exchange, New York Stock Exchange and Bolsa de Valores de Madrid). Common shares are considered to have a high presence in the stock exchange when they: (a) are registered in the Securities Registry, (b) are registered in a Chilean Stock Exchange, (c) have an adjusted presence equal to or above 25%.

As of June 19, 2001, capital gains obtained in the sale of common shares that are publicly traded in a stock exchange are also exempt from capital gains tax in Chile when the sale is made by "foreign institutional investors" such as mutual funds and pension funds, provided that the sale is made in a local stock exchange authorized by the SVS, or in accordance with the provisions of the securities market law (Law 18,045). To qualify as foreign institutional investors, the referred entities must be formed outside of Chile, not have a domicile in Chile, and they must be an "investment fund" in according with the Chilean tax law.

The exercise of preemptive rights relating to shares will not be subject to Chilean taxation. Any gain on the sale or assignment of preemptive rights relating to shares will be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter).

Other Chilean Taxes

No Chilean inheritance, gift or succession taxes apply to the transfer or disposition of the ADSs by a foreign holder, but such taxes generally will apply to the transfer at death or by gift of the shares by a foreign holder. No Chilean stamp, issue, registration or similar taxes or duties apply to foreign holders of ADSs or shares.

Withholding Tax Certificates

Upon request, the Company will provide to foreign holders appropriate documentation evidencing the payment of Chilean withholding taxes.

United States Tax Considerations

The following discussion summarizes the principal U.S. federal income tax consequences to beneficial owners arising from ownership and disposition of the Series A shares and the Series B shares, together the "shares" and the ADSs. The discussion which follows is based on the United States Internal Revenue Code of 1986, as amended, the "Code", the Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect and available on the date hereof, and is subject to any changes in these or other laws occurring after such date. In addition, the summary assumes that the depositary's activities are clearly and appropriately defined so as to ensure that the tax treatment of ADSs will be identical to the tax treatment of the underlying shares.

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of shares or ADSs that is, for U.S. federal income tax purposes, (a) an individual who is a United States citizen or resident, (b) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof, (c) an estate, the income of which is subject to U.S. federal income tax regardless of the source, or (d) a trust (i) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (ii)(A) if a court within the U.S. is able to exercise primary supervision over the administration of the trust and (B) one or more U.S. persons have the authority to control all substantial decisions of the trust.

The term "Non-U.S. Holder" means, for purposes of this discussion, a beneficial owner of shares or ADSs that is not a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds shares or ADSs, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to its consequences.

The discussion that follows is not intended as tax advice to any particular investor and is limited to investors who will hold the shares or ADSs as "capital assets" within the meaning of Section 1221 of the Code and whose functional currency is the United States dollar. The summary does not address the tax treatment of U.S. Holders and Non-U.S. Holders that may be subject to special U.S. federal income tax rules, such as insurance companies, tax-exempt organizations, financial institutions, persons who are subject to the alternative minimum tax, or persons who are broker-dealers in securities, who hold the shares or ADSs as a hedge against currency risks, as a position in a "straddle" for tax purposes, or as part of a conversion or other integrated transaction, or who own (directly, indirectly or by attribution) 10% or more of the total combined voting power of all classes of the Company's capital stock entitled to vote or 10% or more of the value of the outstanding capital stock of the Company.

As of this date, there is currently no applicable income tax treaty in effect between the United States and Chile. However, in 2010, the United States and Chile signed an income tax treaty that will enter into force once the treaty is ratified by both countries. There can be no assurance that the treaty will be ratified by either country. The following summary assumes that there is no applicable income tax treaty in effect between the United States and Chile.

The discussion below does not address the effect of any United States state, local, estate or gift tax law or foreign tax law on a U.S. Holder or Non-U.S. Holder of the shares or ADSs. U.S. HOLDERS AND NON-U.S. HOLDERS OF SHARES OR ADSs SHOULD CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE PARTICULAR CONSEQUENCES UNDER ANY SUCH LAW OF OWNING OR DISPOSING THE SHARES OR ADSs.

For purposes of applying U.S. federal income tax law, any beneficial owner of an ADS generally will be treated as the owner of the underlying shares represented thereby.

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE ADVISED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS FORM 20-F IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH INVESTORS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS INCLUDED BY THE

COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Cash Dividends and Other Distributions

The U.S. Treasury Department has expressed concern that depositaries for ADSs, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. holders of such receipts or shares. Accordingly, the analysis regarding the availability of a U.S. foreign tax credit for Chilean taxes and sourcing rules described below could be affected by future actions that may be taken by the U.S. Treasury Department.

The following discussion of cash dividends and other distributions is subject to the discussion below under “Passive Foreign Investment Company Considerations”. The gross amount of a distribution with respect to shares or ADSs generally will be treated as a taxable dividend to the extent of the Company's current and accumulated earnings and profits, computed in accordance with U.S. federal income tax principles. A dividend distribution will be so included in gross income when received by (or otherwise made available to) (i) the U.S. Holder in the case of the shares or (ii) the depositary in the case of the ADSs, and in either case will be characterized as ordinary income for U.S. federal income tax purposes. Distributions in excess of the Company's current and accumulated earnings and profits will be applied against and will reduce the U.S. Holder's tax basis in the shares or ADRs and, to the extent distributions exceed such tax basis, the excess will be treated as gain from a sale or exchange of such shares or ADSs. U.S. Holders that are corporations will not be allowed a deduction for dividends received in respect of distributions on the shares or the ADSs. For example, if the gross amount of a distribution with respect to the shares or ADSs exceeds the Company's current and accumulated earnings and profits by US\$10.00, such excess will generally not be subject to a U.S. tax to the extent the U.S. Holder's tax basis in the shares or ADSs equals or exceeds US\$10.00. The Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles. Accordingly, U.S. Holders should assume that any cash distribution made by us will be treated as a dividend for U.S. federal income tax purposes.

If a dividend distribution is paid in Chilean pesos, the amount includable in income will generally be the U.S. dollar value, on the date of receipt by the U.S. Holder in the case of the shares or by the depositary in the case of the ADSs, of the peso amount distributed, regardless of whether the payment is actually converted into U.S. dollars. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is includable in the income of the U.S. Holder to the date the pesos are converted into U.S. dollars will be treated as ordinary income or loss.

A dividend distribution will be treated as foreign source income and will generally be classified as "passive category income" or in the case of certain U.S. Holders “general category income” for U.S. foreign tax credit purposes. If Chilean withholding taxes are imposed on a dividend, U.S. Holders will be treated as having actually received the amount of such taxes (net of any credit for the First Category Tax) and as having paid such amount to the Chilean taxing authorities. As a result, the amount of dividend income included in gross income by a U.S. Holder will be greater than the amount of cash actually received by the U.S. Holder with respect to such dividend income. A U.S. Holder may be able, subject to certain generally applicable limitations, to claim a foreign tax credit or a deduction for Chilean withholding taxes (net of any credit for the First Category Tax) imposed on dividend payments. The rules relating to the determination of the U.S. foreign tax credit are complex and the calculation of U.S. foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions, involve the application of rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should, therefore, consult their own tax advisors regarding the application of the U.S. foreign tax credit rules to dividend income on the shares or ADSs.

Subject to the discussion below under “Information Reporting and Backup Withholding”, if you are a Non-U.S. Holder, you generally will not be subject to U.S. federal income or withholding tax on dividends received by you on your shares or ADSs, unless you conduct a trade or business in the United States and such income is effectively connected

with that trade or business.

Capital Gains

A U.S. Holder will generally recognize gain or loss on the sale, redemption or other disposition of the shares or ADRs in an amount equal to the difference between the amount realized on the sale or exchange and the U.S. Holder's adjusted basis in such shares or ADSs. Thus, if the U.S. Holder sells the shares for US\$40.00 and such U.S. Holder's tax basis in such shares is US\$30.00, such U.S. Holder will generally recognize a gain of US\$10.00 for U.S. federal income tax purposes. Subject to the discussion below under "Passive Foreign Investment Company Considerations", gain or loss upon the sale of the shares or ADSs will be capital gain or loss if the shares or ADSs are capital assets in the hands of the U.S. Holder. Capital gains on the sale of capital assets held for one year or less are subject to U.S. federal income tax at ordinary income tax rates. Net capital gains derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. Gain or loss realized by a U.S. Holder on the sale or exchange of shares or ADSs will be U.S. source income. In addition, certain limitations exist on the deductibility of capital losses by both corporate and individual taxpayers. Any tax imposed by Chile directly on the gain from such a sale would generally be eligible for the U.S. foreign tax credit; however, because the gain would generally be U.S. source, a U.S. Holder might not be able to use the credit otherwise available. U.S. Holders should consult their own tax advisors regarding the foreign tax credit implications of the sale, redemption or other disposition of a share or ADS.

Subject to the discussion below under "Information Reporting and Backup Withholding", a Non-U.S. Holder of ADSs or shares will not be subject to United States income or withholding tax on gain from the sale or other disposition of ADSs or shares unless, in general (i) such gain is effectively connected with the conduct of a trade or business within the United States or (ii) the Non-U.S. Holder is an individual who is present in the United States for at least 183 days during the taxable year of the disposition and certain other conditions are met.

Passive Foreign Investment Company Considerations

A Non-U.S. corporation will be classified as a "passive foreign investment company", or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from the sale of stock (including gains from the sale of stock of certain subsidiaries), partnership interests, securities or commodities.

Based on certain estimates of our gross income and gross assets and the nature of our business, the Company believes that it was not classified as a PFIC in 2013. The Company's status in future years will depend on its assets and activities in those years. If the Company were a PFIC for 2013 or for any prior or future taxable year during which a U.S. Holder held shares or ADSs, such U.S. Holder of shares or ADSs generally would be subject to additional filing requirements, imputed interest charges and other disadvantageous tax treatment (including the denial of taxation at the lower rates applicable to long-term capital gains with respect to any gain from the sale or exchange of shares or

ADSs).

Information Reporting and Backup Withholding

Payments of dividends on the shares or ADSs and the proceeds of sale or other disposition of the shares or ADSs within the United States by holders may be subject to U.S. information reporting and backup withholding. A U.S. Holder generally will be subject to U.S. information reporting and backup withholding (currently at a rate of 28%) unless the recipient of such payment supplies an accurate taxpayer identification number, as well as certain other information, or otherwise establishes an exemption, in the manner prescribed by United States law and applicable regulations. U.S. information reporting and backup withholding of U.S. federal income tax at the same rate may also apply to Non-U.S. Holders that are not "exempt recipients" and that fail to provide certain information as may be required by United States law and applicable regulations. Any amount withheld under U.S. backup withholding is not an additional tax and is generally allowable as a credit against the U.S. Holder's federal income tax liability upon furnishing the required information to the IRS.

In addition, certain U.S. Holders, electing nonresident aliens and residents of a U.S. possession may be required to report information with respect to their investment in shares or, it is assumed, ADSs to the Internal Revenue Service. Investors who fail to report required information could become subject to substantial penalties and/or an extended statute of limitations.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF U.S. INFORMATION REPORTING AND BACKUP WITHHOLDING RULES TO THEIR PARTICULAR CIRCUMSTANCES.

10.F. Dividends and Paying Agents

Not applicable.

10.G. Statement by Experts

Not applicable.

10.H. Documents on Display

Documents referred to in this form 20-F are available to the public at:

<http://www.sec.gov/edgar/searchedgar/companysearch.html>, CIK: 909037.

10.I. Subsidiary Information

See Item 4.C. Organizational Structure.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As explained elsewhere in this Annual Report, we transact our businesses in more than 115 countries, thereby rendering our market risk dependent upon the fluctuations of foreign currencies and local and international interest rates. These fluctuations may generate losses in the value of financial instruments taken in the normal course of business.

We, from time to time and depending upon then current market conditions, review and re-establish our financial policies to protect our operations. Management is authorized by our Board of Directors to engage in certain derivative contracts such as forwards and swaps to specifically hedge the fluctuations in interest rates and in currencies other

than the U.S. dollar.

Derivative instruments used by us are generally transaction-specific so that a specific debt instrument or contract determines the amount, maturity and other terms of the hedge. We do not use derivative instruments for speculative purposes.

Interest Rate Risk. As of December 31, 2013, we had approximately 16% of our financial debt effectively priced at LIBOR, and therefore significant increases in the rate could impact our financial condition.

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

We have short and long term debt valued at LIBOR plus a spread. We are partially exposed to fluctuations of this rate, as we hold hedging derivative instruments to hedge a portion of our liabilities subject to LIBOR rate fluctuations.

As of December 31, 2013, approximately 13% of our current financial obligations were subject to LIBOR rate fluctuation and therefore, significant increases in the rate may impact our financial position.

In addition, as of December 31, 2013, our total financial debt is primarily long-term, with 21% of maturities less than 12 months, which decreases the exposure to changes in the interest rates.

Exchange Rate Risk. Although the U.S. dollar is the primary currency in which we transact our businesses, our operations throughout the world expose us to exchange rate variations for non-U.S. dollar currencies. Therefore, fluctuations in the exchange rate of such local currencies may affect our financial condition and results of operations. To lessen these effects, we maintain derivative contracts to protect the net difference between our principal assets and liabilities for currencies other than the U.S. dollar. These contracts are renewed periodically depending on the amount covered in each currency. Aside from this, we do not hedge potential future income and expenses in currencies other than the U.S. dollar with the exception of the Euro and Chilean peso. We estimate annual sales in Euros and expenses in Chilean pesos, and depending on the circumstances we secure the exchange difference with derivative contracts.

The following is a summary of the aggregate net monetary assets and liabilities that are denominated in non-U.S. dollar currencies as of December 31, 2013, 2012 and 2011. Figures do not include our financial hedging positions for year-end:

	2013	2012	2011
	Th US\$	Th US\$	Th US\$
Chilean pesos	(524,530)	(473,976)	(275,756)
Brazilian real	(1,211)	(1,421)	(1,500)
Euro	32,776	45,809	56,053
Japanese yen	1,183	954	1,876
Mexican pesos	137	652	(2,862)
South African rand	29,404	25,565	19,849
Dirhams	24,594	17,044	14,615
Other currencies	22,924	19,443	16,855
Total, net	(414,723)	(365,930)	(170,650)

Also, we had open forward exchange contracts to buy U.S. dollars and sell Chilean pesos to hedge our time deposits in Chilean Pesos for approximately US\$134.1 million (CH\$70,384 million)

The information contained in Item 11. Quantitative and Qualitative Disclosures About Market Risk, contains statements that may constitute forward-looking statements. See “Cautionary Statement Regarding Forward-Looking Statements” in this Annual Report, for safe harbor provisions.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

ITEM 12.A. DEBT SECURITIES

Not applicable.

ITEM 12.B. WARRANTS AND RIGHTS

Not applicable.

ITEM 12.C. OTHER SECURITIES

Not applicable.

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ITEM 12.D. AMERICAN DEPOSITARY RECEIPTS

Depository Fees and Charges

The Company's American Depositary Shares ("ADS") program is administered by The Bank of New York Mellon (101 Barclay St., 22 Fl.W., New York, NY 10286), as Depositary. Under the terms of the Deposit Agreement, an ADS holder may have to pay the following service fees to the Depositary:

Service Fees	Fees
Execution and delivery of ADSs and the surrender of ADRs	\$0.05 per share

Depository Payments Fiscal Year 2013

The Depositary has agreed to reimburse certain expenses related to the Company's ADS program and incurred by the Company in connection with the program. In 2013, the Depositary reimbursed expenses related to investor relations for a total amount of US\$42,000.00.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a)

Disclosure Control and Procedures

SQM management, with the participation of the Company's Executive management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures, pursuant to Exchange Act Rules 13(a)-15(b), as of the end of the period covered by this Annual Report. Based upon that evaluation, management with the participation of the Chief Executive Officer and Chief Financial Officer, have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that material information is made known to management and that financial and non-financial information is properly recorded, processed, summarized and reported.

The procedures associated with our internal controls are designed to provide reasonable assurance that our transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. However, through the same design and evaluation period of the disclosure controls and procedures, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, recognized that there are inherent limitations to the effectiveness of any internal control system regardless of how well designed and operated. In such a way they can provide only reasonable assurance of achieving the desired control objectives, and no evaluation can provide absolute assurance that all control issues or instances of fraud, if any, within the Company have been detected.

There were no significant changes in our internal controls over financial reporting that occurred during the period covered by this Annual Report that have materially affected, or are likely to materially affect our internal control over financial reporting.

(b) Management's Annual Report on Internal Control Over Financial Reporting

SQM Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not necessarily prevent or detect some misstatements. It can only provide reasonable assurance regarding financial statement preparation and presentation. Also, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate over time.

Management assessed the effectiveness of its internal control over financial reporting for the year ended December 31, 2013. The assessment was based on criteria established in the framework "Internal Controls — Integrated Framework (1992)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, SQM management has concluded that as of December 31, 2013, the Company's internal control over financial reporting was effective.

(c) Attestation Report of the Registered Public Accounting Firm

PriceWaterhouseCoopers Consultores, Auditores y Compañía Limitada (“PWC”), the independent registered public accounting firm that has audited our Consolidated Financial Statements, has also issued an attestation report on the Company’s internal control over financial reporting as of December 31, 2013. This attestation report appears on pages F-2 and F-3 under Item 18 Financial Statements.

(d) Changes in internal control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during 2013 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 16. [Reserved]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that the Company does not have an audit committee financial expert within the meaning of the regulations adopted under the Sarbanes-Oxley Act of 2002.

Pursuant to Chilean regulations, the Company has a Directors' Committee whose main duties are similar to those of an audit committee. Each of the members of the Directors' Committee is a member of the audit committee. See 6.C. Board Practices.

Our Board believes that the members of the Directors' Committee have the necessary expertise and experience to perform the functions of the Directors' Committee pursuant to Chilean regulations.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Business Conduct that applies to the Chief Executive Officer, the Chief Financial Officer and the Internal Auditor, as well as, to all our officers and employees. Our Code adheres to the definition set forth in Item 16B of Form 20-F under the Exchange Act.

No waivers have been granted therefrom to the officers mentioned above.

The full text of the code is available on our website at <http://www.sqm.com> in the Investor Relations section under “Corporate Governance”.

Amendments to, or waivers from one or more provisions of the code will be disclosed on our website.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The table shows the amount of fees billed for each of the last two fiscal years by our independent auditors, PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada ("PwC") for the 2013 and 2012 fiscal year, in relation to audit services, audit-related services, tax and other services provided to us (in thousands of U.S. dollars).

	2013	2012
Audit fees	1,458	1,365
Audit-related fees	-	172
Tax fees	445	233
Other fees	78	65
Total fees	1,981	1,835

Audit fees in the above table are the aggregate fees billed by PwC in 2013 and 2012, in connection with the audit of our annual Consolidated Financial Statements, as well as the review of other statutory filings.

Audit-related fees in the above table are fees billed by PwC in 2013 and 2012 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees."

Total fees in the above table are fees billed by PwC in the amount of US\$1.98 million in 2013, and in the amount of US\$1.84 million in 2012.

Directors' Committee Pre-Approval Policies and Procedures

Chilean law states that public companies are subject to "pre-approval" requirements under which all audit and non-audit services provided by the independent auditor must be pre-approved by the Directors' Committee. Our Directors' Committee approves all audits, audit-related, tax and other services provided by our auditors.

Any services provided by our auditors that are not specifically included within the scope of the audit must be pre-approved by the Directors' Committee prior to any engagement.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

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ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

There has been no change in independent accountants for the Company during the two most recent fiscal years or any subsequent interim period except as previously reported in the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2013, and there have been no disagreements of the type required to be disclosed by Item 16F (b).

ITEM 16G. CORPORATE GOVERNANCE

For a summary of the significant differences between our corporate governance practices and the NYSE corporate governance standards, please see "Item 6. Directors, Senior Management and Employees-C. Board Practices".

ITEM 16H. MINE SAFETY AND DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18. Financial Statements.

ITEM 18. FINANCIAL STATEMENTS

See Item 19.(a) for a list of all financial statements filed as part of this Form 20-F Annual Report.

ITEM 19. EXHIBITS

(a) Index to Financial Statements

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Audited Consolidated Statements of Financial Position as of December 31, 2013 and 2012	F-2
Audited Consolidated Statements of Income for each of the three years in the period ended December 31, 2013	F-4
Audited Consolidated Statement of Comprehensive Income for the three years in the period ended December 31, 2013	F-6
Audited Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2013	F-7
Audited Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2013	F-9
Notes to the Audited Consolidated Financial Statements	F-12
Supplementary Schedules*	

*All other schedules have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(b) Exhibits

Exhibit No.	Exhibit
1.1	By-laws (Estatutos) of the Company*
8.1	Significant subsidiaries of the Company**
12.1	Section 302 Chief Executive Officer Certification**
12.2	Section 302 Chief Financial Officer Certification**
12.3	Section 302 Chief Executive Officer Certification
12.4	Section 302 Chief Financial Officer Certification
13.1	Section 906 Chief Executive Officer Certification**
13.2	Section 906 Chief Executive Officer Certification
13.3	Section 906 Chief Financial Officer Certification

*Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2010 filed with the Securities and Exchange Commission on June 30, 2011.

**Previously filed on April 28, 2014.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

(CHEMICAL AND MINING COMPANY OF CHILE INC.)

/s/ Ricardo Ramos

Ricardo Ramos R.

Chief Financial Officer and

Business Development Senior Vice President

Date: April 29, 2014

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A. AND SUBSIDIARIES

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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.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Sociedad Química y Minera de Chile S.A.

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, comprehensive income, cash flows and of changes in equity present fairly, in all material respects, the financial position of Sociedad Química y Minera de Chile S.A. and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers

Santiago, Chile

April 28, 2014

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Sociedad Química y Minera de Chile S.A. and Subsidiaries**CONSOLIDATED CLASSIFIED STATEMENT OF FINANCIAL POSITION**

	Note	As of December 31, 2013 ThUS\$	As of December 31, 2012 ThUS\$
ASSETS			
Current assets			
Cash and cash equivalents	7.1	476,622	324,353
Other current financial assets	10.1	460,173	316,103
Other current non-financial assets	25	44,230	67,820
Trade and other receivables, current	10.2	330,992	510,616
Trade receivables due from related parties, current	9.5	128,026	101,372
Current inventories	8	955,530	890,579
Current tax assets	28.1	59,476	30,234
Total current assets		2,455,049	2,241,077
Non-current assets			
Other non-current financial assets	10.1	95	29,492
Other non-current non-financial assets	25	36,505	23,339
Trade receivables, non-current	10.2	1,282	1,311
Investments in associates	11	51,075	50,955
Investments in joint ventures	12	25,943	19,343
Intangible assets other than goodwill	13.1	104,363	99,754
Goodwill	13.1	38,388	38,388
Property, plant and equipment	14.1	2,054,377	1,912,549
Deferred tax assets	28.4	531	223
Total non-current assets		2,312,559	2,175,354
Total assets		4,767,608	4,416,431

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

Sociedad Química y Minera de Chile S.A. and Subsidiaries**CONSOLIDATED CLASSIFIED STATEMENT OF FINANCIAL POSITION, (continued)**

	Note	As of December 31, 2013 ThUS\$	As of December 31, 2012 ThUS\$
Liabilities and Equity			
Liabilities			
Current liabilities			
Other current financial liabilities	10.4	401,426	152,843
Trade and other payables, current	10.5	150,960	207,944
Trade payables due to related parties, current	9.6	-	19
Other current provisions	18.1	17,953	18,489
Current tax liabilities	28.2	31,707	23,624
Provisions for employee benefits, current	15.1	25,236	33,974
Other current non-financial liabilities	18.3	95,353	172,200
Total current liabilities		722,635	609,093
Non-current liabilities			
Other non-current financial liabilities	10.4	1,417,390	1,446,194
Other non-current provisions	18.1	8,633	7,357
Deferred tax liabilities	28.4	154,295	125,445
Provisions for employee benefits, non-current	15.1	32,414	40,896
Total non-current liabilities		1,612,732	1,619,892
Total liabilities		2,335,367	2,228,985
Equity			
	17		
Share capital		477,386	477,386
Retained earnings		1,909,725	1,676,169
Other reserves		(10,491)	(20,772)
Equity attributable to owners of the Parent		2,376,620	2,132,783
Non-controlling interests		55,621	54,663
Total equity		2,432,241	2,187,446
Total liabilities and equity		4,767,608	4,416,431

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**CONSOLIDATED STATEMENT OF INCOME BY FUNCTION**

	Note	January to December 2013 ThUS\$	2012 ThUS\$	2011 ThUS\$
Revenue	20	2,203,140	2,429,160	2,145,286
Cost of sales	27.2	(1,481,690)	(1,400,567)	(1,290,494)
Gross profit		721,450	1,028,593	854,792
Other income	27.3	96,716	12,702	47,681
Administrative expenses	27.4	(105,189)	(106,442)	(91,760)
Other expenses by function	27.5	(49,397)	(34,628)	(63,047)
Other gains (losses)	27.6	(11,391)	683	5,787
Profit (loss) from operating activities		652,189	900,908	753,453
Finance income		12,696	29,068	23,210
Finance costs	22	(58,608)	(54,095)	(39,335)
Share of profit of associates and joint ventures accounted for using the equity method		18,786	24,357	21,808
Foreign currency translation differences	23	(11,954)	(26,787)	(25,307)
Profit (loss) before taxes		613,109	873,451	733,829
Income tax expense, continuing operations	28.4	(138,539)	(216,082)	(179,710)
Profit (loss) from continuing operations		474,570	657,369	554,119
Profit for the year		474,570	657,369	554,119
Profit attributable to				
Owners of the Parent		467,113	649,167	545,758
Non-controlling interests		7,457	8,202	8,361
Profit for the year		474,570	657,369	554,119

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 BY FUNCTION (continued)

	Note	January to December		
		2013	2012	2011
		US\$	US\$	US\$
Earnings per share				
Common shares				
Basic earnings per share (US\$ per share)	21	1,7748	2,4665	2,07
Basic earnings per share (US\$ per share) from continuing operations		1,7748	2,4665	2,07
Diluted common shares				
Diluted earnings per share (US\$ per share)	21	1,7748	2,4665	2,07
Diluted earnings per share (US\$ per share) from continuing operations		1,7748	2,4665	2,07

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**

	January to December		
	2013	2012	2011
	ThUS\$	ThUS\$	ThUS\$
Statement of comprehensive income			
Profit for the year	474,570	657,369	554,119
Components of other comprehensive income before taxes and foreign currency translation differences			
Gain (loss) from foreign currency translation differences, before taxes	(3,559)	982	(2,890)
Other comprehensive income before taxes and foreign currency translation differences	(3,559)	982	(2,890)
Cash flow hedges			
(Gain) loss from cash flow hedges before taxes	15,778	(7,872)	(1,241)
Other comprehensive income before taxes and cash flow hedges	15,778	(7,872)	(1,241)
Other comprehensive income before taxes and actuarial gains (losses) from defined benefit plans	1,012	711	(918)
Other miscellaneous reserves	-	-	(1,677)
Other components of other comprehensive income before taxes	13,231	(6,179)	(6,726)
Income taxes associated with components of other comprehensive income			
Income taxes associated with cash flow hedges in other comprehensive income	(3,022)	1,580	218
Income taxes associated with components of other comprehensive income	(3,022)	1,580	218
Other comprehensive income	10,209	(4,599)	6,508
Total comprehensive income	484,779	652,770	547,611
Comprehensive income attributable to			
Owners of the Parent	477,394	644,507	539,359
Non-controlling interests	7,385	8,263	8,252
Total comprehensive income	484,779	652,770	547,611

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**

	12/31/2013 ThUS\$	12/31/2012 ThUS\$	12/31/2011 ThUS\$
Statements of cash flows			
Cash flows from (used in) operating activities			
Types of receipts from operating activities			
Cash receipts from sales of goods and rendering of services	2,392,696	2,387,979	2,012,188
Types of payments			
Cash payments to suppliers for the provision of goods and services	(1,496,053)	(1,447,970)	(1,287,094)
Cash payments to and on behalf of employees	(48,033)	(44,429)	(42,609)
Other payments related to operating activities	(24,774)	(8,396)	(4,257)
Dividends received	16,423	15,126	4,299
Interest paid	(87,018)	(59,509)	(56,718)
Interest received	12,696	24,368	23,209
Reimbursed (paid) income taxes	(119,107)	(250,201)	(76,015)
Other cash inflows (outflows)	4,883	33,238	(1,658)
Net cash generated from (used in) operating activities	651,713	650,206	571,345
Cash flows from investing activities			
Cash receipts from the loss of control of subsidiaries and other businesses	-	961	5,736
Other cash payments made to acquire interests in joint ventures	(69)	(197)	(4,909)
Proceeds from the sale of property, plant and equipment	216	2,050	4,185
Proceeds from sale of intangible assets	86,157	-	39,046
Acquisition of property, plant and equipment	(386,495)	(449,984)	(501,118)
Cash advances and loans granted to third parties	528	(623)	83
Other cash inflows (outflows) (*)	(187,722)	(115,092)	(59,251)
Net cash generated from (used in) investing activities	(487,385)	(562,885)	516,228

(*)Includes other cash receipts (payments) associated with, investments and redemptions of time deposits and other financial instruments, which do not qualify as cash and cash equivalents in accordance with IAS 7.7 as they have a maturity date greater than 90 days at the time of acquisition. Investments and redemptions are reported net as they are typically rolled over upon maturity.

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**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

	12/31/2013 ThUS\$	12/31/2012 ThUS\$	12/31/2011 ThUS\$
Cash flows from (used in) financing activities			
Proceeds from long-term borrowings	300,000	366,502	550,000
Proceeds from short-term borrowings	160,000	-	-
Total proceeds from borrowings	460,000	366,502	550,000
Repayment of borrowings	(176,485)	(220,000)	(370,000)
Dividends paid	(279,668)	(334,762)	(277,334)
Other cash receipts (payments)	(6,132)	(9,437)	(7,862)
Net cash generated from (used in) financing activities	(2,285)	(197,697)	(105,196)
Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate	162,043	(110,376)	(50,079)
Effects of exchange rate fluctuations on cash held	(9,774)	(10,263)	(29,581)
Net (decrease) increase in cash and cash equivalents	152,269	(120,639)	(79,660)
Cash and cash equivalents at beginning of period	324,353	444,992	524,652
Cash and cash equivalents at end of period	476,622	324,353	444,992

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**

2013	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves	Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Equity at beginning of the year	477,386	(330)	(16,522)	(2,243)	(1,677)	(20,772)	1,676,169	2,132,783	54,663	2,187,446
Profit for the year	-	-	-	-	-	-	467,113	467,113	7,457	474,570
Other comprehensive income	-	(3,487)	12,756	1,012	-	10,281	-	10,281	(72)	10,209
Comprehensive income	-	(3,487)	12,756	1,012	-	10,281	467,113	477,394	7,385	484,779
Dividends	-	-	-	-	-	-	(233,557)	(233,557)	(6,427)	(239,984)
Increase (decrease) in transfers and other changes	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in equity	-	(3,487)	12,756	1,012	-	10,281	233,556	243,837	958	244,795
Equity As of December 31, 2013	477,386	(3,817)	(3,766)	(1,231)	(1,677)	(10,491)	1,909,725	2,376,620	55,621	2,432,241

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

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Sociedad Química y Minera de Chile S.A. and Subsidiaries**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

2012	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves	Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Equity at beginning of the year	477,386	(1,251)	(10,230)	(2,954)	(1,677)	(16,112)	1,351,560	1,812,834	51,546	1,864,380
Profit for the year							649,167	649,167	8,202	657,369
Other comprehensive income	-	921	(6,292)	711	-	(4,660)	-	(4,660)	61	(4,599)
Comprehensive income	-	921	(6,292)	711	-	(4,660)	649,167	644,507	8,263	652,770
Dividends	-	-	-	-	-	-	(324,558)	(324,558)	(5,146)	(329,704)
Increase (decrease) in 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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

2011	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves	Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Equity at beginning of the year	477,386	1,530	(9,207)	(2,036)	-	(9,713)	1,155,131	1,622,804	48,016	1,670,820
Profit for the year							545,758	545,758	8,361	554,119
Other comprehensive income	-	(2,781)	(1,023)	(918)	(1,677)	(6,399)	-	(6,399)	(109)	(6,508)
Comprehensive income	-	(2,781)	(1,023)	(918)	(1,677)	(6,399)	-	(6,399)	(109)	(6,508)
Dividends	-	-	-	-	-	-	(349,329)	(349,329)	(3,706)	(353,035)
Increase (decrease) in 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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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 1 – Identification and Activities of the Company and Subsidiaries

1.1 Historical background

Sociedad Química y Minera de Chile S.A. "SQM" is an open stock corporation organized under the laws of the Republic of Chile, Tax Identification No.93.007.000-9.

The Company was incorporated through a public deed dated June 17, 1968 by the notary public of Santiago MR. Sergio Rodríguez Garcés. Its existence was approved by Decree No. 1,164 of June 22, 1968 of the Ministry of Finance, and it was registered on June 29, 1968 in the Registry of Commerce of Santiago, on page 4,537 No. 1,992. SQM's headquarters are located at El Trovador 4285, Fl. 6, Las Condes, Santiago, Chile. The Company's telephone number is +56 2 2425-2000.

The Company is registered with the Securities Registry of the Chilean Superintendence of Securities and Insurance (SVS) under No. 0184 dated March 18. 1983 and is subject to the inspection of the SVS.

1.2 Main domicile where the Company performs its production activities

The Company's main domiciles are: Calle Dos Sur sitio No. 5 - Antofagasta; Arturo Prat 1060 - Tocopilla; Edificio Administración w/n - Maria Elena; Edificio Administración s/n Pedro de Valdivia - María Elena, Anibal Pinto 3228 - Antofagasta, kilometro 1378 Ruta 5 Norte - Antofagasta, Coya Sur Plant s/n - Maria Elena, kilometro 1760 Ruta 5 Norte - Pozo Almonte, Planta Cloruro de Potasio Salar de Atacama s/n - San Pedro de Atacama, Planta Sulfato de Potasio Salar de Atacama s/n – San Pedro de Atacama, Campamento Minsal s/n Planta CL, Potasio – San Pedro de Atacama, Ex Oficina Salitrera Iris S/N, Comuna de Pozo Almonte, Iquique.

1.3 Codes of main activities

The codes of the main activities as established by the Chilean Superintendence of Securities and Insurance are as follows:

-	1700 (Mining)
-	2200 (Chemical products)
-	1300 (Investment)

1.4 Description of the nature of operations and main activities

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

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Notes to the Consolidated Financial Statements as of December 31, 2013

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

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

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

We sell our products in over 100 countries worldwide through our global distribution network and generate our revenue mainly from abroad.

Our products are divided into six categories: specialty plant nutrition, iodine and its derivatives, lithium and its derivatives, industrial chemicals, potassium and other products and services, described as follows:

Specialty plant nutrition: SQM produces and sells four types of specialty plant nutrition in this line of business: potassium nitrate, sodium nitrate, sodium potassium nitrate, and specialty mixes. This business is characterized by maintaining closer relations with its customers for which it has specialized staff who provide expert advisory in best practices for fertilization according to each type of crop, soil and climate. Within this line of business, potassium derivative products and specialty potassium nitrate have had a leading role given their unique characteristics that allow an improvement in post-crop life in addition to improving quality, flavor and fruit color. The potassium nitrate, which is sold in multiple formats and as a part of other specialty mixtures, is complemented by sodium nitrate, potassium sodium nitrate, and more than 200 fertilizer mixtures.

Iodine: The Company is a major producer of iodine at a global level. Iodine is widely used in the pharmaceutical industry, technology and nutrition. Additionally, iodine is used as an X ray contrast media and as polarizing film for LCD displays.

Lithium: the Company's lithium is mainly used for manufacturing rechargeable batteries for cell phones, cameras and notebooks. Through the manufacturing of lithium-based products, SQM provides significant materials to face great challenges such as the efficient use of energy and raw materials. Lithium is not only used for rechargeable batteries and in new technologies for electric vehicles, but is also used in industrial applications to lower melting temperature and to help save costs and energy.

Notes to the Consolidated Financial Statements as of December 31, 2013

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

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

Industrial Chemicals: Industrial chemicals are products used as supplies for a large number of production processes. SQM has participated in this line of business for years producing sodium nitrate, potassium nitrate, boric acid and potassium chloride. Industrial nitrates have become increasingly important over the last few years due to their use as storage means for thermal energy at solar energy plants, which are widely used in countries as Spain and the United States as they look to decrease CO₂ emissions

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

Other products and services: This business line includes revenue from commodities, services, interests, royalties and dividends.

1.5 Other background:

Staff

As of December 31, 2013 and December 31, 2012, staff was detailed as follows:

	12/31/2013	12/31/2012
Permanent staff	4,792	5,643

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 1 – Identification and Activities of the Company and subsidiaries (continued)**1.5 Other background, continued**

Main shareholders

The table below establishes certain information about the beneficial property of Series A and Series B shares of SQM as of December 31, 2013 and December 31, 2012, in respect to each shareholder which has interest of more than 5% of outstanding Series A or B shares. The information below is taken from our records and reports controlled in the Central Securities Depository and reported to the Superintendence of Securities and Insurance (SVS) and the Chilean Stock Exchange, whose main shareholders are as follows:

Shareholder as of December 31, 2013	No. of Series A with ownership	% of Series A shares	No. of Series B with ownership	% of Series B shares	% of total shares
The Bank of New York Mellon, ADRs	-	-	56,302,367	46.77	% 21.39 %
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,758,830	31.34	% 6,971,799	5.79	% 19.65 %
Inversiones El Bolder Limitada	29,225,196	20.46	% 18,028,676	14.98	% 17.95 %
Inversiones RAC Chile Limitada	19,200,242	13.44	% 2,202,773	1.83	% 8.13 %
Potasios de Chile S.A.(*)	18,179,147	12.73	% -	-	6.91 %
BTG Pactual Chile S.A. C de B	15,593,709	10.92	% 797,393	0.66	6.23 %
Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16	% -	-	3.34 %
Banco Itau on behalf of foreign investors	20,950	0.01	% 5,428,234	4.51	% 2.07 %
Banco de Chile on behalf of non-resident third parties	-	-	5,234,823	4.35	% 1.99 %
Inversiones La Esperanza Limitada	3,693,977	2.59	% -	-	1.40 %

(*) Total Pampa Group 29.9%

Shareholder as of December 31, 2012	No. of Series A with ownership	% of Series A shares	No. of Series B with ownership	% of Series B shares	% of total shares
Inversiones El Bolder Limitada	44,751,196	31.33	% 17,571,676	14.60	% 23.68 %
	44,558,830	31.20	% 9,003,799	7.48	% 20.35 %

Sociedad de Inversiones Pampa Calichera
S.A.(*)

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 on behalf of non-resident third parties	-	-	3,082,612	2.56	%	1.17	%	

(*) Total Pampa Group 30.50%

On December 31, 2013 the total number of shareholders had decreased to 1,331 from 1,483 on December 31, 2012.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 2 - Basis of presentation for the consolidated financial statements

2.1 Accounting period

These consolidated financial statements cover the following periods

- Consolidated Statement of Financial Position as of December 31, 2013 and December 31, 2012.
- Consolidated Statement of Changes in Equity for the years ended December 31, 2013, 2012 and 2011.
- Consolidated Statement of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011.
- Consolidated Statement of Cash Flows –Direct method for the years ended December 31, 2013, 2012 and 2011.

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Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.2 Financial statements

The consolidated financial statements of Sociedad Química y Minera de Chile S.A. and Subsidiaries, have been prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) and represent the full, explicit and unreserved application of the aforementioned international standards issued by the International Accounting Oversight Board (IASB).

These annual consolidated financial statements reflect fairly the Company’s equity and financial position and the results of its operations, changes in the statement of recognized revenue and expenses and cash flows, which have occurred during the periods then ended.

IFRS establish certain alternatives for their application. Those applied by the Company and its subsidiaries are included in detail in this Note.

The accounting policies used in the preparation of these consolidated financial accounts comply with each IFRS in force at their date of presentation. Certain reclassifications have been made for comparative purposes, refer to Note 14.6.

2.3 Basis of measurement

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

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

Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.4

Accounting pronouncements

New accounting pronouncements.

- a) The following standards, interpretations and amendments are mandatory for the first time for the annual periods beginning on January 1, 2013:

Standards and interpretations	Mandatory for annual periods beginning on
Revised IAS 19 <i>Employee Benefits</i> was adopted on January 1, 2013, with retrospective effect. The revision eliminates the use of the corridor method of accounting for actuarial gains and losses and the return on plan assets arising in connection with defined benefit plans and introduces changes to the way in which such plans are accounted for in income and other comprehensive income.	01/01/2013
IAS 27, "Separate Financial Statements", now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements.	01/01/2013
IFRS 10, "Consolidated Financial Statements", which replaces parts of IAS 27, "Consolidated and Separate Financial Statements" and all of SIC-12, "Consolidation – Special Purpose Entities", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.	01/01/2013
IFRS 11 'Joint Arrangements'	01/01/2013
In May 2011, the IASB issued IFRS 11 'Joint Arrangements', one of a suite of standards relating to interests in other entities and related disclosures. IFRS 11 establishes a principle that applies to the accounting for all joint arrangements, whereby parties to the arrangement account for their underlying contractual rights and obligations relating to the joint arrangement. IFRS 11 identifies two types of joint arrangements. A 'joint venture' is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A 'joint operation' is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are accounted for by	

recognizing the group's assets, liabilities, revenue and expenses relating to the joint operation.

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Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.4 Accounting Standards, Interpretations and Amendments, (continued)

Standards and interpretations	Mandatory for annual periods beginning on
IFRS 12 'Disclosures of Interests in Other Entities' combines all the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.	01/01/2013
IFRS 13 <i>Fair Value Measurement</i> was adopted on January 1, 2013, with prospective effect. The standard affects nearly all instances where assets and liabilities are currently recognised or disclosed at fair value, primarily by refining the measurement concept to reflect an asset or liability's exit value. The standard also introduces certain additional considerations to the measurement process and additional disclosures.	01/01/2013
Amendments and improvements	Mandatory for annual periods beginning on
Revised IAS 1 <i>Presentation of Financial Statements</i> changes the presentation of items in the Consolidated Statement of Comprehensive Income to distinguish between those items of other comprehensive income that under other accounting standards may be reclassified to income in later periods and those that are not.	07/01/2012
IAS 28, "Investments in Associates and Joint Ventures", was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.	01/01/2013
Revised IFRS 7 <i>Financial Instruments: Disclosures</i> introduces disclosures relating to the offsetting of certain financial assets and financial liabilities, principally derivative contracts and trade receivables and payables.	01/01/2013

Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.4 Accounting Standards, Interpretations and Amendments, (continued)

Amendments and improvements	Mandatory for annual periods beginning on
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IFRS 10 "Consolidated Financial Statements", NIIF 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities"

Clarifies the transitional provisions for IFRS 10 indicating changes should be applied on the first day of the annual period in which the standard is adopted. Therefore, it may be necessary to make amendments to comparative information presented in such a period, if the evaluation of control over investments differs from that recognized in accordance with IAS 27/SIC 12.	01/01/2013
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<i>Improvements to International Financial Reporting Standards (2011)</i>	01/01/2013
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Issued in May 2012.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" – clarifies that an entity may apply IFRS 1 more than once under certain circumstances.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" – clarifies that an entity may adopt IAS 23, "Borrowing Costs" on the transition date or from an earlier date.

IAS 1 "Presentation of Financial Statements" – clarifies the requirements for comparative information when an entity presents a third column in the balance sheet.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" – clarifies that an entity adopting IFRS for the first time may present information in footnotes for all periods presented.

IAS 16 "Property, Plant and Equipment" – clarifies that spare-parts and service equipment should be classified as Property, Plant and Equipment as opposed to inventories when they meet the definition of Property, Plant and Equipment.

IAS 32 "Financial Instruments: Presentation" – clarifies the treatment of income tax related to distribution and transaction costs.

IAS 34 “Interim Financial Reporting” – clarifies the disclosure requirements of assets and liabilities by segments at interim periods, conforming to the same requirements applicable to annual financial statements.

The adoption of the standards, interpretations and amendments above had no significant impact on the Company’s consolidated financial statements.

Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.4 Accounting Standards, Interpretations and Amendments, (continued)

b) The new standards, interpretations and amendments issued not yet effective for the annual period 2013 which have not been early adopted are listed below.

Standards and interpretations	Mandatory for annual periods beginning on
IFRS 9 'Financial Instruments: Classification and Measurement' introduces new requirements for classifying and measuring financial assets and financial liabilities and, when finalized, will address hedge accounting and impairment of financial assets. The effective date for IFRS 9 is not expected to be before 1 January 2017. The amendments to existing accounting standards that are effective from 1 January 2014, 'Offsetting Financial Assets and Financial Liabilities' (Amendments to IAS 32) and 'Recoverable Amount Disclosures for Non-Financial Assets' (Amendments to IAS 36).	Not yet determined
IFRIC 21 Levies, issued in May 2013, addresses the accounting for liabilities to pay levies that are within the scope of IAS 37 Provisions, contingent liabilities and contingent assets.	01/01/2014
Amendments and improvements	Mandatory for annual periods beginning on
The amendments to IAS 32 Financial Instruments: Presentation, issued in December 2011, clarify the requirements for offsetting financial assets and financial liabilities in the financial statements.	01/01/2014

Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.4 Accounting Standards, Interpretations and Amendments, (continued)

Amendments and improvements	Mandatory for annual periods beginning on
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IAS 27 "Separate Financial Statements"; IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of Interests in Other entities"

Issued in October 2012, the IASB published "Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)", providing an exemption for the consolidation of subsidiaries under IFRS 10 Consolidated Financial Statements for entities meeting the definition for an "investment entity", such as investment funds. The amendments require the use of fair value through profit or loss in conformity with IFRS 9 Financial Instruments in its consolidated and separate financial statements. The amendment also introduces new disclosure requirements relative to investment entities in IFRS 12 and IAS 27. 01/01/2014

IAS 36 "Impairment of Assets", when events or changes in market conditions indicate that tangible or intangible assets may be impaired, such assets are reviewed in detail to determine whether their carrying value is higher than their recoverable value (i.e. the higher of value in use and fair value less costs to sell), which could lead to recording an impairment loss.

01/01/2014

Value in use is estimated by calculating the present value of the future cash flows expected to be derived from the asset. Fair value less costs to sell is based on the most reliable information available (such as market statistics and recent transactions).

IAS 39 "Financial Instruments: Recognition and Measurement" Issued in June 2013, under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2014, with earlier application being permitted. The amendments also include changes in contractual guarantee requirements, right of offset for trade receivables also payables, taxes and levies. 01/01/2014

Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.4 Accounting Standards, Interpretations and Amendments, (continued)

Amendments and improvements	Mandatory for annual periods beginning on
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IFRS 9 "Financial Instruments" Issued in November 2013, amendments primarily include a substantial review of hedge accounting to allow entities to better reflect their risk management activities in the financial statements. This amendment also allows entities to early adopt the requirement of recognizing changes in the fair value attributable to changes in the entity's credit risk in other comprehensive income (for financial liabilities that are recorded under the fair value option). Such an amendment may be applied without having to adopt the remainder of IFRS 9	Not yet determined
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IAS 19 "Employee Benefits"

Issued in November 2013, this amendment applies to employee or third party contributions to defined benefit plans. The objective of this amendment is to simplify the accounting recognition of contributions that are independent of the number of years of employee service; i.e., employees' contributions that are calculated in accordance with a fixed salary percentage.	07/01/2014
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<i>Improvements to Information Financial Reporting Standards (2012)</i>	07/01/2014
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Issued in December 2013.

IFRS 2 "Share-based Payment" – clarifies the definition of "vesting conditions and "market conditions" and defines separately "performance conditions" and "service conditions." Such an amendment should be applied prospectively on share-based payment transactions whose grant date is July 1, 2014 or after. Early adoption is permitted.

IFRS 3, "Business Combinations" - Clarifies that the obligation to pay contingent consideration in the form of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, "Financial Instruments: Presentation." The standard was additionally amended to clarify that all non equity contingent consideration, both financial and non-financial, be measured at fair value at each reporting date through profit or loss. Consequently, there are also changes to IFRS 9, IAS 37 and IAS 39. The amendment is applicable prospectively for business combinations

with an acquisition date on or after July 1, 2014. Early adoption is permitted provided that amendments of IFRS 9 and IAS 37 also issued as part of the 2012 improvement plan are applied.

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Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.4 Accounting Standards, Interpretations and Amendments, (continued)

Amendments and improvements

Mandatory for
annual periods
beginning on

IFRS 8 "Operating Segments" – The standard is amended to include the requirement to disclose the judgments made by management in the aggregation of operating segments. This includes a description of segments that have been aggregated and economic indicators that have been assessed in the determination that aggregated segments share similar economic characteristics. The standard was additionally modified to require a reconciliation of assets of each segment to total assets of an entity, when assets are reported by segment. Early adoption is permitted.

IFRS 13 "Fair Value Measurement" – When IFRS 13 was applied, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were eliminated. This raised a doubt as to whether entities no longer had the ability to measure short-term receivables and payables at their nominal amounts if the effect was not significant. IASB has modified the basis of the conclusions of IFRS 13 to clarify that it did not intend to eliminate the ability to measure short-term receivables and payables at nominal amounts in such cases. 07/01/2014

IAS 16, "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Both standards are amended to clarify the treatment of the gross carrying amount and accumulated depreciation when an entity uses the revaluation model. In such cases the carrying amount of the asset is adjusted to the revalued amount and the division of such revaluation between the gross carrying amount and accumulated depreciation is treated as follows: 1) either adjusting the gross carrying amount in a manner consistent with the revaluation of the carrying amount and accumulated depreciation is adjusted to equal the difference between the gross carrying amount and carrying amount after taking into consideration any accumulated impairment losses; or 2) accumulated depreciation is eliminated against the gross carrying amount of the asset. Early adoption is permitted.

IAS 24 "Related Party Disclosures" – The standard is modified to include, as a related party, an entity that provides key management personnel services to the reporting entity or the Parent of the reporting entity ("the managing entity"). The reporting entity is not obliged to disclose the compensation paid to the managing entity's employees or managers, but is required to disclose amounts charged to the reporting entity by the managing entity for key management personnel services rendered. Early 07/01/2014

adoption is permitted.

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Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.4 Accounting Standards, Interpretations and Amendments, (continued)

Amendments and improvements	Mandatory for annual periods beginning on
<i>Improvements to Information Financial Reporting Standards (2013)</i>	07/01/2014
Issued in December 2013.	

IFRS 1 “First-time Adoption of International Financial Reporting Standards” – clarifies that when a new version of a standard is not yet mandatory but is available for early adoption, a first-time adopter of IFRS may opt to apply the older version of the standard, provided that the same standard is applied to all periods presented.

IFRS 3 “Business Combinations” – the standard is modified to clarify that IFRS 3 is not applicable to the accounting recognition of the formation of a new joint arrangement under IFRS 11. This amendment also clarifies that only the scope exemption is applied to the financial statements of the joint arrangement.

IFRS 13 “Fair Value Measurement” – clarifies that the portfolio exception in IFRS 13, that allows an entity to measure the fair value of a group of financial assets and financial liabilities at their net amount applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

The amendment is mandatory for annual periods beginning on or after July 1, 2014. An entity must apply the amendments prospectively from the start of the first annual period in which this standard is applied.

IAS 40 “Investment Property” – the standard is modified to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 provides a guide to distinguish between investment property and

properties occupied by their owners. In preparing the financial information, the application guide to IFRS 3 should be considered to determine whether the acquisition of investment property is or is a business combination. This amendment is applicable for annual periods beginning on or after July 1, 2014, but can be applied to individual acquisitions of investment property prior to such date if and only if the information required to apply the amendment is available.

The adoption of the standards, amendments and interpretations described above are under evaluation and are not expected to have a significant impact on the Consolidated Financial Statements of the Company.

Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.5 Basis of consolidation

(a) Subsidiaries

Relate to all the entities on which Sociedad Química y Minera de Chile S.A. has the ability to manage financial and operating activities, which is general are accompanied by share holdings, greater than half the voting rights. Subsidiaries are included in consolidation from the date in which control of the Company is transferred and are excluded from consolidation on the date where such control ceases. Subsidiaries apply the same accounting policies of their Parent.

To account for the acquisition, the Company uses the acquisition method. Under this method the acquisition cost is the fair value of assets delivered, equity securities issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingencies assumed in a business combination are measured initially at fair value at the acquisition date. For each business combination, the Company will measure non-controlling interest of the acquire either at fair value or as proportional share of net identifiable assets of the acquiree.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 2 - Basis of presentation for the 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 12/31/2013			12/31/2012
				Direct	Indirect	Total	Total
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM North America Corp.	USA	US\$	40.0000	60.0000	100.0000	100.0000
Foreign	SQM Europe N.V.	Belgium	US\$	0.8600	99.1400	100.0000	100.0000
Foreign	Soquimich S.R.L. Argentina	Argentina	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Soquimich European Holding B.V.	Netherlands	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Corporation N.V.	Dutch Antilles	US\$	0.0002	99.9998	100.0000	100.0000
Foreign	SQI Corporation N.V.	Dutch Antilles	US\$	0.0159	99.9841	100.0000	100.0000
Foreign	SQM Comercial De México S.A. de C.V.	Mexico	US\$	0.0013	99.9987	100.0000	100.0000
Foreign	North American Trading Company	USA	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Administración Y Servicios Santiago S.A. de C.V.	Mexico	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Peru S.A.	Peru	US\$	0.9800	99.0200	100.0000	100.0000
Foreign	SQM Ecuador S.A.	Ecuador	US\$	0.0040	99.9960	100.0000	100.0000
Foreign	SQM Nitratos Mexico S.A. de C.V.	Mexico	US\$	0.0000	51.0000	51.0000	51.0000
Foreign	SQMC Holding Corporation L.L.P.	USA.	US\$	0.1000	99.9000	100.0000	100.0000
Foreign	SQM Investment Corporation N.V.	Dutch Antilles	US\$	1.0000	99.0000	100.0000	100.0000

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Foreign	SQM Brasil Limitada	Brazil	US\$	2.7900	97.2100	100.0000	100.0000
Foreign	SQM France S.A.	France	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Japan Co. Ltd.	Japan	US\$	1.0000	99.0000	100.0000	100.0000
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	US\$	1.6700	98.3300	100.0000	100.0000
Foreign	SQM Oceania Pty Limited	Australia	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Rs Agro-Chemical Trading Corporation A.V.V.	Aruba	US\$	98.3333	1.6667	100.0000	100.0000
Foreign	SQM Indonesia S.A.	Indonesia	US\$	0.0000	80.0000	80.0000	80.0000
Foreign	SQM Virginia L.L.C.	USA	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Italia SRL	Italy	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Comercial Caimán Internacional S.A.	Panama	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Africa Pty.	South Africa	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Lithium Specialties LLC	USA	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Iberian S.A.	Spain	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Iodine Minera B.V. (c)	Netherlands	US\$	0.0000	0.0000	0.0000	100.0000
Foreign	SQM Agro India Pvt.Ltd.	India	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Beijing Commercial Co. Ltd.	China	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Thailand Limited (b)	Thailand	US\$	0.0000	99.996	99.996	-

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 2 - Basis of presentation for the consolidated financial statements (continued)**2.5****Basis of consolidation, continued****Companies included in consolidation:**

TAX ID No.	Domestic subsidiaries	Country of origin	Functional currency	Ownership interest 12/31/2013		12/31/2012	
				Direct	Indirect	Total	Total
96.801.610-5	Comercial Hydro S.A.	Chile	US\$	0.0000	60.6383	60.6383	60.6383
96.651.060-9	SQM Potasio S.A.	Chile	US\$	99.9999	0.0000	99.9999	99.9999
96.592.190-7	SQM Nitratos S.A.	Chile	US\$	99.9999	0.0001	100.0000	100.0000
96.592.180-K	Ajay SQM Chile S.A.	Chile	US\$	51.0000	0.0000	51.0000	51.0000
86.630.200-6	SQMC Internacional Ltda.	Chile	Ch\$	0.0000	60.6381	60.6381	60.6381
79.947.100-0	SQM Industrial S.A.	Chile	US\$	99.0470	0.9530	100.0000	100.0000
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Ch\$	1.0000	99.0000	100.0000	100.0000
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Ch\$	1.0000	99.0000	100.0000	100.0000
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US\$	0.0003	99.9997	100.0000	100.0000
79.768.170-9	Soquimich Comercial S.A.	Chile	US\$	0.0000	60.6383	60.6383	60.6383
79.626.800-K	SQM Salar S.A.	Chile	US\$	18.1800	81.8200	100.0000	100.0000
78.053.910-0	Proinsa Ltda.	Chile	Ch\$	0.0000	60.5800	60.5800	60.5800
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Ch\$	0.0000	100.0000	100.0000	100.0000
76.425.380-9	Exploraciones Mineras S.A.	Chile	US\$	0.2691	99.7309	100.0000	100.0000
76.064.419-6	Comercial Agrorama Ltda.(a)	Chile	Ch\$	0.0000	42.4468	42.4468	42.4468
76.145.229-0	Agrorama S.A.	Chile	Ch\$	0.0000	60.6377	60.6377	60.6377
76.359.919-1	Orcoma Estudios SPA (d)	Chile	US\$	100.0000	-	100.0000	-
76.360.575-2	Orcoma SPA (e)	Chile	US\$	100.0000	-	100.0000	-

(a)

Comercial Agrorama Ltda. was consolidated given that the Company has control through the subsidiary Soquimich Comercial S.A.

(b) During the first half of 2013 Soquimich European Holdings BV purchased shares of SQM Thailand Limited, acquiring 99.996% of this company.

(c) During the first half of the year, Iodine Minera was absorbed into Soquimich European Holdings.

(d) On December 31, 2013, the subsidiary Orcoma Estudios SPA was incorporated into the company Sociedad Quimica y Minera de Chile S.A. making a capital contribution of US\$ 1,500, acquiring 100% ownership.

(e) On December 31, 2013, the subsidiary Orcoma SPA, was incorporated into the company Sociedad Quimica y Minera de Chile S.A. making a capital contribution of ThUS\$ 2,358, acquiring 100% ownership.

Notes to the Consolidated Financial Statements as of December 31, 2013

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

2.5 Basis of consolidation, continued

Subsidiaries are consolidated using the line-by-line method adding the items that represent assets, liabilities, revenues and expenses of similar content and eliminating those related to intragroup transactions.

Profit or loss dependent on companies acquired or disposed of during the year are included in consolidated profit or loss accounts consolidated from the effective date of acquisition or up to the effective date of disposal, as applicable.

Non-controlling interest represents the equity of a subsidiary not directly or indirectly attributable to the Parent.

2.6 Significant accounting judgments, estimates and assumptions

Management of Sociedad Química y Minera de Chile S.A. and its subsidiaries is responsible for the information contained in these consolidated financial statements, which expressly indicate that all the principles and criteria included in IFRSs as issued by the International Accounting Standard Board (IASB) have been applied in full.

In preparing the consolidated financial statements of Sociedad Química y Minera de Chile S.A. and its subsidiaries Management has made judgments and estimates to quantify certain assets, liabilities, revenues, expenses and commitments included therein. Basically, these estimates refer to:

- The useful lives of property, plant and equipment and intangible assets and their residual value;
- Impairment losses of certain assets, including trade receivables;
- Assumptions used in calculating the actuarial amount of pension-related and severance indemnity payment benefit commitments;
- Provisions for commitments assumed with third parties and contingent liabilities;
- Provisions on the basis of technical studies that cover the different variables affecting products in stock (density, moist, among others), and allowance for slow-moving spare-parts in stock;
- Future cost for closure of mining sites;

- The determination of the fair value of certain financial assets and derivative instruments;
- The determination and assignment of fair values in business combinations.

Despite the fact that these estimates have been made on the basis of the best information available on the date of preparation of these consolidated financial statements, certain events may occur in the future and oblige their amendment (upwards or downwards) over the next few years, which would be made prospectively, recognizing the effects of the change in estimates in the related future consolidated financial statements.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies

3.1 Classification of balances as current and non-current

In the attached consolidated statement of financial position, balances are classified in consideration of their remaining maturity; i.e., those maturing on a date equal to or less than twelve months are classified as current and those with maturity dates exceeding the aforementioned period are classified as non-current.

The exception to the foregoing relates to deferred taxes, which are classified as non-current, regardless of their maturity.

3.2 Functional and presentation currency

The Company's consolidated financial statements are presented in United States dollars ("U.S. dollars" or "US\$"), which is the Company's functional and presentation currency and is the currency of the main economic environment in which it operates.

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

The consolidated financial statements are presented in thousands of United States dollars without decimals.

3.3 Foreign currency translation

(a)

Domestic entities:

Assets and liabilities denominated in Chilean pesos and other currencies other than the functional currency (U.S. dollar) as of December 31, 2013 and December 31, 2012 have been translated to U.S. dollars at the exchange rates prevailing at those dates. The corresponding Chilean pesos were converted at Ch\$524.61 per US\$1.00 as of December

31, 2013, and Ch\$479.96 per US\$1.00 as of December 31, 2012.

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, 2013 amounted to Ch\$23,309.56 (US\$44.43), and as of December 31, 2012 amounted to Ch\$22,840.75 (US\$47.59).

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.3 Foreign currency translation, continued

(b) Foreign entities:

The translation of the financial statements of foreign companies with functional currency other than U.S. dollars is performed as follows:

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

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

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

	12/31/2013	12/31/2012
	US\$	US\$
Brazilian real	2.34	2.04
New Peruvian sol	2.75	2.75
Argentine peso	6.48	4.92
Japanese yen	105.39	86.58
Euro	0.73	0.76
Mexican peso	13.07	12.99
Australian dollar	1.12	1.05
Pound Sterling	0.61	0.62
South African rand	10.56	8.47

Ecuadorian dollar	1.00	1.00
Chilean peso	524.61	479.96
UF	44.43	47.59

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.3 Foreign currency translation, continued

(c) Transactions and balances

Non-monetary transactions in currencies other than the functional currency (U.S. dollar) (foreign currencies) are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. All differences are recorded in the statement of income except for all monetary items that provide effective hedge for a net investment in a foreign operation. These items are recognized in other comprehensive income on the disposal of the investment; at the time they are recognized in the statement of income. Charges and credits attributable to foreign currency translation differences on those hedge monetary items are also recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured using historical cost in a foreign currency are translated to the functional currency at the historical exchange rate of the transaction. Non-monetary items that are measured based on fair value in a foreign currency are translated using the exchange rate at the date at which the fair value is determined.

(d) Group entities

The revenue and expenses, assets and liabilities of all entities that have a functional currency other than the presentation currency are converted to the presentation currency as follows

- Assets and liabilities are converted at the closing exchange rate prevailing on the reporting date.
 - Revenues and expenses of each profit or loss account are converted at monthly average exchange rates.
- All resulting foreign currency translation gains and losses are recognized as a separate component in translation reserves.

In consolidation, foreign currency differences arising from the translation of a net investment in foreign entities are recorded in equity (other reserves). At the date of disposal, such foreign currency translation differences are recognized in the statement of income as part of the loss or gain from the sale.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.4

Subsidiaries

SQM S.A. consolidates those subsidiaries for which it exercises control. The Company has control when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those variable returns through its power over the entity.

The Company prepares the consolidated financial statements using consistent accounting policies for the entire Group, the consolidation of a subsidiary commences when the Company has control over the subsidiary and stops when control ceases.

3.5

Consolidated statement of cash flows

Cash equivalents correspond to highly-liquid short-term investments that are easily convertible into known amounts of cash and subject to insignificant risk of changes in their value and mature in less than three months from the date of acquisition of the instrument.

For the purposes of preparing the statement of cash flows, cash comprise cash and cash equivalents as defined above.

For the year ended December 31, 2013, the statement of cash flows was prepared using the direct method, which is a change in the method of presentation from previously issued consolidated financial statements. Prior year amounts have been restated to conform with the direct method.

3.6

Financial assets

Management determines the classification of its financial assets at the time of initial recognition, on the basis of the business model, for the management of financial assets and the characteristics of contractual cash flows from the financial assets. In accordance with IFRS 9, financial assets are measured initially at fair value plus transaction costs

that may have been incurred and are directly attributable to the acquisition of the financial asset. Subsequently, financial assets are measured at amortized cost or fair value.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.6 Financial assets, continued

Management assesses at each reporting date, whether there is objective evidence that an asset or group of assets is impaired. An asset or group of financial assets is impaired if and only if, there is evidence of impairment as a result of one or more events occurred after the initial recognition of the asset or group of assets. For the recognition of impairment, the loss event has to have an impact on the estimate of future cash flows from the asset or groups of financial assets.

3.7 Financial liabilities

Management determines the classification of its financial liabilities at the time of initial recognition. As established in IFRS 9, financial liabilities at the time of initial recognition are measured at fair value, less transaction costs that may have been incurred and are directly attributable to the issue of the financial liability. Subsequently, these are measured at amortized cost using the effective interest method. For financial liabilities that have been initially recognized at fair value through profit or loss, these will be measured subsequently at fair value.

3.8 Financial instruments at fair value through profit or loss

Management will irrevocably determine, at the time of initial recognition, the designation of a financial instrument at fair value through profit or loss, if by doing so eliminates or significantly reduces a measurement or recognition inconsistency, that would otherwise arise from the measurement of assets or liabilities or from the recognition of the gains and losses from them on different bases.

3.9 Financial instrument offsetting

The Company offsets an asset and liability if and only if it has at the time of the legal right to offset the amounts recognized and has the intent of net settling the related asset and liability.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.10 Reclassification of financial instruments

At the time at which the Company changes its business model for managing financial assets, it will reclassify the financial assets affected by the new business model.

In the case of financial liabilities, these will not be able to be reclassified.

3.11 Derivative financial instruments

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

- (a) Fair value hedge of assets and liabilities recognized (fair value hedges);
- (b) Hedging of a specific risk associated with an asset or liability recognized or a highly possible foreseen transaction (cash flow hedge);

At the beginning of the transaction, the Company documents the relationship existing between hedging instruments and those items hedged, as well as their objectives for risk management purposes and the strategy to conduct different hedging operations.

The Company also documents its evaluation both at the beginning and 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 items.

The fair value of derivative instruments used for hedging purposes is shown in Note 10.3 (hedging assets and liabilities). Changes in the cash flow hedge reserve are classified as a non-current asset or liability if the remaining expiration period of the hedged item is higher than 12 months and as a current asset or liability if the remaining expiration period of the entry is lower than 12 months.

Investing derivatives are classified as a current asset or liability, and the change in their fair value is recognized directly in profit or loss.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.11 Derivative and hedging financial instruments, continued

(a) Fair value hedge

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

For fair value hedges related to items recorded at amortized cost, the adjustment of the fair value is amortized against profit or loss during the period through maturity. Any adjustment to the carrying value of a hedged financial instrument for which the effective rate is used is amortized with a debit or credit to profit or loss at its fair value attributable to the risk being covered.

If the hedged entry is derecognized, the associated fair value not amortized is immediately recognized in profit or loss.

(b) Cash flow hedges

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

The amount recognized in equity is transferred to profit or loss when the hedged transaction affects profit or loss, as when the hedged interest income or expense is recognized when a projected sale occurs. When the hedged entry is the cost of a non-financial asset or liability, amounts taken to other reserves are transferred to the initial carrying value of the non-financial asset or liability.

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

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.12 Derecognition of financial instruments

In accordance with IFRS 9, the Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which all the risks and rewards of ownership of the financial asset have been substantially transferred; and the control of the financial assets has not been retained.

The Company derecognizes a financial liability when its contractual obligations or a part of these are discharged, paying to the creditor or the main liability associated has been legally discharged.

3.13 Derivative financial instruments

The Company maintains derivative financial instruments to hedge its risk in foreign currency. Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized when incurred. Subsequent to initial recognition, changes in fair value of such derivatives are recognized in profit or loss as part of gains and losses.

The Company assesses the existence of embedded derivatives both in its contracts and financial instruments. As of December 31, 2013 and 2012, there are no embedded derivatives.

3.14 Fair value measurements

At the initial recognition, the Company measures its assets and liabilities at fair value plus or minus transaction costs incurred that are directly attributable to the acquisition of a financial asset or issuance of a financial liability.

3.15 Leases

(a) Lease - Finance lease

Leases are classified as finance leases when the Company holds substantially all the risks and rewards derived from the ownership of the asset. Finance leases are capitalized at the beginning of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.15 Lease, continued

Each lease payment is distributed between the liability and the interest expenses to obtain ongoing interest on the pending balance of the debt. The respective lease obligations, net of interest expense, are included in other non-current liabilities. The interest element of finance cost is debited in the consolidated statement of income during the lease period so that a regular ongoing interest rate is obtained on the remaining balance of the liability for each year. The asset acquired through a finance lease is subject to depreciation over its useful life or the life of the agreement, whichever is shorter.

(b) Lease – Operating lease

Leases in which the lesser holds a significant part of the risks and rewards derived from the ownership are classified as operating leases. Operating lease payments (net of any incentive received from the lesser) are debited to the statement of income or capitalized (as applicable) on a straight-line basis over the lease period.

3.16 Deferred acquisition costs from insurance contracts

Acquisition costs from insurance contracts are classified as prepayments and correspond to insurance contracts in force, recognized using the straight-line method and on an accrual basis, and are recognized under Other non-financial assets.

These are recognized in expenses in the proportion with the period of time they cover, regardless of the related payment dates.

3.17 Trade and other receivables

Trade and other receivables relate to non-derivative financial assets with fixed and determinable payments and are not listed in any active market. These arise from sales operations involving the products and/or services which the Company provides directly to its customers

These assets are initially recognized at their fair value and subsequently at amortized cost according to the effective interest rate method less a provision for impairment loss. An allowance for impairment loss is established for trade receivables when there is objective evidence that the Company will not be able to collect all the amounts which are owed to it according to the original terms of receivables.

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

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.18 Inventory measurement

The Company recognizes inventories for the lower of cost and net realizable value. 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 inventories to their current location and conditions. The method used to determine the cost of inventories is weighted average cost.

Commercial discounts, rebates obtained and other similar entries are deducted in the determination of the acquisition price.

The net realizable value represents the estimate of the sales price less all estimated finishing costs and costs which will be incurred in market, sales and distribution processes.

The Company conducts an evaluation of the net realizable value of inventories at the end of each year recording an estimate charge to income when these are overstated. When the circumstances, which previously caused the rebate to cease to exist, or when there is clear evidence of an increase in the net realizable value due to a change in the economic circumstances or prices of main raw materials, the estimate made previously is modified.

The valuation of obsolete, impaired or slow-moving products relates to their net estimated net realizable value.

Provisions on the Company's inventories have been made based on a technical study which covers the different variables which affect products in stock (density, humidity, among others.)

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

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.19 Investments in associates and joint ventures

Interests in companies over which joint control is exercised (joint venture) or where an entity has significant influence (associates), are recognized using the equity method of accounting. Significant influence is presumed to exist when interest greater than 20% is held in the capital of an issuer.

Under this method, the investment is recognized in the statement of financial position at cost plus changes subsequent to the acquisition based on the proportional share in the equity of the associate, using for such purposes, the interest percentage in the ownership of the associate. The associated goodwill acquired is included in the carrying amount of the investment and is not amortized. The debit or credit to profit or loss reflects the proportional share in the profit or loss of the associate.

Unrealized gains for transactions with affiliates or associates are eliminated based on the percentage of interest that the Company has on such entities. Unrealized losses are also eliminated, except in the case that the transaction provides evidence of impairment loss of the transferred asset.

Changes in the equity of associates are recognized based on the proportional amounts with a debit or credit to "Other reserves" and classified based on their origin.

Reporting dates of the associate and the Company and related policies are similar for equivalent transactions and events under similar circumstances.

In the event that the significant influence is lost or the investment is sold or is held as available for sale, the equity method is discontinued suspending the recognition of proportional share of profit or loss.

If the resulting amount according to the equity method is negative, the share of investment or losses are reflected at zero value in the consolidated financial statements, unless a commitment exists by the Company to reinstate the

Company's equity position, in which case the related provision for risks and expenses is recorded.

Dividends received by these companies are recorded by reducing the equity value and the proportional share of profit or loss recognized in conformity with the share of equity are included in the consolidated profit or loss accounts in the caption "Equity share of profit (loss) of associates and joint ventures that are accounted for using the equity method of accounting".

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 – Significant accounting policies (continued)

3.20 Transactions with non-controlling interests

Non-controlling interests are recorded in the consolidated statement of financial position within equity separate from equity attributable to the owners of the Parent.

3.21 Related party transactions

Transactions between the Company and its subsidiaries are part of the Company's normal operations within its scope of business activities. Conditions for such transactions are those normally effective for those types of operations in regard to terms and market prices. Also, these transactions have been eliminated in consolidation. Expiration conditions for each case vary by virtue of the originating transaction.

3.22 Property, plant and equipment

Tangible property, plant and equipment assets are stated at acquisition cost, net of the related accumulated depreciation, amortization and impairment losses that they might have experienced.

In addition to the price paid for the acquisition of tangible property, plant and equipment, the Company has considered the following concepts as part of the acquisition cost, as applicable:

1. Accrued interest expenses during the construction period which are directly attributable to the acquisition, construction or production of qualifying assets, which are those that require a substantial period prior to being ready for use. The interest rate used is that related to the project's specific financing or, should this not exist, the average financing rate of the investor company.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 – Significant accounting policies (continued)

3.22 Property, plant equipment, continued

2. The future costs that the Company will have to incur related to the closure of its facilities at the end of their useful life are included at the present value of disbursements expected to be required to settle the obligation.

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

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

The replacement of full assets which increase the asset's useful life or its economic capacity, are recorded as a higher value of property, plant and equipment with the related derecognition of replaced or renewed elements.

Based on the impairment analysis conducted by the Company's management it has been concluded that the carrying value of assets does not exceed the net recoverable value of such assets.

Gains or losses which are generated from the sale or disposal of property, plant and equipment are recognized as income (or loss) in the period and calculated as the difference between the asset's sales value and its net carrying value.

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

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.23 Depreciation of property, plant and equipment

Property, plant and equipment are depreciated through the straight-line distribution of cost over the estimated technical useful life of the asset which is the period in which the Company expects to use the asset. When components of one item of property, plant and equipment have different useful lives, they are recorded as separate assets. Useful lives are reviewed on an annual basis.

The useful lives used for the depreciation and amortization of assets included in property, plant and equipment are presented below.

Types of property, plant and equipment	Minimum life or rate	maximum life or rate
Buildings	3	60
Plant and equipment	3	35
Information technology equipment	3	10
Fixtures and fittings	3	35
Motor vehicles	5	10
Other property, plant and equipment	2	30

3.24 Intangible assets

Intangible assets mainly relate to goodwill acquired, water rights, trademarks, and rights of way related to electric lines, development expenses, and computer software licenses.

(a) Goodwill acquired

Goodwill acquired represents the excess in acquisition cost on the fair value of the Company's ownership of the net identifiable assets of the subsidiary on the acquisition date. Goodwill acquired related to acquisitions of subsidiaries is included in goodwill, which is subject to impairment tests every time consolidated financial statements are issued and is stated at cost less accumulated impairment losses. Gains and losses related to the sale of an entity include the carrying value of goodwill related to the entity sold.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.24 Intangible assets, continued

This intangible asset is assigned to cash-generating units with the purpose of testing impairment losses. It is allocated based on cash-generating units expected to obtain benefits from the business combination from which the aforementioned goodwill acquired arose.

3.25 Intangible assets other than goodwill

(a) Water rights

Water rights acquired by the Company relate to water from natural sources and are recorded at acquisition cost. Given that these assets represent perpetual legal rights granted to the Company, they are not amortized, however, they are evaluated for impairment annually.

(b) Right of way for electric lines

As required for the operation of industrial plants, the Company has paid rights of way in order to install wires for the different electric lines in third party land. These rights are presented under Intangible assets. Amounts paid are capitalized at the date of the agreement and charged to income according to the duration of the contract.

(c) Computer software

Licenses for IT programs acquired are capitalized based on costs that have been incurred to acquire them and prepare them to use the specific program. These costs are amortized over their estimated useful lives.

Expenses related to the development or maintenance of IT programs are recognized as an expense as and when incurred. Costs directly related to the production of unique and identifiable IT programs controlled by the Group and

which will probably generate economic benefits that are higher than costs during more than a year, are recognized as intangible assets. Direct costs include expenses incurred for employees who develop IT programs and an adequate percentage of general expenses.

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

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.25 Intangible assets other than goodwill, continued

(d)	Mining property and concession right
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The Company holds mining property and concession rights from the Chilean Government. Property rights are usually obtained with no initial cost (other than the payment of mining patents and minor recording expenses) and upon obtaining rights on these concessions, these are retained by the Company while annual patents are paid. Such patents, which are paid annually, are recorded as prepaid assets and amortized over the following twelve months. Amounts attributable to mining concessions acquired from third parties not associated with the Chilean Government are recorded at acquisition cost within intangible assets.

No impairment of intangible assets exists as of December 31, 2013 and December 31, 2012, and December 31, 2011.

3.26 Research and development expenses

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

3.27 Prospecting expenses

The Company has mining property and concession rights acquired both from the Chilean Government and from third parties, which are intended for the exploitation and development of caliche ore and saltpeter deposits.

Upon obtaining these rights, the Company initially records disbursements directly associated with the exploration and evaluation of deposits associated with commercially viable reserves as asset at cost. Such disbursements include the following concepts:

- Disbursements for geological reconnaissance evaluation
- Disbursements for drilling work and sampling
- Disbursements for activities related to technical assessment and commercial studies, and of drilling work
 - Disbursement directly related to specific projects associated with finding mining resources.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.27 Prospecting expenses, continued

Subsequently, the Company distinguishes exploration and evaluation projects according to the economic feasibility of the mineral extracted in the area or exploration, among those that finally will deliver future benefits to the Company (profitable projects) and those projects for which it is not probable that economic benefit will flow to the Company in the future (i.e., when the mine site has low ore grade and its exploitation is not economically profitable).

If technical studies determine that the ore grade is not economically suitable for exploitation, the asset is recorded directly as an expense. Otherwise, it is kept in the other non-current assets, reclassifying the portion related to the area to be exploited in the year in the entry inventories and this amount is amortized as production cost on the basis of estimated tons to be extracted.

The technical reasons for this classification are due to the fact that this is an identifiable non-monetary asset that is owned to be used in the production of our processes as main raw material.

Paragrap17 of IFRS 6 establishes that an asset for exploitation and evaluation should be classified as such when it loses the technical feasibility for extraction and therefore, must be impaired. Because disbursements correspond to reserves used as main raw material in our production processes these costs are presented as inventories that will be developed within the commercial year, with the remainder as presented as development and exploration costs, and Other non-current assets.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.28 Impairment of non-financial assets

Assets subject to depreciation and amortization are subject to impairment testing, provided that an event or change in the circumstances indicates that the amounts in the accounting records may not be recoverable. An impairment loss is recognized for the excess of the book value of the asset over its recoverable amount.

The recoverable amount of an asset is the higher between the fair value of an asset or cash generating unit ("CGU") less costs of sales and its value in use, and is determined for an individual asset unless the asset does not generate any cash inflows that are clearly independent from other assets or groups of assets.

When the carrying value of an asset exceeds its recoverable amount, the asset is considered an impaired asset and is reduced to its net recoverable amount.

In evaluating value in use, estimated future cash flows are discounted using a discount rate before taxes which reflects current market evaluation on the time value of money and specific asset risks.

An appropriate valuation model is used to determine the fair value less selling costs. These calculations are confirmed by valuation multiples, quoted share prices for subsidiaries quoted publicly or other available fair value indicators.

Impairment losses from continuing operations are recognized with a debit to profit or loss in the categories of expenses associated with the impaired asset function, except for properties reevaluated previously where the revaluation was taken to equity. In this case impairment is also recognized with a debit to equity up to the amount of any previous revaluation.

As of December 31, 2013, as explained in Note 14 the Company has recorded an impairment loss. As of December 31, 2012 and December 31, 2011, the Company was unaware of any indication of impairment with respect to its assets.

For assets other than acquired goodwill, an annual evaluation is conducted of whether there exists impairment loss indicators recognized previously that might have already ceased to exist or decreased. The recoverable amount is estimated if such indicators exist. An impairment loss previously recognized is reversed only if there have been changes in estimates used to determine the asset's recoverable amount from the last time in which an impairment loss was recognized. If this is the case, the carrying value of the asset is increased to its recoverable amount. This increased amount cannot exceed the carrying value that would have been determined net of depreciation if an asset impairment loss would have not been recognized in prior years. This reversal is recognized with a credit to profit or loss unless an asset is recorded at the revalued amount. Should this be the case, the reversal is treated as an increase in revaluation.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.29 Minimum dividend

As required by the Shareholders' Corporations Act, unless decided otherwise by the unanimous vote by the shareholders of subscribed and paid shares, a public company must distribute dividends as agreed by the shareholders at the General Shareholders' Meeting held each year with a minimum of 30% of its profit for the year ended December 31, 2013, except when the Company records unabsorbed losses from prior years.

However, the Company defines as policy the distribution of 50% of its profit for the year ended December 31, 2013.

3.30 Earnings per share

The net basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the year.

The Company has not conducted any type of operation of potential dilutive effect that assumes diluted earnings per share other than the basic earnings per share.

3.31 Trade and other payables

Trade and other payables are measured at fair value plus all costs associated with the transaction. Subsequently, these are carried at amortized cost using the effective interest rate method.

3.32 Interest-bearing borrowings

At initial recognition interest-bearing borrowings are measured at fair value. Subsequently, they are measured at amortized cost using the effective interest rate method. Amortized cost is calculated considering any premium or discount from the acquisition and includes costs of transactions which are an integral part of the effective interest rate.

These are recorded as non-current when their expiration period exceeds twelve months and as current when the term is lower than such term. Interest expense is calculated in the year in which they are accrued following a financial criterion.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.33 Other provisions

Provisions are recognized when:

- The Company has a present obligation as the result of a past event.
- It is more likely than not that an outflow of resources will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

In the event that the provision or a portion of it is reimbursed, the reimbursement is recognized as a separate asset solely if there is certainty of income.

In the consolidated statement of income, the expense for any provision is presented net of any reimbursement.

Should the effect of the time value of money be significant, provisions are discounted using a discount rate before taxes that reflects the liability's specific risks. When a discount rate is used, the increase in the provision over time is recognized as a finance cost.

The Company's policy is to maintain provisions to cover risks and expenses based on a better estimate to deal with possible or certain and quantifiable responsibilities from current litigation, compensations or obligations, pending expenses for which the amount has not yet been determined, collaterals and other similar guarantees for which the Company is responsible. These are recorded at the time the responsibility or the obligation that determines the compensation or payment is generated.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.34 Obligations related to employee termination benefits and pension commitments

Obligations with the Company's employees are established in accordance with current collective bargaining agreements and individual employment contracts, except for the United States, which is regulated in accordance with pension plans in force up to 2002.

These obligations are valued using actuarial calculations, according to the projected unit credit method which considers such assumptions as the mortality rate, employee turnover, interest rates, retirement dates, effects related to increases in employees salaries, as well as the effects on variations in services derived from variations in the inflation rate. This considering criteria in force contained in IAS 19 revised.

Actuarial gains and losses that may be generated by variations in defined pre-established obligations are directly recorded in profit or loss for the year and not within Other comprehensive income considering their insignificant amount.

Actuarial losses and gains have their origin in departures between the estimate and the actual behavior of actuarial assumptions or in the reformulation of established actuarial assumptions.

The discount rate used by the Company for calculating the obligation was 6% for the periods ended December 31, 2013 and December 31, 2012.

The Company's subsidiary SQM North America has established pension plans for its retired employees that are calculated by measuring the projected obligation using a net salary progressive rate net of adjustments for inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 6.5% interest rate for 2013 and 2012. The net balance of this obligation is presented under the non-current provisions for employee benefits.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.35

Compensation plans

Compensation plans implemented through benefits in share-based payments settled in cash, which have been provided, are recognized in the financial statements at their fair value, in accordance with International Financial Reporting Standard No. 2 "Share-based Payments." Changes in the fair value of options granted are recognized with a debit to payroll on a straight-line basis during the period between the date on which these options are granted and the payment date. (See Note No.16).

3.36 Revenue recognition

Revenue includes the fair value of considerations received or receivable for the sale of goods and services during performance of the Company's activities. Revenue is presented net of value added tax, estimated returns, rebates and discounts and after the elimination of sales among subsidiaries.

Revenue is recognized when its amount can be stated reliably, when it is possible that the future economic rewards will flow to the entity and the specific conditions for each type of activity related revenue are complied with, as follows:

(a) Sale of goods

Sales of goods are recognized when the Company has delivered products to the customer, and there is no pending obligation that could affect the acceptance of products by the customer. The delivery does not occur until products have been shipped to the customer or collected by customers, and 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 estimated returns at the date of the sale. Volume discounts are evaluated in consideration of annual foreseen purchases and in accordance with the criteria defined in agreements.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.36 Revenue recognition, continued

(b) Sales of services

Revenue associated with the rendering of services is recognized considering the degree of completion of the service as of the date of presentation of the consolidated classified statement of financial position, provided that the result from the transaction can be estimated reliably.

(c) Interest income

Interest income is recognized when interest is accrued in consideration of the principal pending payment using the effective interest rate method.

(d) Income from dividends

Income from dividends is recognized when the right to receive the payment is established.

3.37 Finance income and finance costs

Finance income is mainly composed of interest income in financial instruments such as time deposits and mutual fund deposits. Interest income is recognized in profit or loss at amortized cost, using the effective interest rate method.

Finance costs are mainly composed of interest expense in bank borrowings, interest on bonds issued and interest capitalized for borrowing costs for the acquisition, construction or production or qualifying assets.

Borrowing costs and bonds issued are recognized in profit or loss using the effective interest rate method.

Finance costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets using the effective interest rate related to the project's specific financing; if none exists, the average financing rate of the subsidiary that makes the investment if used.

Borrowing and financing costs that are directly attributable to the acquisition, construction or production of an asset are capitalized as part of that asset's cost.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.38 Income tax and deferred taxes

Corporate income tax for the year is determined as the sum of current taxes from the different consolidated companies.

Current taxes are based on the application of the various types of taxes attributable to taxable income for the year.

Differences between the book value of assets and liabilities and their tax basis generate deferred tax assets or liabilities, which are calculated using the tax rates expected to be applicable when the assets and liabilities are realized.

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

Income tax and variations in deferred tax assets or liabilities that are not the result of business combinations are recorded in the statement of income or in the consolidated statement of financial position, based on the origin of the gains or losses which generated them.

At each reporting period, the carrying amount of deferred tax assets has been reviewed and reduced to the extent there will not be sufficient taxable income to allow the recovery of all or part of the deferred tax assets. Likewise, as of the date of the consolidated financial statements, deferred tax assets that are not recognized are evaluated and recognized in a way that future taxable income will allow for the recovery of the deferred tax asset.

With respect to deductible temporary differences associated with investments in subsidiaries, associated companies and interest in joint ventures, deferred tax assets are recognized solely provided that it is more likely than not that the temporary differences will be reversed in the near future and that there will be taxable income with which they may be used.

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

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

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 3 - Significant accounting policies (continued)

3.39 Segment reporting

IFRS 8 requires that companies adopt a “management approach” to disclose information on the operations generated by its operating segments. In general, this is the information that management uses internally for the evaluation of segment performance and to make the decision on how to allocate resources for this purpose.

An operating segment is a group of assets and operations responsible for providing products or services subject to risks and performance different from those of other business segments. A geographical segment is responsible for providing products or services in a given economic environment subject to risks and performance different from those of other segments that operate in other economic environments.

For assets and liabilities the allocation to each segment is not possible given that these are associated with more than one segment, except for depreciation, amortization and impairment of assets, which are directly allocated to the applicable segments, in accordance with the criteria established in the costing process for product inventories.

The following operating segments have been identified by the Company:

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

3.40 Environment

In general, the Company follows the criteria of considering amounts spent on environmental protection and improvement as environmental expenses. However, the cost of facilities, machinery and equipment used for the same purpose are considered property, plant and equipment, depending on the case.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 4 - Financial risk management

4.1 Financial 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 components of the financial uncertainty.

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, currency risk, bad debt risk, and interest rate risk

There may be additional risks that are currently unknown to us or other known risks that we currently believe are not significant, which could also affect the commercial operations, the business, the financial position or the results of the Company.

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

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 4 - Financial risk management (continued)

4.2 Risk factors

4.2.1 Market risk

Market risks are those uncertainties associated with fluctuations in 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.

c) Commodity 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.

Currently, the Company has a direct annual expense close to US\$140 million on account of petrol, gas and equivalents and close to US\$54 million on account of electricity.

Variations of 10% in the prices of energy the Company required to operate, may involve in the short-term movements in costs of approximately US\$17 million.

As expressed in the Company's 2012 annual report, the markets in which the Company operates are unpredictable, are exposed to significant variations in supply and demand, and have volatile prices. Additionally, the supply of certain fertilizers or chemical products, including certain products which the Company trades, vary mainly depending on the production of the top producers and their respective business strategies. Therefore, the Company cannot predict with certainty changes in demand, the responses of the competition, and the fluctuations in the final price of its products. These factors can lead to significant impacts on sale volumes of its products, the financial situation of the Company

and its share price.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 4 - Financial risk management (continued)

4.2.1 Market risk, continued

Quality standards: In those markets where we operate, customers might impose quality standards for our products and/or governments could enact more stringent for the distribution and/or use of our products. As a result, we could d)not be able to sell our products if we are not able to meet those new standards. In addition, our production costs might increase to meet the new standards. Not being able to sell our products in one or more markets or to significant customers might significantly affect our business, financial position or the results of our operations.

4.2.2 Doubtful accounts risk

A contraction of the global economy and the potentially negative effects in the financial position of our clients may extend the receivables collection time for SQM, increasing the bad debt exposure. While measures have been taken in order to minimize 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 collection and uses measures such as, loan insurance, letters of credit, and prepayments as a part of trade receivables.

4.2.3 Currency risk

As a result of its influence in determining price level, of its relationship with sales costs and due to the fact that a significant part of the business of the Company is carried out in that in United States Dollar, this is the functional currency of the Company. However, the global business activities of the Company expose create exposure to the foreign exchange fluctuations of several currencies with respect to the US dollar. Therefore, SQM has hedge contracts to mitigate the exposure generated by its main mismatches (assets net of liabilities) in currencies other than the US dollar against the foreign exchange fluctuation. Those contracts are periodically updated depending upon the mismatch amount to be covered in these currencies. Occasionally and subject to the Board of Directors' approval, the Company insures cash flows from certain items in currencies other than U.S. dollar at shortterm.

A significant portion of the costs of the Company, particularly payroll, is related to the Chilean peso. Therefore, an increase or decrease in the exchange rate against the dollar would affect the net income of SQM. Approximately US\$ 470 million cost of the Company are related to the Chilean peso. A significant part of the effect of such obligations in the statement of financial position is covered by operations of derivative instruments that hedge the mismatch of balance in this currency.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 4 - Financial risk management (continued)

4.2.3 Currency risk, continued

As of December 31, 2012, the Company had derivative instruments classified as hedges against currency and interest rate associated with all the obligations denominated bonds both in Chilean pesos and UF, with a fair value of US\$ 100.6 million. As of December 31, 2013, this value amounts to US\$ 23.6 million, both in favor of SQM.

As of December 31, 2013, the Chilean peso to US dollar Exchange rate was Ch\$ 524.61 per US\$1.00, and as of December 31, 2012 it was Ch\$ 479.96 per 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 said rate, as SQM currently holds hedging derivative instruments to hedge a portion of its liabilities subject to the LIBOR rate fluctuations.

As of December 31, 2013, approximately 16% of the Company's financial obligations are valued at LIBOR; therefore significant increases in the rate may impact its financial position. A 100 base point variation in this rate may trigger variations in the financial expenses close to US\$ 1 million. Notwithstanding, this effect is significantly counterbalanced by the returns of the Company's investments that also relate to LIBOR.

In addition, as of December 31, 2013, the Company's financial debt is mainly in the long-term, with 21% with maturities of less than 12 months which decreases the exposure to changes in the interest rates.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 4 - Financial risk management (continued)

4.2.5 Liquidity risk

Liquidity risk is related to the fund requirements to comply with payment obligations. The object of the Company is to keep financial flexibility by comfortably balancing the fund requirements and the flows from the regular business conduct, bank loans, public bonds, short term investments, and negotiable instruments, amongst other.

The company has an important capital expenditure 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 results of operations of the Company.

SQM constantly monitors obligations and investments to ensure they match, taking care of the obligations and investments maturities from a conservative perspective as part of its financial risk management and strategy. As of December 31, 2013, the Company had non-committed and available bank credit lines for working capital for a total of approximately US\$555 million.

The position in other cash and cash equivalents so 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 financial risk hedging strategies, both prospectively and retrospectively. Those methods are consistent with the risk management profile of the Group.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 5 - Changes in accounting estimates and policies (consistent presentation)

5.1 Changes in accounting estimates

There are no changes in accounting estimates as of the closing date of the consolidated financial statements.

5.2 Changes in accounting policies

As of December 31, 2013, the Company's consolidated financial statements present no changes in accounting policies or estimates compared to the prior period.

The consolidated classified statements of financial position as of December 31, 2013 and December 31, 2012 and the statements of comprehensive income, equity and cash flows for the periods ended December 31, 2013 and December 31, 2012, have been prepared in accordance with IFRS, and accounting principles and criteria have been applied consistently.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 6 - Background of companies included in consolidation

6.1 Parent's stand-alone assets and liabilities

	12/31/2013	12/31/2012
	ThUS\$	ThUS\$
Assets	4,269,749	3,908,259
Liabilities	(1,893,129)	(1,775,476)
Assets (liabilities)	2,376,620	2,132,783

6.2 Parent entity

As provided in the Company's by-laws, no shareholder can hold more than 32% of the Company's voting right shares and therefore there is no controlling entity.

6.3 Joint arrangements of controlling interest

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A., and Inversiones Global Mining (Chile) Limitada, collectively the Pampa Group, are the owners of a number of shares that are equivalent to 29.9% as of December 31, 2013 of the current total amount of shares issued, subscribed and fully-paid of the Company. In addition, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation, collectively the Kowa Group, are the owners of a number of shares equivalent to 2.09% of the total amount of issued, subscribed and fully-paid shares of SQM S.A.

The Pampa Group and the Kowa Group have informed SQM S.A., the Chilean SVS and the relevant stock exchanges in Chile and abroad that they are not and have never been related parties. In addition, this is regardless of the fact that both Groups on December 21, 2006 have entered into a Joint Action Agreement (JAA) related to those shares. Consequently, the Pampa Group, by itself, does not concentrate more than 32% of the voting right capital of SQM S.A., and the Kowa Group does not concentrate by itself more than 32% of the voting right capital of SQM S.A.

Likewise, the Joint Action Agreement has not transformed the Pampa and Kowa Groups into related parties between them. The Joint Action Agreement has only transformed the current controller of SQM S.A., composed of the Pampa Group, and the Kowa Group into related parties of SQM S.A.

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Notes to the Consolidated Financial Statements as of December 31, 2013

6.3 Joint arrangements of controlling interest, continued

Detail of effective concentration

Tax ID No.	Name	Ownership interest %
96.511.530-7	Sociedad de Inversiones Pampa Calichera S.A.	19.65
96.863.960-9	Inversiones Global Mining (Chile) Limitada	3.34
76.165.311-5	Potasios de Chile S.A.	6.91
Total Pampa Group		29.90
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.	0.30
59.023.690-k	La Esperanza Delaware Corporation	0.09
Total Kowa Group		2.09

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 6 - Background of companies included in consolidation (continued)**6.4 General information on consolidated subsidiaries**

As of December 31, 2013 and December 31, 2012 the general information of the companies on which the Company exercises control and significant influence is as follows:

Subsidiary	Tax ID	Address	Country of incorporation	Functional currency	Ownership interest		Total
					Direct	Indirect	
SQM Nitratos S.A.	96.592.190-7	El Trovador 4285 Las Condes	Chile	US\$	99.9999	0.0001	100.0000
Proinsa Ltda.	78.053.910-0	El Trovador 4285 Las Condes	Chile	Ch\$	-	60.5800	60.5800
SQMC Internacional Ltda.	86.630.200-6	El Trovador 4285 Las Condes	Chile	Ch\$	-	60.6382	60.6382
SQM Potasio S.A.	96.651.060-9	El Trovador 4285 Las Condes	Chile	US\$	99.9999	-	99.9999
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Arturo Prat 1060, Tocopilla	Chile	US\$	0.0003	99.9997	100.0000
Isapre Norte Grande Ltda.	79.906.120-1	Anibal Pinto 3228, Antofagasta	Chile	Ch\$	1.0000	99.0000	100.0000
Ajay SQM Chile S.A.	96.592.180-K	Av. Pdte. Eduardo Frei 4900, Santiago	Chile	US\$	51.0000	-	51.0000
Almacenes y Depósitos Ltda.	79.876.080-7	El Trovador 4285 Las Condes	Chile	Ch\$	1.0000	99.0000	100.0000
SQM Salar S.A.	79.626.800-K	El Trovador 4285 Las Condes	Chile	US\$	18.1800	81.8200	100.0000
SQM Industrial S.A.	79.947.100-0		Chile	US\$	99.0470	0.9530	100.0000

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Exploraciones Mineras S.A.	76.425.380-9	El Trovador 4285 Las Condes Los Militares 4290 Las Condes	Chile	US\$	0.2691	99.7309	100.0000
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	76.534.490-5	Anibal Pinto 3228, Antofagasta	Chile	Ch\$	-	100.0000	100.0000
Soquimich Comercial S.A.	79.768.170-9	El Trovador 4285 Las Condes	Chile	US\$	-	60.6383	60.6383
Comercial Agrorama Ltda. (a)	76.064.419-6	El Trovador 4285 Las Condes	Chile	Ch\$	-	42.4468	42.4468
Comercial Hydro S.A.	96.801.610-5	El Trovador 4285 Las Condes	Chile	Ch\$	-	60.6383	60.6383
Agrorama S.A.	76.145.229-0	El Trovador 4285 Las Condes	Chile	Ch\$	-	60.6377	60.6377
Orcoma Estudios SPA	76.359.919-1	Apoquindo 3721 Of.131 Las Condes	Chile	US\$	100.0000	-	100.0000
Orcoma SPA	76.360.575-2	Apoquindo 3721 Of.131 Las Condes	Chile	US\$	100.0000	-	100.0000
SQM North America Corp.	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA	United States	US\$	40.0000	60.0000	100.0000
RS Agro Chemical.Trading Corporation A.V.V.	Foreign	Caya Ernesto O. Petronia 17, Orangestad Al. Tocantis 75, 6° Andar, Conunto 608	Aruba	US\$	98.3333	1.6667	100.0000
Nitratos Naturais do Chile Ltda.	Foreign	Edif. West Gate, Alphaville Barureri, CEP 06455-020, Sao Paulo	Brazil	US\$	-	100.0000	100.0000
Nitrate Corporation of Chile Ltd.	Foreign	1 More London Place London SE1 2AF	United Kingdom	US\$	-	100.0000	100.0000
SQM Corporation N.V.	Foreign	Pietermaai 123, P.O. Box 897, Willemstad, Curacao	Dutch Antilles	US\$	0.0002	99.9998	100.0000

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SQM Peru S.A.	Foreign	Avenida Camino Real N° 348 of. 702, San Isidro, Lima Av. José Orrantia y Av. Juan Tanca	Peru	US\$	0.9800	99.0200	100.0000
SQM Ecuador S.A.	Foreign	Marengo Edificio Executive Center Piso 2 Oficina 211 Al. Tocantis 75, 6° Andar, Conunto 608	Ecuador	US\$	0.0040	99.9960	100.0000
SQM Brasil Ltda.	Foreign	Edif. West Gate, Alphaville Barueri, CEP 06455-020, Sao Paulo	Brazil	US\$	1.0900	98.9100	100.0000

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 6 - Background of companies included in consolidation (continued)**6.4 General information on consolidated subsidiaries**

Subsidiary	Tax ID	Address	Country of incorporation	Ownership interest			Total
				Functional currency	Direct	Indirect	
SQI Corporation N.V.	Foreign	Pietermaai 123, P.O. Box 897, Willemstad, Curacao	Dutch Antilles	US\$	0.0159	99.9841	100.0000
SQMC Holding Corporation L.L.P.	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta	United States	US\$	0.1000	99.9000	100.0000
SQM Japan Co. Ltd.	Foreign	From 1 st Bldg 207, 5-3-10 Minami- Aoyama, Minato-ku, Tokyo	Japan	US\$	1.0000	99.0000	100.0000
SQM Europe N.V.	Foreign	Sint Pietersvliet 7 bus 8, 2000. Antwerp	Belgium	US\$	0.5800	99.4200	100.0000
SQM Italia SRL	Foreign	Via A. Meucci, 5 500 15 Grassina Firenze	Italy	US\$	-	100.0000	100.0000
SQM Indonesia S.A.	Foreign	Perumahan Bumi Dirgantara Permai, Jl Suryadarma Blok Aw No 15 Rt 01/09 17436 Jatisari Pondok Gede	Indonesia	US\$	-	80.0000	80.0000
North American Trading Company	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA	United States	US\$	-	100.0000	100.0000
SQM Virginia LLC	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA	United States	US\$	-	100.0000	100.0000
SQM Comercial de México S.A. de C.V.	Foreign	Calle Industria Eléctrica s/n Lote 30, Manzana A Parque Industrial Bugambilias CP 45645, Trajomulco de Zuñiga, Jalisco	Mexico	US\$	0.0013	99.9987	100.0000
SQM Investment Corporation N.V.	Foreign	Pietermaai 123, P.O. Box 897, Willemstad, Curacao	Dutch Antilles	US\$	1.0000	99.0000	100.0000

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Royal Seed Trading Corporation A.V.V.	Foreign	Caya Ernesto O. Petronia 17, Orangestad	Aruba	US\$	1.6700	98.3300	100.0000
SQM Lithium Specialties LLP	Foreign	2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA	United States	US\$	-	100.0000	100.0000
Soquimich SRL Argentina Comercial	Foreign	Espejo 65 Oficina 6 – 5500 Mendoza	Argentina	US\$	-	100.0000	100.0000
Caimán Internacional S.A.	Foreign	Edificio Plaza Bancomer Calle 50	Panama	US\$	-	100.0000	100.0000
SQM France S.A.	Foreign	ZAC des Pommiers 27930 FAUVILLE	France	US\$	-	100.0000	100.0000
Administración y Servicios Santiago S.A. de C.V.	Foreign	Calle Industria Eléctrica s/n Lote 30, Manzana A Parque Industrial Bugambilias CP 45645, Trajomulco de Zuñiga, Jalisco	Mexico	US\$	-	100.0000	100.0000
SQM Nitratos México S.A. de C.V.	Foreign	Calle Industria Eléctrica s/n Lote 30, Manzana A Parque Industrial Bugambilias CP 45645, Trajomulco de Zuñiga, Jalisco	Mexico	US\$	-	100.0000	100.0000

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 6 - Background of companies included in consolidation (continued)**6.4 General information on consolidated subsidiaries**

Subsidiary	Tax ID	Address	Country of incorporation	Functional currency	Ownership interest		
					Direct	Indirect	Total
Soquimich European Holding B.V.	Foreign	Loacalellikade 1 Parnassustoren 1076 AZ Amsterdam	Netherlands	US\$	-	100.0000	100.0000
SQM Iberian S.A	Foreign	Provenza 251 Principal 1a CP 08008, Barcelona	Spain	US\$	-	100.0000	100.0000
Iodine Minera B.V. (b)	Foreign	Loacalellikade 1 Parnassustoren 1076 AZ Amsterdam	Netherlands	US\$	-	100.0000	100.0000
SQM Africa Pty Ltd.	Foreign	Tramore House, 3 Wterford Office Park, Waterford Drive, 2191 Fourways, Johannesburg	South Africa	US\$	-	100.0000	100.0000
SQM Oceania Pty Ltd.	Foreign	Level 9, 50 Park Street, Sydney NSW 2000, Sydney	Australia	US\$	-	100.0000	100.0000
SQM Agro India Pvt. Ltd.	Foreign	C 30 Chiragh Enclave New Dehli, 110048	India	US\$	-	100.0000	100.0000
SQM Beijing Commercial Co. Ltd.	Foreign	Room 1001C, CBD International Mansion N 16 Yong An Dong Li, Jian Wai Ave Beijing 100022, P.R.	China	US\$	-	100.0000	100.0000
SQM Thailand Limited	Foreign	Unit 2962, Level 29, N° 388, Exchange Tower Sukhumvit Road, Klongtoey Bangkok	Thailand	US\$	-	99.996	99.996

(a) Comercial Agrograma is 70% owned by Soquimich Comercial S.A.

(b) During the first half of 2013, Iodine Minera was absorbed by Soquimich European Holding B.V.

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 6 - Background of companies included in consolidation (continued)**6.5 Information attributable to non-controlling interests**

Subsidiary	% of interests in the ownership held by non-controlling interests		Profit (loss) attributable to non-controlling interests		Equity, non-controlling interests		Dividends paid to non-controlling interests	
			12/31/2013 ThUS\$	12/31/2012 ThUS\$	12/31/2013 ThUS\$	12/31/2012 ThUS\$	12/31/2013 ThUS\$	12/31/2012 ThUS\$
Proinsa Ltda.	0.1	%	-	-	-	-	-	-
SQM Potasio S.A.	0.0000001	%	-	-	-	-	-	-
Ajay SQM Chile S.A.	49	%	(3,389)	(4,890)	8,806	9,817	4,400	1,764
SQM Indonesia S.A.	20	%	-	-	16	-	-	-
SQM Nitratos México S.A. de C.V.	0	%	-	-	-	5	-	-
Soquimich Comercial S.A.	39.3616784	%	(4,051)	(3,367)	46,448	44,476	2,026	-
Comercial Agrorama Ltda.	30	%	(18)	56	351	364	-	-
Agrorama S.A.	0.001	%	-	-	-	-	-	-
SQM (Thailand) Limited	0.004	%	-	-	-	-	-	-
Total			(7,458)	(8,201)	55,621	54,662	6,426	1,764

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Notes to the Consolidated Financial Statements as of December 31, 2013

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

12/31/2013

Subsidiary	Assets		Liabilities		Revenue	Profit (loss)	Comprehensive income (loss)
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Nitratos S.A.	490,084	124,966	525,924	15,545	184,487	18,434	18,434
Proinsa Ltda.	200	1	-	-	-	(2)	(2)
SQMC Internacional Ltda.	266	-	-	-	-	(1)	(1)
SQM Potasio S.A.	109,408	1,049,628	3,411	15,749	2,052	184,948	185,458
Serv. Integrales de Tránsito y Transf. S.A.	348,685	86,935	389,980	8,423	50,135	6,149	6,149
Isapre Norte Grande Ltda	916	829	924	192	4,192	28	334
Ajay SQM Chile S.A.	22,720	1,232	5,226	755	67,413	6,916	6,916
Almacenes y Depósitos Ltda.	362	50	1	-	-	(11)	(40)
SQM Salar S.A.	678,215	1,000,954	453,864	216,110	792,109	206,745	206,679
SQM Industrial S.A.	1,110,303	820,831	872,216	79,021	925,167	64,602	61,547
Exploraciones Mineras S.A.	477	31,537	4,765	-	-	(312)	(312)
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	762	243	322	556	2,276	31	46
Soquimich Comercial S.A.	143,515	22,582	47,121	973	214,350	10,291	10,162
Comercial Agrorama Ltda.	15,450	2,148	16,314	114	16,009	61	62
Comercial Hydro S.A.	8,302	134	124	72	109	370	370
Agrorama S.A.	15,722	568	16,074	36	16,122	37	37
Orcoma SpA	2	2,356	-	-	-	-	-
Orcoma Estudio SpA	2	-	-	-	-	-	-
SQM North América Corp.	214,359	17,058	197,077	1,781	365,691	(4,763)	(3,751)
RS Agro Chemical Trading Corporation A.V.V.	5,204	-	-	-	-	(9)	(9)
Nitratos Naturais do Chile Ltda.	3	254	4,695	-	-	278	278
Nitrate Corporation of Chile Ltd.	5,076	-	-	-	-	-	-
SQM Corporation N.V.	669	93,936	3,725	-	-	10,441	7,377
SQM Perú S.A.	578	1	1,190	-	1	(191)	(191)

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SQM Ecuador S.A.	10,644	81	10,533	42	25,475	(1,224	)	(1,224	)
SQM Brasil Ltda.	680	40	851	-	802	88		88	
SQI Corporation N.V.	-	19	62	-	-	(1	)	(2	)
SQMC Holding Corporation L.L.P.	11,978	16,394	1,000	-	-	5,267		5,267	
SQM Japan Co. Ltd.	1,948	263	234	494	2,468	(283	)	(283	)

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 6 - Background of companies included in consolidation (continued)**6.6 Information on consolidated subsidiaries, continued****12/31/2013**

Subsidiary	Assets		Liabilities		Revenue	Comprehensive	
	Current	Non-current	Current	Non-current		Profit (loss)	income (loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Europe N.V.	316,396	383	280,092	-	677,497	1,608	1,608
SQM Italia SRL	1,421	-	18	-	-	-	-
SQM Indonesia S.A.	4	-	(76)	-	-	-	-
North American Trading Company	160	145	39	-	-	(1)	(1)
SQM Virginia LLC	14,828	14,374	14,828	-	-	(1)	(1)
SQM Comercial de México S.A. de C.V.	88,252	1,427	61,534	-	178,180	4,724	4,724
SQM Investment Corporation N.V.	62,496	282	36,805	851	50	1,097	1,097
Royal Seed Trading Corporation A.V.V.	240,231	442	83,606	170,000	-	(2,537)	(1,904)
SQM Lithium Specialties LLP	15,781	3	1,264	-	-	(1)	(1)
Soquimich SRL Argentina	414	-	218	-	-	(49)	(49)
Comercial Caimán Internacional S.A.	271	-	1,122	-	-	(38)	(38)
SQM France S.A.	345	6	114	-	-	-	-
Administración y Servicios Santiago S.A. de C.V.	153	-	795	127	3,243	(7)	(7)
SQM Nitratos México S.A. de C.V.	26	4	23	4	186	(7)	(7)
Soquimich European Holding B.V.	79,966	96,670	93,496	987	-	8,849	5,785
SQM Iberian S.A	101,299	70	101,757	-	166,087	66	66
SQM Africa Pty Ltd.	55,635	729	47,932	-	109,968	1,611	1,611
SQM Oceanía Pty Ltd.	4,251	-	811	-	3,542	51	51
SQM Agro India Pvt. Ltd.	7	-	2	-	-	(2)	(2)

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SQM Beijing Commercial Co. Ltd.	2,415	80	301	-	9,915	(1,164)	(1,164)
SQM Thailand Limited	7,052	36	4,510	-	4,379	(787)	(787)
Total	4,187,933	3,387,691	3,284,824	511,832	3,821,905	521,301	514,370

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Notes to the Consolidated Financial Statements as of December 31, 2013

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

Subsidiary	12/31/2012				12/31/2012		
	Assets		Liabilities		Revenue	Profit (loss)	Comprehensive income (loss)
	Current	Non-current	Current	Non-current			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Nitratos S.A.	610,140	125,407	519,148	15,721	366,936	148,768	148,768
Proinsa Ltda.	220	1	-	-	-	-	10
SQMC Internacional Ltda.	292	-	-	-	-	2	15
SQM Potasio S.A.	19,134	1,130,587	1,013	13,293	10,172	259,578	259,578
Serv. Integrales de Tránsito y Transf. S.A.	272,955	84,635	319,214	7,308	47,861	4,330	4,330
Isapre Norte Grande Ltda.	786	742	672	201	4,517	263	297
Ajay SQM Chile S.A.	25,125	1,137	5,454	772	64,806	9,980	9,980
Almacenes y Depósitos Ltda.	398	54	1	-	-	(11)	35
SQM Salar S.A.	700,153	911,055	315,982	148,687	933,061	318,275	318,404
SQM Industrial S.A.	1,273,599	714,896	997,339	73,112	1,027,856	93,488	93,329
Exploraciones Mineras S.A.	469	31,475	4,383	-	-	(236)	(236)
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	890	148	362	540	320	17	26
Soquimich Comercial S.A.	167,089	19,373	72,651	819	239,909	8,555	8,555
Comercial Agrorama Ltda.	15,515	1,693	15,868	128	14,842	(185)	(135)
Comercial Hydro S.A.	7,882	218	135	95	110	430	430
Agrorama S.A.	14,086	164	14,039	54	11,886	47	47
SQM North America Corp.	303,666	16,070	281,313	2,190	441,315	23,736	23,736
RS Agro Chemical Trading Corporation A.V.V.	5,214	-	-	-	-	(10)	(10)
Nitratos Naturais do Chile Ltda.	8	282	5,005	-	-	(284)	(284)
Nitrate Corporation of Chile Ltd.	5,076	-	-	-	-	-	-
SQM Corporation N.V.	669	86,348	3,724	-	-	(3,314)	(3,314)
SQM Peru S.A.	867	37	1,215	-	321	(165)	(165)
SQM Ecuador S.A.	19,321	99	18,029	35	23,753	244	244

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SQM Brasil Ltda.	672	51	942	-	965	78	78
SQI Corporation N.V.	-	17	43	-	-	(8)	(8)
SQMC Holding Corporation L.L.P.	5,685	18,912	1,657	-	-	2,422	2,422

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Notes to the Consolidated Financial Statements as of December 31, 2013

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

Subsidiary	12/31/2012				12/31/2012		Comprehensive income (loss) ThUS\$
	Assets		Liabilities		Revenue	Profit (loss) ThUS\$	
	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$			
SQM Japan Co. Ltd.	2,190	286	166	544	2,476	(125)	(125)
SQM Europe N.V.	391,321	269	356,718	-	853,143	(14,928)	(14,928)
SQM Italia SRL	1,360	-	17	-	-	-	28
SQM Indonesia S.A.	5	-	1	-	-	-	-
North American Trading Company	160	145	39	-	-	-	-
SQM Virginia LLC	14,829	14,375	14,829	-	-	-	-
SQM Comercial de México S.A. de C.V.	77,811	1,280	55,509	163	172,412	3,254	3,254
SQM Investment Corporation N.V.	63,933	331	39,426	813	4,551	743	743
Royal Seed Trading Corporation A.V.V.	241,921	786	13,736	240,000	-	(2,435)	(2,435)
SQM Lithium Specialties LLP	15,782	3	1,264	-	-	-	-
Soquimich SRL Argentina	422	-	176	-	-	(39)	(39)
Comercial Caimán Internacional S.A.	333	-	1,147	-	-	(58)	(58)
SQM France S.A.	345	6	114	-	-	-	-
Administración y Servicios Santiago S.A. de C.V.	50	-	683	128	2,457	127	127
SQM Nitratos México S.A. de C.V.	29	4	19	4	153	-	-
Soquimich European Holding B.V.	70,432	108,680	102,950	-	-	(4,932)	(4,171)
SQM Iberian S.A	81,420	9	81,883	-	169,202	(2,136)	(2,136)
Iodine Minera B.V.	16,929	-	1	-	2,792	3,708	3,708
SQM Africa Pty Ltd.	97,915	212	91,369	-	97,974	(2,921)	(2,921)
SQM Oceania Pty Ltd.	5,621	-	1,613	-	4,669	755	755

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SQM Agro India Pvt. Ltd.	17	-	11	-	-	(38	) (38	)
SQM Beijing Commercial Co. Ltd.	3,512	123	1,779	-	12,674	1,621	1,621	
Total	4,536,248	3,269,910	3,341,639	504,607	4,511,133	848,596	849,517	

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Notes to the Consolidated Financial Statements as of December 31, 2013

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

6.7 Detail of transactions between consolidated companies

a) Transactions carried out in 2013

On December 31, 2013, the subsidiary Orcoma Estudios SPA was incorporated into the company with Sociedad Quimica y Minera de Chile S.A. making a capital contribution of US\$ 1,500, acquiring 100% ownership.

On December 31, 2013, the subsidiary Orcoma SPA was incorporated into the company with Sociedad Quimica y Minera de Chile S.A. made a capital contribution of ThUS\$ 2,358, acquiring 100% ownership.

On March 25, 2013, SQM Industrial S.A. increased by ThUS\$ 1,500 the capital of its subsidiary SQM Beijing Commercial Co. Ltd.

During the first half of the year Iodine Minera was absorbed into Soquimich European Holdings.

During the first half of 2013 Soquimich European Holdings B.V. purchased shares of SQM Thailand Limited, acquiring 99.996% of this company.

Transactions conducted in 2012

On November 30, 2012, SQM S.A. transferred and made a capital contribution of the 99% of the ownership interest in Minera Nueva Victoria Limitada to SQM Potasio S.A.; therefore, SQM Potasio S.A. obtains 100% of the ownership. As a result of the above, Minera Nueva Victoria Limitada merged into SQM Potasio S.A., which generates the dissolution of Minera Nueva Victoria Limitada.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 7 - Cash and cash equivalents

7.1 Types of cash and cash equivalents

As of December 31, 2013 and December 31, 2012, cash and cash equivalents are detailed as follows:

a) Cash	12/31/2013 ThUS\$	12/31/2012 ThUS\$
Cash on hand	119	90
Cash in banks	29,671	41,541
Other demand deposits	3,625	833
Total cash	33,415	42,464
b) Cash equivalents	12/31/2013 ThUS\$	12/31/2012 ThUS\$
Short-term deposits, classified as cash equivalents	158,208	139,943
Short-term investments, classified as cash equivalents	284,999	141,946
Total cash equivalents	443,207	281,889
Total cash and cash equivalents	476,622	324,353

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 7 - Cash and cash equivalents (continued)

7.2 Short-term investments, classified as cash equivalents

As of December 31, 2013 and December 31, 2012, short-term investments, classified as cash and cash equivalents relate to mutual funds (investment liquidity funds) for investments in:

Institution	12/31/2013	12/31/2012
	ThUS\$	ThUS\$
Legg Mason - Western Asset Institutional Cash Reserves	95,941	47,408
BlackRock - Institutional US Dollar Liquidity Fund	94,726	47,490
JP Morgan US dollar Liquidity Fund Institutional	94,332	47,048
Total	284,999	141,946

Short-term investments are highly liquid mutual funds that are basically invested in short-term fixed rate notes as cash equivalents in the U.S. market.

7.3 Information on cash and cash equivalents by currency

As of December 31, 2013 and December 31, 2012, information on cash and cash equivalents by currency is detailed as follows:

Original currency	12/31/2013	12/31/2012
	ThUS\$	ThUS\$
Chilean Peso (*)	25,391	76,712
U.S. dollar	430,263	234,181
Euro	9,230	3,601
Mexican Peso	429	720
South African Rand	7,229	7,421
Japanese Yen	1,435	1,369
Peruvian Sol	2	75
Brazilian Real	73	20
Chinese Yuan	384	181

Indonesian Rupiah	4	5
Indian rupee	7	-
Thai baht	2,161	-
Pound sterling	14	68
Total	476,622	324,353

(*) The Company maintains financial derivative policies which allow dollarizing these term deposits in Chilean pesos.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 7 - Cash and cash equivalents (continued)

7.4 Amount of significant restricted (unavailable) cash balances

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

As of December 31, 2013 and December 31, 2012, the Company has no significant cash balances with any type of restriction.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 7 - Cash and cash equivalents (continued)**7.5 Short-term deposits, classified as cash equivalents**

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

Receiver of the deposit	Type of deposit	Original Currency	Interest rate	Placement date	Expiration date	Principal ThUS\$	Interest accrued to-date ThUS\$	31/12/2013 ThUS\$	31/12/2012 ThUS\$
Banco BBVA Chile	Fixed term	US\$	0.50	12/20/2013	01/09/2014	10,000	2	10,002	-
Banco BBVA Chile	Fixed term	US\$	-	12/20/2013	01/09/2014	10,000	2	10,002	-
Banco BBVA Chile	Fixed term	US\$	-	12/20/2013	01/09/2014	10,000	2	10,002	-
Banco Crédito e Inversiones	Fixed term	US\$	0.40	12/16/2013	01/16/2014	20,000	3	20,003	37,72
Banco Crédito e Inversiones	Fixed term	US\$	0.48	12/16/2013	02/06/2014	20,000	4	20,004	-
Banco Crédito e Inversiones	Fixed term	US\$	0.50	10/17/2013	01/03/2014	10,093	10	10,103	-
Banco Crédito e Inversiones	Fixed term	US\$	0.58	12/16/2013	03/11/2014	20,000	5	20,005	-
Banco Crédito e Inversiones	Fixed term	Ch\$	0.37	12/30/2013	01/13/2014	4,384	-	4,384	-
Banco Crédito e Inversiones	Fixed term	Ch\$	0.38	12/27/2013	01/09/2014	4,193	2	4,195	-
Banco Santander - Santiago	Fixed term	US\$	0.48	12/09/2013	01/23/2014	20,314	6	20,320	36,94
Banco Santander - Santiago	Fixed term	US\$	0.52	12/04/2013	01/03/2014	10,104	4	10,108	-
Banco Santander - Santiago	Fixed term	Ch\$	0.43	10/21/2013	01/03/2014	14,352	148	14,500	-
IDBI Bank	Fixed term	Indian rupee	-	12/31/2013	03/31/2014	2	-	2	2
Citibank New York	Overnight	US\$	0.01	12/31/2013	01/02/2014	444	-	444	51,77
Citibank New York	Overnight	US\$	0.01	12/31/2013	01/02/2014	640	-	640	-
Citibank New York	Overnight	US\$	0.01	12/31/2013	01/02/2014	1,301	-	1,301	-
ABN Amro Bank	Fixed term	Euro	-	12/31/2013	01/31/2014	2,193	-	2,193	-
Banco Security	Fixed term	US\$	-	-	-	-	-	-	3,501
Corpbanca	Demand deposit	US\$	-	-	-	-	-	-	9,999

Total

158,020 188 158,208 139,9

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 8 - Inventories

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

Type of inventory	12/31/2013 ThUS\$	12/31/2012 ThUS\$
Raw material reserves	8,552	8,675
Supplies for production reserves	42,366	37,919
Products-in-progress reserves	400,824	405,382
Finished product reserves	503,788	438,603
Total	955,530	890,579

Inventory provisions recognized as of December 31, 2013 amount to ThUS\$97,248, and ThUS\$72,687 as of December 31, 2012. Inventory provisions have been made based on a technical study that covers the different variables affecting products in stock (density, humidity, among others). Additionally, reserves are recognized if goods are sold cheaper than the related cost, and for differences that arise from inventory counts.

The total amount recorded as cost of sale related to inventory in the statement of income amounts to ThUS\$1,314,276 and to ThUS\$1,093,075 as of December 31, 201 and 2012, respectively.

The breakdown of inventory reserves is detailed as follows:

Type of inventory	12/31/2013 ThUS\$	12/31/2012 ThUS\$
Raw material reserves	93	93
Supplies for production reserves	500	500
Products-in-progress reserves	65,768	46,635
Finished product reserves	30,887	25,459
Total	97,248	72,687

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

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 9 - Related party disclosures

9.1 Related party disclosures

Balances pending at period-end are not guaranteed, accrue no interest and are settled in cash. No guarantees have been delivered or received for trade and other receivables due from related parties or trade and other payables due to related parties. For the period ended December 31, 2013, the Company has not recorded any impairment in accounts receivable related to amounts owed by related parties. This evaluation is conducted every year through an examination of the financial position of the related party in the market in which it operates.

9.2 Relationships between the parent and the entity

According to the Company's by-laws, no shareholder can own more than 32% of the Company's voting right shares.

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A., and Inversiones Global Mining (Chile) Ltda., collectively the Pampa Group, are the owners of a number of shares that are equivalent to 29.9% as of December 31, 2013 of the current total amount of shares issued, subscribed and fully-paid of the Company. In addition, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation, collectively the Kowa Group, are the owners of a number of shares equivalent to 2.09% of the total amount of shares of SQM S.A. issued, subscribed and fully-paid.

The Pampa Group and the Kowa Group have informed SQM S.A., the Chilean SVS and the relevant stock exchanges in Chile and abroad that they are not and have never been related parties between them. In addition, this is regardless of the fact that both Groups on December 21, 2006 have entered into a Joint Action Agreement (JAA) related to those shares. Consequently, the Pampa Group, by itself, does not concentrate more than 32% of the voting right capital of SQM S.A., and the Kowa Group does not concentrate by itself more than 32% of the voting right capital of SQM S.A.

Likewise, the Joint Action Agreement has not transformed the Pampa and Kowa Groups into related parties between them. The Joint Action Agreement has only transformed the current controller of SQM S.A., composed of the Pampa Group, and the Kowa Group into related parties of SQM S.A.

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Notes to the Consolidated Financial Statements as of December 31, 2013

Note 9 - Related party disclosures (continued)

9.2 Relationship between the Parent and the entity

Detail of effective concentration

Tax ID No.	Name	Ownership interest %
96.511.530-7	Sociedad de Inversiones Pampa Calichera S.A.	19.65
96.863.960-9	Inversiones Global Mining (Chile) Ltda.	3.34
76.165.311-5	Potasios de Chile S.A.	6.91
Total Pampa Group		29.90
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.	0.30
59.023.690-k	La Esperanza Delaware Corporation	0.09
Total Kowa Group		2.09

9.3 Detailed identification of the link between the Parent and subsidiary

As of December 31, 2013 and December 31, 2012, the detail of entities that are a related parties of the SQM S.A. Group is as follows:

Tax ID No.	Name	Country of origin	Functional currency	Nature
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US\$	Subsidiary
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US\$	Subsidiary
Foreign	SQM North America Corp.	United States	US\$	Subsidiary
Foreign	SQM Europe N.V.	Belgium	US\$	Subsidiary
Foreign	Soquimich S.R.L. Argentina	Argentina	US\$	Subsidiary
Foreign	Soquimich European Holding B.V.	The Netherlands	US\$	Subsidiary
Foreign	SQM Corporation N.V.	Dutch Antilles	US\$	Subsidiary
Foreign	SQI Corporation N.V.	Dutch Antilles	US\$	Subsidiary

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Foreign	SQM Comercial De México S.A. de C.V.	Mexico	US\$	Subsidiary
Foreign	North American Trading Company	United States	US\$	Subsidiary
Foreign	Administración y Servicios Santiago S.A. de C.V.	Mexico	US\$	Subsidiary
Foreign	SQM Peru S.A.	Peru	US\$	Subsidiary
Foreign	SQM Ecuador S.A.	Ecuador	US\$	Subsidiary
Foreign	SQM Nitratos Mexico S.A. de C.V.	Mexico	US\$	Subsidiary
Foreign	SQMC Holding Corporation L.L.P.	United States	US\$	Subsidiary
Foreign	SQM Investment Corporation N.V.	Dutch Antilles	US\$	Subsidiary
Foreign	SQM Brasil Limitada	Brazil	US\$	Subsidiary
Foreign	SQM France S.A.	France	US\$	Subsidiary
Foreign	SQM Japan Co. Ltd.	Japan	US\$	Subsidiary
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	US\$	Subsidiary
Foreign	SQM Oceania Pty Limited	Australia	US\$	Subsidiary
Foreign	Rs Agro-Chemical Trading Corporation A.V.V.	Aruba	US\$	Subsidiary
Foreign	SQM Indonesia S.A.	Indonesia	US\$	Subsidiary
Foreign	SQM Virginia L.L.C.	United States	US\$	Subsidiary
Foreign	SQM Italia SRL	Italy	US\$	Subsidiary
Foreign	Comercial Caiman Internacional S.A.	Panamá	US\$	Subsidiary
Foreign	SQM Africa Pty. Ltd.	South Africa	US\$	Subsidiary
Foreign	SQM Lithium Specialties LLC	United States	US\$	Subsidiary
Foreign	SQM Iberian S.A.	Spain	US\$	Subsidiary
Foreign	Iodine Minera B.V. (a)	The Netherlands	US\$	Subsidiary
Foreign	SQM Agro India Pvt. Ltd.	India	US\$	Subsidiary
Foreign	SQM Beijing Commercial Co. Ltd.	China	US\$	Subsidiary
Foreign	SQM Thailand Limited (b)	Thailand	US\$	Subsidiary

Notes to the Consolidated Financial Statements as of December 31, 2013

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

As of December 31, 2013 and December 31, 2012, the detail of entities that are a related parties of the SQM S.A. Group is as follows:

Tax ID No.	Name	Country of origin	Functional currency	Nature
96.801.610-5	Comercial Hydro S.A.	Chile	Chilean peso	Subsidiary
96.651.060-9	SQM Potasio S.A.	Chile	US\$	Subsidiary
96.592.190-7	SQM Nitratos S.A.	Chile	US\$	Subsidiary
96.592.180-K	Ajay SQM Chile S.A.	Chile	US\$	Subsidiary
86.630.200-6	SQMC Internacional Ltda.	Chile	Chilean peso	Subsidiary
79.947.100-0	SQM Industrial S.A.	Chile	US\$	Subsidiary
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Chilean peso	Subsidiary
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Chilean peso	Subsidiary
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US\$	Subsidiary
79.768.170-9	Soquimich Comercial S.A.	Chile	US\$	Subsidiary
79.626.800-K	SQM Salar S.A.	Chile	US\$	Subsidiary
78.053.910-0	Proinsa Ltda.	Chile	Chilean peso	Subsidiary
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Chilean peso	Subsidiary
76.425.380-9	Exploraciones Mineras S.A.	Chile	US\$	Subsidiary
76.064.419-6	Comercial Agrorama Ltda.	Chile	Chilean peso	Subsidiary
76.145.229-0	Agrorama S.A.	Chile	Chilean peso	Subsidiary
76.359.919-1	Orcoma Estudios SPA (c)	Chile	US\$	Subsidiary
76.360.575-2	Orcoma SPA (d)	Chile	US\$	Subsidiary
77.557.430-5	Sales de Magnesio Ltda.	Chile	Chilean peso	Associate
Foreign	Abu Dhabi Fertilizer Industries WWL	United Arab Emirates	Arab Emirates dirham	Associate
Foreign	Doktor Tarsa Tarim Sanayi AS	Turkey	Turkish lira	Associate
Foreign	Ajay North America	United States	US\$	Associate
Foreign	Ajay Europe SARL	France	Euro	Associate
Foreign	SQM Eastmed Turkey	Turkey	Euro	Associate
Foreign	Charlee SQM Thailand Co. Ltd.	Thailand	Thai baht	Associate
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	China	US\$	Joint venture

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Foreign	Coromandel SQM	India	Indian rupee	Joint venture
Foreign	SQM Vitas Fzco.	Arab Emirates	Arab Emirates dirham	Joint venture
Foreign	SQM Star Qingdao Crop Nutrition Co., Ltd.	China	US\$	Joint venture
Foreign	SQM Vitas Spain	Spain	Euro	Joint venture
Foreign	SQM Vitas Holland	Dutch Antilles	Euro	Joint venture
Foreign	SQM Vitas Plantacote B.V	Dutch Antilles	Euro	Joint venture
Foreign	Kowa Company Ltd.	Japan	US\$	Other related parties
96.511.530-7	Sociedad de Inversiones Pampa Calichera	Chile	US\$	Other related parties
96.529.340-k	Norte Grande S.A.	Chile	Chilean peso	Other related parties
79.049.778-9	Callegari Agricola S.A.	Chile	Chilean peso	Other related parties
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 control or significant influence
Foreign	SQM Vitas Peru S.A.C.	Peru	US\$	Joint control or significant influence
Foreign	SQM Vitas Southern Africa Pty.	South Africa	US\$	Joint control or significant influence

Notes to the Consolidated Financial Statements as of December 31, 2013

Note 9 - Related party disclosures (continued)

9.3 Detailed identification of the link between the Parent and subsidiary, continued

- (a) During the first half of 2013 Iodine Minera S.A. was absorbed into Soquimich European Holdings B.V.
- (b) During the first half of 2013 Soquimich European Holdings B.V. purchased shares of SQM Thailand Limited, acquiring 99.996% of the company.
- (c) On December 31, 2013, the subsidiary Orcoma Estudios SPA was incorporated into the company Sociedad Química y Minera de Chile S.A. making a capital contribution of US\$ 1,500, acquiring 100% ownership.
- (d) On December 31, 2013, the subsidiary Orcoma SPA was incorporated into the company Sociedad Química y Minera de Chile S.A. making a capital contribution of ThUS\$ 2,358, acquiring 100% ownership.

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Notes to the Consolidated Financial Statements as of December 31, 2013

9.4 Detail of related parties and related party transactions

Transactions between the Parent and its subsidiaries are part of the Company's common transactions. Their conditions are those customary for this type of transactions in respect of terms and market prices. In addition, these have been eliminated in consolidation and are not detailed in this note.

Maturity terms for each case vary by virtue of the transaction giving rise to them.

As of December 31, 2013 and December 31, 2012, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

As of December 31, 2013 and December 31, 2012, the detail of transactions with related parties is as follows:

Tax ID No.	Company	Nature	Country of origin	Transaction	12/31/2013 ThUS\$
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