

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2016

OR

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

for the transition period from _____ to

OR

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

Date of event requiring this shell company report

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)

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

| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
|---|--|
| Series B shares, in the form of American Depositary Shares each representing one Series B share | New York Stock Exchange |

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

None

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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

If “Other” has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

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

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

| | |
|-----------------|-------------|
| Series A Shares | 142,819,552 |
| Series B Shares | 120,376,972 |

TABLE OF CONTENTS

Page

| | |
|--|-----|
| PRESENTATION OF INFORMATION | iv |
| GLOSSARY | iv |
| CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS | vii |
| ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS | 1 |
| ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE | 1 |
| ITEM 3. KEY INFORMATION | 1 |
| ITEM 4. INFORMATION ON THE COMPANY | 21 |
| ITEM 4A. UNRESOLVED STAFF COMMENTS | 68 |
| ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS | 69 |
| ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES | 90 |
| ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS | 104 |
| ITEM 8. FINANCIAL INFORMATION | 107 |
| ITEM 9. THE OFFER AND LISTING | 115 |
| ITEM 10. ADDITIONAL INFORMATION | 117 |
| ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK | 130 |
| ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES | 131 |
| ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES | 133 |
| ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS .. | 133 |
| ITEM 15. CONTROLS AND PROCEDURES | 133 |
| ITEM 16. [RESERVED] | 134 |
| ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT | 134 |
| ITEM 16B. CODE OF ETHICS | 134 |
| ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES | 134 |
| ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES | 135 |
| ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS | 135 |
| ITEM 16G. CORPORATE GOVERNANCE | 135 |
| ITEM 16H. MINE SAFETY AND DISCLOSURE | 135 |
| ITEM 17. FINANCIAL STATEMENTS | 136 |
| ITEM 18. FINANCIAL STATEMENTS | 136 |
| ITEM 19. EXHIBITS | 136 |
| SIGNATURES | 137 |
| CONSOLIDATED FINANCIAL STATEMENTS | F-3 |
| EXHIBIT 1.1 | |
| EXHIBIT 8.1 | |
| EXHIBIT 12.1 | |
| EXHIBIT 12.2 | |
| EXHIBIT 13.1 | |
| EXHIBIT 13.2 | |
| EXHIBIT 23.1 | |
| EXHIBIT 23.2 | |
| EXHIBIT 23.3 | |
| EXHIBIT 99.1 | |
| EXHIBIT 99.2 | |
| EXHIBIT 99.3 | |
| EXHIBIT 99.4 | |

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, 2016, UF 1.00 was equivalent to US\$39.49 and Ch\$26,347.98 according to the Chilean Central Bank (*Banco Central de Chile*). As of April 20, 2017, UF 1.00 was equivalent to US\$40.96 and Ch\$26,528.10.

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 bank holiday in Chile, certain financial information is reflected as of December 30, 2016.

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

1 kilometer equals approximately 0.6214 miles

1 meter equals approximately 3.2808 feet

1 centimeter equals approximately 0.3937 inches

1 hectare equals approximately 2.4710 acres

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“LIBOR” London Inter Bank Offered Rate.

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

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

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

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

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

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

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

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

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

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

“Resources—Indicated Mineral Resource” ** The part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence.

The calculation is based on detailed exploration, sampling and testing information gathered through appropriate sampling techniques from locations such as outcrops, trenches and exploratory drill holes. The locations are too widely or inappropriately spaced to confirm geological continuity and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource.

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

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

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

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

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

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

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

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

“Weighted average age” The sum of the product of the age of each fixed asset at a given facility and its current gross book value as of December 31, 2016 divided by the total gross book value of the Company’s fixed assets at such facility as of December 31, 2016.

- * 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 and for the years ended December 31, 2016, 2015, 2014, 2013, and 2012. 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.

| | As of and for the year ended December 31, | | | | |
|---|---|--------------|--------------|--------------|----------------|
| (in millions of US\$) ⁽¹⁾ | 2016 | 2015 | 2014 | 2013 | 2012 |
| Statement of income: | | | | | |
| Revenues..... | 1,939.3 | 1,728.3 | 2,014.2 | 2,203.1 | 2,429.2 |
| Cost of sales..... | (1,328.3) | (1,185.6) | (1,431.2) | (1,481.7) | (1,400.6) |
| Gross profit..... | 611.0 | 542.7 | 583.0 | 721.5 | 1,028.6 |
| Other income ⁽²⁾ | 14.8 | 15.3 | 24.1 | 96.7 | 12.7 |
| Administrative expenses..... | (88.4) | (86.8) | (96.5) | (105.2) | (106.4) |
| Other expenses ⁽³⁾⁽⁴⁾⁽⁵⁾ | (89.7) | (106.4) | (64.3) | (49.4) | (34.6) |
| Other gains (losses)..... | 0.7 | 3.8 | 4.4 | (11.4) | 0.7 |
| Finance income..... | 10.6 | 11.6 | 16.1 | 12.7 | 29.1 |
| Finance expenses..... | (57.5) | (69.9) | (63.4) | (58.6) | (54.1) |
| Equity income of associates and joint ventures accounted for using the equity method..... | 13.0 | 10.3 | 18.1 | 18.8 | 24.4 |
| Foreign currency exchange differences..... | 0.4 | (12.4) | (16.5) | (12.0) | (26.8) |
| Income before income tax expense ⁽³⁾..... | 414.9 | 308.3 | 405.0 | 613.1 | 873.5 |
| Income tax expense ⁽⁶⁾ | (133.0) | (83.8) | (160.7) | (138.5) | (216.1) |
| Profit for the year ⁽³⁾⁽⁶⁾..... | 281.9 | 224.5 | 244.3 | 474.6 | 657.4 |
| Profit attributable to: | | | | | |
| Controlling interests ⁽³⁾⁽⁶⁾ | 278.3 | 220.4 | 236.9 | 467.1 | 649.2 |
| Non-controlling interests..... | 3.6 | 4.2 | 7.4 | 7.5 | 8.2 |
| Profit for the year ⁽³⁾⁽⁶⁾..... | 281.9 | 224.5 | 244.3 | 474.6 | 657.4 |
| Basic earnings per share ⁽⁷⁾ | 1.06 | 0.84 | 0.90 | 1.77 | 2.47 |
| Basic earnings per ADS ⁽⁸⁾⁽⁹⁾ | 1.06 | 0.84 | 0.90 | 1.77 | 2.47 |
| Dividends per share ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾ | 1.44 | 0.47 | 1.42 | 1.04 | 1.25 |
| Dividends per ADS ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾ | 1.44 | 0.47 | 1.42 | 1.04 | 1.25 |
| Weighted average ⁽⁷⁾⁽⁸⁾ 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) Other income for 2013 includes US\$84 million for the sale of royalties for the Antucoya mining project. After taxes, this sale had a one-time effect of US\$67 million on profit for the year.
- (3) Other expenses for 2014 includes provisions of approximately US\$7 million corresponding to payments made in 2015 to the Chilean Internal Revenue Service (Servicio de Impuestos Internos or "SII") for expenses that may not have qualified as tax expenses under the Chilean tax code. However, since such payments were made after March 3, 2015, the date on which the Company filed its statutory consolidated financial statements filed with the Chilean Superintendence of Securities and Insurance (Superintendencia de Valores y Seguros or "SVS"), such provisions were included in net income for the period ended December 31, 2015 for purposes of the Company's statutory consolidated financial statements. For more information, see "Item 3D. Risk Factors—Risks Relating to our Business—We could be subject to numerous risks in Chile as a result of ongoing investigations by the Chilean Public Prosecutor in relation to certain payments made by SQM between the tax years 2009 and 2015."
- (4) Other expenses for 2015 include a charge of US\$57.7 million for impairment and severance indemnities related to the restructuring of our Pedro de Valdivia operations.
- (5) Other expenses for 2016 include a charge of US\$32.8 million for impairment related to the closing of the train between Coya Sur and Tocopilla. Other expenses for 2016 also includes charges of approximately US\$30.5 million for impairment related to the Company's agreement with the U.S. Department of Justice and the administrative cease and desist order issued by the U.S. Securities and Exchange Commission in connection the inquiries arising out of the alleged violations of the books and records and internal controls provisions of the Foreign Corrupt Practices Act. For more information, see "Item 3D. Risk Factors—Risks Relating to our Business—We could be subject to numerous risks in Chile as a result of ongoing investigations by the Chilean Public Prosecutor in relation to certain payments made by SQM between the tax years 2009 and 2015" and "Item 8.A.7 Legal Proceedings."
- (6) In accordance with IAS 12, the effects generated by the change in the income tax rate approved by Law No. 20.780 on income and deferred taxes have been applied to the income statement. For purposes of the Company's statutory consolidated financial statements filed with the SVS, in accordance with the instructions issued by the SVS in its circular 856 of October 17, 2014, the effects generated by the change in the income tax rate were accounted for as retained earnings. The amount charged to equity as of December 31, 2014 was US\$52.3 million, thereby giving rise to a difference of US\$52.3 million in profit and income tax expense in 2014 as presented in the Company's Audited Consolidated Financial Statements compared with profit and income tax expense presented in the Company's statutory consolidated financial statements filed with the SVS. The effects of subsequent changes in the income tax rate will be recognized in profit or loss for the period in the Company's statutory consolidated financial statements in accordance with IAS 12.
- (7) The Company has not conducted any transaction that would give rise to a potential dilutive effect on its earnings per share in any of the indicated years. The total number of outstanding shares as of each period end is the same as the weighted average shares outstanding.
- (8) The calculation of earnings per ADSs and dividends per ADS for the years indicated is based on the ratio of 1:1.
- (9) Dividends per share are calculated based on 263,196,524 shares for each of the years indicated.
- (10) Dividends are paid from net income as determined in accordance with SVS regulations. See "Item 8.A. Dividend Policy." For dividends in Ch\$, see "Item 8.A. Dividend Policy—Dividends."
- (11) Dividend amount paid per calendar year to shareholders of the Company. See "Item 8.A. Dividend Policy."
- (12) Dividend amounts per share paid in Chilean pesos were Ch\$936.15 in 2016, Ch\$316.06 in 2015, Ch\$806.79 in 2014, Ch\$536.16 in 2013 and Ch\$604.59 in 2012.

| (in millions of US\$) | As of and for the year ended December 31, | | | | |
|---|---|---------|---------|---------|---------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Balance sheet data: | | | | | |
| Total assets..... | 4,218.6 | 4,643.8 | 4,663.7 | 4,767.6 | 4,416.4 |
| Total liabilities..... | 1,911.4 | 2,243.4 | 2,371.1 | 2,335.4 | 2,229.0 |
| Total equity..... | 2,307.3 | 2,400.4 | 2,292.5 | 2,432.2 | 2,187.4 |
| Equity attributable to controlling interests..... | 2,246.1 | 2,339.8 | 2,232.6 | 2,376.6 | 2,132.8 |
| Equity attributable to non-controlling interest ... | 61.2 | 60.6 | 59.9 | 55.6 | 54.7 |
| 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. The Informal Exchange Market comprises entities that are not expressly authorized to operate in the Formal Exchange Market, such as certain foreign exchange houses and travel agencies, among others. The Chilean Central Bank is empowered to determine that certain purchases and sales of foreign currencies be carried out on the Formal Exchange Market.

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

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

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

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

The U.S. dollar is our functional currency. However, unless otherwise indicated, any amounts translated into U.S. dollars from Chilean pesos were translated using the Observed Exchange Rate for December 31, 2016, which was Ch\$669.47 per US\$1.00. As of April 20, 2017 the Observed Exchange Rate was US\$1.00 per Ch\$647.68.

Observed Exchange Rate⁽¹⁾**(Ch\$ per US\$)**

| Year | Low ⁽¹⁾ | High ⁽¹⁾ | Average ⁽¹⁾⁽²⁾ | Year/Month End ⁽³⁾ |
|------------------------|---------------------------|----------------------------|----------------------------------|--|
| 2012 | 469.65 | 519.69 | 486.59 | 479.96 |
| 2013 | 466.50 | 533.95 | 495.18 | 524.61 |
| 2014 | 527.53 | 621.41 | 570.34 | 606.75 |
| 2015 | 597.10 | 715.66 | 654.66 | 710.16 |
| 2016 | 645.22 | 730.31 | 676.83 | 669.47 |
| Last six months | Low ⁽¹⁾ | High ⁽¹⁾ | Average ⁽¹⁾⁽²⁾ | Year/Month End ⁽³⁾ |
| 2016 | | | | |
| October | 651.65 | 670.88 | 663.92 | 651.65 |
| November | 650.72 | 679.24 | 666.12 | 675.48 |
| December | 649.40 | 677.11 | 667.17 | 669.47 |
| 2017 | | | | |
| January | 648.31 | 673.36 | 661.19 | 648.87 |
| February | 638.35 | 646.97 | 643.21 | 645.19 |
| March | 648.88 | 669.52 | 661.20 | 662.66 |

Source: Central Bank of Chile

- (1) Reflects high and low rates on a day-to-day basis, for each period reported.
(2) The monthly average rate is calculated on a day-to-day basis for each month reported. The yearly average rate is calculated on a month-to-month basis for each year reported.
(3) Based on transactions observed during the last day of the period.

3.B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

3.D. Risk Factors

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

Risks Relating to our Business

We could be subject to numerous risks in Chile as a result of ongoing investigations by the Chilean Internal Revenue Service and the Chilean Public Prosecutor in relation to certain payments made by SQM between the tax years 2009 and 2015

The SII has been conducting investigations related to the payment of invoices by SQM and its subsidiaries, SQM Salar S.A. and SQM Industrial S.A., for services that may not have been properly supported or that may not have been necessary to generate corporate income. The Chilean Public Prosecutor is conducting related inquiries to determine whether such payments may be linked with alleged violations by SQM, these subsidiaries and public officials of political contribution or anti-corruption laws. The SII and the Chilean Public Prosecutor are also conducting similar investigations related to the payment of invoices by other Chilean companies that may not have been properly supported or that may not have been necessary to generate corporate income.

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

The ad-hoc Committee engaged its own lawyers from Chile and the U.S. and forensic accountants from the U.S. to assist with its internal review. The U.S. lawyers retained by the ad-hoc Committee were principally charged with reviewing the relevant facts and analyzing those facts against the requirements of the U.S. Foreign Corrupt Practices Act (FCPA). The factual findings of the ad-hoc Committee, however, were ultimately shared with Chilean as well as U.S. authorities.

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

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

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

On March 20, 2015, the Company identified to the SII approximately US\$11 million in payments of invoices that may not have been properly supported by services rendered or that may not qualify as tax expenses under the Chilean tax code. These payments originated from the office of the former CEO, Patricio Contesse G., during the six-year tax period from 2009 to 2014. As a result, the Company subsequently submitted amendments to its tax returns for the 2009 to 2014 tax years and thereafter paid taxes and interest relating to such amended returns totaling approximately US\$7 million. On April 24, 2015, the Company announced that it had identified up to an additional US\$2 million in payments by its subsidiary SQM Salar S.A. during the same six-year tax period that were also authorized by the former CEO and that may be deemed not properly supported by services rendered or that may not qualify as tax expenses under the Chilean tax code. Subsequently, SQM Salar S.A. filed amended tax returns and paid taxes and interest relating to such amended returns totaling approximately US\$1.2 million. On August 14, 2015, the Company announced that it had identified to the SII approximately US\$1.6 million in additional payments by SQM S.A. and its subsidiary SQM Industrial S.A. that may be deemed not properly supported by services rendered or that may not qualify as tax expenses under the Chilean tax code. SQM

S.A. and SQM Industrial S.A. subsequently filed amended tax returns and, in early 2016, SQM Industrial S.A. paid taxes and interest relating to such amended returns totaling approximately US\$0.3 million, and SQM S.A. paid taxes and interest relating to such amended returns totaling approximately US\$1.3 million. The statute of limitations under Chilean law for tax claims is up to six years, during which period the former CEO had an annual discretionary budget covering the Company and its subsidiaries of approximately US\$6 million.

On March 23, 2015, the SII, based on the Income Tax Law (*Ley de Impuesto a La Renta*), filed a criminal claim against the Company's former CEO and the current CEO and CFO in their capacities as the Company's tax representatives relating to part of the payments referred to above. This and subsequent related similar claims filed by the SII against these officers and third parties are currently under review by the Public Prosecutor.

On March 31, 2015, the SVS filed an administrative claim against five then-current and former members of the Board of Directors, alleging that they did not release information in a timely manner relating to the payments that are subject to the tax claim referred to above. On September 30, 2015, the SVS proceeded to fine them UF1,000 each (approximately US\$36,000). They are currently appealing this decision to the Chilean courts.

On April 24, 2015, new members were elected to the Board of Directors at the Annual General Shareholders' Meeting, including three new members that were nominated by PCS, and the ad-hoc Committee was subsequently reconstituted by Board of Directors members Robert A. Kirkpatrick, Wolf von Appen B. and Edward J. Waitzer.

On April 30, 2015, the Public Prosecutor, after reviewing the claims filed by the SII, informed the Company's former CEO that it was formally investigating allegations that he approved the payment of invoices that may not be properly supported by services rendered or that may not qualify as tax expenses under the Chilean tax code and in connection therewith made intentionally false or incomplete declarations or used fraudulent procedures designed to conceal or disguise the true amount of transactions or to circumvent taxes. If he is finally adjudicated responsible, the Company may also be subject to the payment of a fine by the Chilean Criminal Court totaling 50% to 300% of the taxes paid. The Company estimates that no provision is needed at this stage.

On May 11, 2015, the SII filed an additional criminal claim against the former CEO and the current CEO and CFO in their capacities as the Company's tax representatives alleging violations of the Chilean Inheritance and Donations Law (*Ley sobre Impuesto a Las Herencias, Asignaciones y Donaciones*). The claim states that the Company paid two invoices in 2009 and 2010 totaling approximately US\$175,000 that are alleged to have been improperly supported. The claim states that these payments should have been classified as donations, and appropriate taxes should have been paid. These payments were accounted for in the amended tax returns filed with the SII. Subsequently, the SII filed a number of additional claims against these officers and third parties alleging violations of Chilean tax law and the Chilean Inheritance and Donations Law. The most recent of these criminal claims was filed by the SII on March 9, 2016. All of these claims are under review by the Public Prosecutor.

On July 31, 2015, the deputy of the Tarapacá region of Chile, Hugo Gutiérrez G., filed a lawsuit against the Company, broadly alleging violations of the anti-corruption and money laundering provisions of Law No. 20,393 on Criminal Liability of Legal Entities. Potential sanctions under this law could include (i) fines, (ii) loss of certain governmental benefits during a given period, (iii) a temporary or permanent bar against the Company executing contracts with governmental entities, and (iv) dissolution of the Company. This claim is under review by the Public Prosecutor.

On September 29, 2015, the Company was notified of a labor lawsuit by its former CEO, Patricio Contesse, claiming payment from the Company related to the termination of his employment contract. The total amount claimed in the lawsuit is approximately Ch\$4.0 billion (approximately US\$5.7 million),

including severance payments for years of service and other legal or contractual payments. The lower court held that Mr. Contesse's claim was barred by the statute of limitations. On November 8, 2016, the Santiago Court of Appeals overruled the lower court decision. On March 27, 2017, the Company reached an agreement with Mr. Contesse to terminate the labor lawsuit Mr. Contesse filed against the Company. The amount included in the agreement was provisioned for in the financial statements as of December 31, 2016.

On October 14, 2015, two class action complaints then pending against the Company, our former CEO and current CEO and CFO, alleging violations of the U.S. securities laws in connection with the subject matter of the investigations described above, were consolidated into a single action in the United States District Court for the Southern District of New York. On November 13, 2015, our former CEO and current CEO and CFO were voluntarily dismissed from the case without prejudice. On January 15, 2016, the lead plaintiff filed a consolidated class action complaint exclusively against the Company. For more information on the consolidated class action, see "Item 8.A.7 Legal Proceedings."

During 2015, the ad-hoc Committee that was established in February 15, 2015, conducted an investigation into whether the Company faced possible liability under the U.S. Foreign Corrupt Practices Act. The ad-hoc Committee engaged its own separate counsel, Shearman & Sterling LLP, which presented a report to the Board of Directors on December 15, 2015.

Following the presentation by the ad-hoc Committee of its findings to the Board of Directors, the Company voluntarily shared the findings of the ad-hoc Committee investigation with authorities in Chile and the U.S. (including the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice ("DOJ")).

On January 13, 2017, the Company and the DOJ reached agreement on the terms of a Deferred Prosecution Agreement ("DPA") that would resolve the DOJ's inquiry, based on alleged violations of the books and records and internal controls provisions of the Foreign Corrupt Practices Act. Among other terms, the DPA calls for the Company to pay a monetary penalty of US\$15,487,500, and engage a compliance monitor for a term of two (2) years. Upon successful completion of the three (3) year term of the DPA, all charges against the Company would be dismissed. On the same date, the SEC agreed to resolve its inquiry through an administrative cease and desist order, arising out of the alleged violations of the same accounting provisions of the FCPA. Among other terms, the SEC order calls for the Company to pay an additional monetary penalty of US\$15 million. These penalties were reflected in the 2016 financial statements.

In Chile, the authorities' review of the questioned payments is ongoing. We are unable to predict the duration, scope, or results of this review, or how it may affect our business, financial condition, cash flows, results of operations and the prices of our securities. There can be no assurance that the authorities will agree with the conclusions of the ad-hoc Committee or that the authorities will not conclude that a violation of applicable law has occurred. There can be no assurance that authorities in Chile or the U.S. will not undertake a broader investigation or seek to commence additional litigation against the Company.

Responding to our regulators' inquiries and any future civil, criminal or regulatory inquiries or proceedings diverts our management's attention from day-to-day operations. Additionally, expenses that may arise from responding to such inquiries or proceedings, our review of responsive materials, any related litigation or other associated activities may continue to be significant. Current and former employees, officers and directors may seek indemnification, advancement or reimbursement of expenses from us, including attorneys' fees, with respect to the current inquiry or future proceedings related to this matter. If, as a result of further investigations, it is determined that our financial statements were materially incorrect, we could be required to restate financial information for prior reporting periods. Chilean authorities could impose sanctions discussed above under Law No. 20,393. The occurrence of any of the foregoing could materially and adversely affect our business, financial condition, cash flows, results of operations and the prices of our securities.

For more information, see “Item 8.A.7 Legal Proceedings.”

An arbitration proceeding under the Lease Agreement for the Salar de Atacama, if determined adversely to us, would materially adversely affect our business and operations

Our subsidiary SQM Salar S.A. (“SQM Salar”) holds exclusive and temporary exploitation rights to mineral resources in 81,920 hectares in the Salar de Atacama pursuant to a 1993 lease agreement over mining exploitation concessions between SQM Salar and Corfo, a Chilean government entity (the “Lease Agreement”). The mining exploitation concessions related to such rights are owned by Corfo and leased to SQM Salar in exchange for quarterly lease payments to Corfo based on specified percentages associated to the value of the products resulting from the minerals extracted from such concessions. For the year ended December 31, 2016, revenue related to products originating from the Salar de Atacama represented 48% of our consolidated revenues, which corresponded to revenues from our potassium product line and our lithium and derivatives product line for the period. All of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement.

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

In August 2016, Corfo requested a second arbitration proceeding, demanding (i) the early termination of the Project Contract signed between Corfo, SQM Potasio S.A., SQM Salar, and the Company, (ii) the dissolution of SQM Salar and (iii) the early termination of the Lease Agreement for alleged breaches of the Project Contract. In addition, Corfo demanded SQM Salar return (i) the assets Corfo contributed to it under a condition subsequent, (ii) the OMA mining properties and the aquifers included in the Lease Agreement, (iii) the water rights granted to SQM Salar and (iv) the legal mining easements identified in the lawsuit. Finally, Corfo requested that the defendants pay damages as a result of the breaches alleged in the lawsuit. The Company believes there is insufficient evidence to demonstrate that the Project Contract has been breached. However, there can be no assurance that the Company will prevail against Corfo or that other legal actions will not be taken by Corfo against the Company’s interests.

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

On September 10, 2013, the SVS issued a press release disclosing it had instituted certain administrative proceedings (the “Cascading Companies Proceedings”) against (i) Julio Ponce Lerou (who was the

Chairman of the Board and a director of the Company until April 24, 2015), (ii) Patricio Contesse Fica, who was a director of the Company until April 24, 2015 and is the son of Patricio Contesse González (who was the Company's CEO until March 16, 2015), and (iii) other named defendants. The Company has been informed that Mr. Ponce and persons related to him beneficially owned 29.97% of SQM's total shares as of December 31, 2016. See "Item 6.E. Share Ownership." The SVS alleged breaches of Chilean corporate and securities laws in connection with acts performed by entities with direct or indirect share ownership interests in SQM (the "Cascading Companies"). The allegations made in connection with the Cascading Companies Proceedings do not relate to the Company's operations, nor do they relate to any acts or omissions of the Company or any of its directors, officers or employees in their capacities as such.

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

On January 31, 2014, the SVS added a number of Chilean financial institutions and asset managers, and certain of their controlling persons, executives or other principals, as named defendants to the Cascading Companies Proceedings. On September 2, 2014, the SVS issued a decision imposing an aggregate fine against all of the defendants of UF 4.0 million (approximately US\$144.7 million as of December 31, 2015), including a fine against Mr. Ponce of UF 1.7 million (approximately US\$61.4 million as of December 31, 2015) and a fine against Mr. Contesse Fica of UF 60,000 (approximately US\$2.2 million as of December 31, 2015). The defendants are currently challenging the SVS administrative decision before a Chilean Civil Court.

The High Complexity Crimes Unit (*Unidad de Delitos de Alta Complejidad*) of the Metropolitan District Central Northern Attorney's Office (*Fiscalía Metropolitana Centro Norte*) is also investigating various criminal complaints filed against various parties to the Cascading Companies Proceedings. The SII requested payment of taxes by the Cascading Companies, and the Cascading Companies filed a complaint with the tax courts.

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

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

In the past, our management determined that the Company did not maintain effective control over payments directed by the office of the former CEO. This determination was reported in our annual report for the year ended December 31, 2014 on Form 20-F, filed with the SEC on May 18, 2015.

We believe we have taken the necessary steps to remediate the identified material weakness and enhance our internal controls. However, any failure to maintain effective internal control over financial reporting could (i) result in a material misstatement in our financial reporting or financial statements that would not be prevented or detected, (ii) cause us to fail to meet our reporting obligations under applicable securities laws or (iii) cause investors to lose confidence in our financial reporting or financial statements, the

occurrence of any of which could materially and adversely affect our business, financial condition, cash flows, results of operations and the prices of our securities.

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

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

Since 2008, world prices of potassium-based fertilizers (including some of our specialty plant nutrients and potassium chloride) have fluctuated as a result of the broader global economic and financial conditions. Although prices of potassium-based fertilizers stabilized in 2009 after the conclusion of important contract negotiations between major producers and buyers, during the second half of 2013, potassium prices declined as a result of an unexpected announcement made by the Russian company 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, in 2016, we observed lower pricing of contracts between Chinese purchasers and major potash producers, which increased volatility in the price of fertilizers. The average price for our potassium chloride and potassium sulfate business line was approximately 24% lower in 2016 compared to 2015. Our sales volumes for this business line were approximately 24% higher in 2016 compared to 2015. We cannot assure you that potassium-based fertilizer prices and sales volumes will not decline in the future.

Iodine prices followed an upward trend beginning at the end of 2008 and continuing through 2012, reaching an average price of approximately US\$53 per kilogram in 2012, over 40% higher than average prices in 2011. During the following years, supply growth outpaced demand growth, causing a decline in iodine prices. We obtained an average price for iodine of approximately US\$23 per kilogram in 2016, approximately 19% less than average prices obtained in 2015. We cannot assure you that iodine prices or sales volumes will not continue to decline in the future.

As a result of events in global markets during 2009, demand for lithium carbonate declined, causing a decrease in lithium prices and sales volumes. In September 2009, we announced a 20% reduction in lithium carbonate and lithium hydroxide prices as a means of stimulating demand. As a result, in 2010 we observed demand recovery in the lithium carbonate market, and this upward trend has continued over the last few years, driven mostly by an increase in demand related to battery use. In 2016, demand growth was accompanied by an increase in supply that was lower than expected, and as a result, average prices for this business line increased approximately 80% compared to 2015. We cannot assure you that lithium prices and sales volumes will not decline in the future.

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

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

We sell our products in more than 115 countries around the world. In 2016, approximately 46% of our sales were made in emerging market countries: 12% in Latin America (excluding Chile); 9% in Africa and the Middle East (excluding Israel); 8% in Chile and 16% in Asia and Oceania (excluding Australia, Japan, New Zealand, South Korea and Singapore). We expect to expand our sales in these and other emerging markets in the future. In addition, we may carry out acquisitions or joint ventures in jurisdictions in which we currently do not operate, relating to any of our businesses or to new businesses in which we believe we may have sustainable competitive advantages. The results of our operations and our prospects in other countries in which we establish operations will depend, in part, on the general level of political stability and economic activity and policies in those countries. Future developments in the political systems or economies of these countries or the implementation of future governmental policies in those countries, including the imposition of withholding and other taxes, restrictions on the payment of dividends or repatriation of capital, the imposition of import duties or other restrictions, the imposition of new environmental regulations or price controls or changes in relevant laws or regulations, could have a material adverse effect on our business, financial condition and results of operations in those countries.

Our inventory levels may increase for economic or operational reasons

In general, economic conditions or operational factors can affect our inventory levels. At the end of 2016, our inventory levels were relatively high compared to prior years, but lower than 2015. Higher inventories carry a financial risk due to increased need for cash to fund working capital and could imply increased risk of loss of product. We cannot assure you that inventory levels will not continue to remain high or increase further in the future. These factors could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

regulations require substantial capital expenditures. We must continue to invest capital to maintain or to increase our exploitation levels and the amount of finished products we produce.

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

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

We rely on certain raw materials and various energy sources (diesel, electricity, liquefied natural gas, fuel oil and others) to manufacture our products. Purchases of energy and raw materials we do not produce constitute an important part of our cost of sales, approximately 13% in 2016. In addition, we may not be able to obtain energy at any price if supplies are curtailed or otherwise become unavailable. To the extent we are unable to pass on increases in the prices of energy and raw materials to our customers or we are unable to obtain energy, our business, financial condition and results of operations could be materially adversely affected.

Our reserves estimates could be subject to significant changes

Our caliche ore mining reserves estimates are prepared by our own geologists and were most recently validated in January 2017 by Mr. Sergio Alarcón and Mr. Orlando Rojas. Mr. Alarcón is a geologist with over 30 years of experience in the field. He is currently employed by SQM as Geology Supervisor. Mr. Alarcón is a Competent Person (*Persona Competente*), as that term is defined under Chilean Law No. 20,235, known as the Law that Regulates the Position of Competent Person and Creates the Qualifying Committee for Competencies in Mining Resources and Reserves (*Ley que Regula la Figura de las Personas Competentes y Crea la Comisión Calificadora de Competencias de Recursos y Reservas Mineras* or “Competent Person Law”), and he is registered under No. 164 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with such law and related regulations. Mr. Orlando Rojas is a civil mining engineer and independent consultant. He is Partner and Chief Executive Officer of the company EMI-Ingenieros y Consultores S.A., whose offices are located at Renato Sánchez No. 3357, Las Condes, Santiago, Chile. He is a member of the Institute of Mining Engineers and is registered under No. 118 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a mining engineer for 39 years since graduating from university, including more than 33 years working on estimates for reserves and resources.

Our Salar de Atacama brine mining reserve estimates are prepared by our own hydrogeologists and geologists and were most recently validated in March 2017 by Mr. Álvaro Henríquez and Mr. Orlando Rojas. Mr. Henríquez is a geologist with more than ten years of experience in the field of hydrogeology. He is currently employed by SQM as Superintendent of Geology, in the Salar Hydrogeology department. He is a Competent Person and is registered under No. 226 in the Public Registry of Competent Persons in Mining Resources and Reserves, in accordance with the Competent Person Law and related regulations. As a hydrogeologist, he has evaluated multiple brine-based projects and has experience evaluating resources and reserves.

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

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

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

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

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

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

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

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

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

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

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

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

Over 95% of our employees are employed in Chile, of which approximately 65% were represented by 22 labor unions as of December 31, 2016. During 2016, we renegotiated collective labor contracts with individual unions one year before the expiration of such contracts. During 2017, we expect to renegotiate collective labor contracts with three unions. Our collective labor contracts with 16 unions, representing 80% of the unionized workers, will expire in 2019. Our collective labor contracts with five unions, representing 20% of the unionized workers will expire in 2020. We are exposed to labor strikes and illegal work stoppages that could impact our production levels. If a strike or illegal work stoppage occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in

our product flow that could have a material adverse effect on our business, financial condition and results of operations.

Chilean Law No. 20,123, known as the Subcontracting Law, provides that when a serious workplace accident occurs, the company in charge of the workplace must halt work at the site where the accident took place until authorities from either the National Geology and Mining Service (*Servicio Nacional de Geología y Minería* or “Sernageomin”), the Labor Board (*Dirección del Trabajo* or “Labor Board”), or the National Health Service (*Servicio Nacional de Salud*), inspect the site and prescribe the measures such company must take to minimize the risk of similar accidents taking place in the future. Work may not be resumed until the respective 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 September 8, 2016, Chilean Law No. 20,940 was published and modified the Labor Code by introducing, among other things, changes to the formation of trade unions, the election of inter-company union delegates, the presence of women on union boards, anti-union practices and related sanctions, and collective negotiations. Due to these changes to the labor regulations, we may face an increase in our expenses that may have a significant 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 and “Item 8.A. Legal Proceedings”. Although we intend to defend our positions vigorously, our defense of these actions may not be successful. Adverse 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.

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

We operate in multiple jurisdictions with complex regulatory environments that are subject to different interpretations by companies and respective governmental authorities. These jurisdictions may have different tax codes, environmental regulations, labor codes and legal framework, which adds complexity to our compliance with these regulations. Any failure to comply with such regulations could have a material adverse effect on our business, financial condition and results of operations.

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

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

to approximately US\$9 million per infraction, revoke environmental permits or temporarily or permanently close facilities, among other enforcement measures.

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

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

On June 6, 2016, the Superintendence of the Environment filed charges against SQM S.A. regarding the operations at Nueva Victoria for possible non-compliance with RCA No. 890/2010. The charges related to certain variables of a monitoring plan and to the implementation of a mitigation measure considered in the respective environmental impact study.

On November 28, 2016, the Superintendence of the Environment filed charges against SQM Salar S.A. regarding possible non-compliance with RCA No. 226/2006 as a result of the company's operations at Salar de Atacama. The charges referred to certain aspects of the monitoring and contingency plans, and the condition of a group of trees in the Camar sector considered as a part of the environmental monitoring.

For both cases, we have presented compliance programs that detail the actions and commitments we will take to resolve the issues raised by the environmental authority. The Superintendence of the Environment is reviewing both compliance programs and will release an opinion on them.

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

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

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

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

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

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

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

Risks Relating to Financial Markets

Currency fluctuations may have a negative effect on our financial performance

We transact a significant portion of our business in U.S. dollars, and the U.S. dollar is the currency of the primary economic environment in which we operate. In addition, the U.S. dollar is our functional currency for financial statement reporting purposes. A significant portion of our costs, however, is related to the Chilean peso. Therefore, an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar would affect our costs of production. The Chilean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future. As of December 31, 2016, the Chilean peso exchange rate was Ch\$669.47 per U.S. dollar, while as of December 31, 2015, the Chilean peso exchange rate was Ch\$710.16 per U.S. dollar. The Chilean peso therefore appreciated against the U.S. dollar by 6.0% in 2016. As of April 20, 2017, the Observed Exchange Rate was Ch\$647.68 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 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, 2016, approximately 2% our financial debt had LIBOR-based pricing that was not hedged into fixed rates. A relative increase in the rate could materially impact our business, financial condition and results of operations.

Risks Relating to Chile

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

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

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

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

Changes in mining or port concessions could affect our operating costs

We conduct our mining operations, including brine extraction, under exploitation and exploration concessions granted in accordance with provisions of the Chilean constitution and related laws and statutes. Our exploitation concessions essentially grant a perpetual right (with the exception of the Salar de Atacama rights, which have been leased to us until 2030) to conduct mining operations in the areas covered by the concessions, provided that we pay annual concession fees. Our exploration concessions permit us to explore for mineral resources on the land covered thereby for a specified period of time and to subsequently request a corresponding exploitation concession. Our subsidiary SQM Salar, as leaseholder, holds exclusive and temporary rights over the mineral resources in an area covering approximately 140,000 hectares of land in the Salar de Atacama in northern Chile, of which SQM Salar is entitled to exploit the mineral resources of 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar pursuant to the Lease Agreement between Corfo and SQM Salar. Corfo may not unilaterally modify the Lease and Project Agreements, and the rights to exploit the mineral substances cannot be transferred. The Lease Agreement establishes that SQM Salar is responsible for making quarterly lease payments to Corfo, maintaining Corfo's rights over the mining exploitation concessions, and making annual payments to the Chilean government for such concession rights. The Lease Agreement expires on December 31, 2030. Furthermore, under the regulations of the Chilean Nuclear and Energy Commission (*Comisión Chilena de Energía Nuclear* or "CCHEN"), we are limited to 180,100 tons of total lithium (958,672 tons of lithium carbonate equivalent) extraction in the aggregate for all periods. We are over halfway through the term of the Lease Agreement and have extracted approximately 59% of the total accumulated extraction limit of lithium. There can be no assurance that we will not reach the lithium extraction limit prior to the term of the lease agreement.

In August 2016, Corfo requested a second arbitration proceeding, demanding (i) the early termination of the Project Contract signed between Corfo, SQM Potasio S.A., SQM Salar, and the Company, (ii) the dissolution of SQM Salar and (iii) the early termination of the Lease Agreement for alleged breaches of the Project Contract. In addition, Corfo demanded SQM Salar return (i) the assets Corfo contributed to it under a condition subsequent, (ii) the OMA mining properties and the aquifers included in the Lease Agreement, (iii) the water rights granted to SQM Salar and (iv) the legal mining easements identified in the lawsuit. Finally, Corfo requested that the defendants pay damages as a result of the breaches alleged in the lawsuit. The Company believes there is insufficient evidence to demonstrate that the Project Contract has been breached. However, there can be no assurance that the Company will prevail against Corfo or that other legal actions will not be taken by Corfo against the Company's interests. See "—Risks Relating to our Business—An arbitration proceeding under the Lease Agreement for the Salar de Atacama, if determined adversely to us, would materially adversely affect our business and operations."

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

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

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

We hold water use 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, a series of bills are currently being discussed at the Chilean National Congress that seek desalinate

seawater for use in mining production processes, amend the Mining Code for water use in mining operations, amend the Political Constitution on water and introduce changes to the regulatory framework governing the terms of inspection and sanction of water. As a result, the amount of water that we can actually use under our existing rights may be reduced or the cost of such use could increase. These and potential future changes to the Water Code or other relevant regulations could have a material adverse effect on our business, financial condition and results of operations.

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

In Chile, there is a royalty tax that is applied to mining activities developed in the country.

Following the earthquake and tsunami in February in 2010, the Chilean government raised the corporate income tax rate in order to pay for reconstruction. Such legislation increased the general corporate tax rate from its historic rate of 17.0% to 20.0% for the income accrued in 2011, which was declared and paid in 2012. In 2012, Law No. 20,630 introduced new amendments to existing tax legislation. There can be no assurance that this legislation will not be modified in the future.

On September 29, 2014, Law No. 20,780 was published (the “Tax Reform”), introducing significant changes to the Chilean taxation system and strengthening the powers of the SII to control and prevent tax avoidance. Subsequently, on February 8, 2016, Law No. 20,899 that simplifies the income tax system and modifies other legal tax provisions was published. As a result of these reforms, open stock corporations like SQM are subject to the partially integrated shareholder tax regime (sistema parcialmente integrado). The corporate tax rate applicable to us increased to 24% in 2016. It will increase to 25.5% in 2017 and increase to a maximum rate of 27% in 2018.

Under the partially integrated shareholder taxation regime, shareholders bear the tax on dividends upon payment, but they will only be permitted to credit against such shareholder taxes a portion of the Chilean corporate tax paid by us on our earnings, unless the shareholder is resident in a country with a tax treaty in force with Chile or signed with Chile prior to January 1, 2017, whether or not in force. In that case, 100% of the Chilean corporate tax paid by us may be credited against the final taxes at the shareholder level.

As a result, foreign shareholders resident in a non-treaty jurisdiction will be subject to a higher effective tax rate than residents of treaty jurisdictions. There is a temporary rule in effect from January 1, 2017 through December 31, 2019 that treaty jurisdictions for this purpose will include jurisdictions with tax treaties signed with Chile prior to January 1, 2017, whether or not such treaties are in force. This is currently the status of the treaty signed between Chile and United States.

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

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

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

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

Chile, a member of the International Labor Organization (“ILO”), has ratified the ILO’s Convention 169 (the “Indigenous Rights Convention”) concerning indigenous and tribal people. The Indigenous Rights Convention established several rights for indigenous people and communities. Among other rights, the Indigenous Rights Convention states that (i) indigenous groups should be notified and consulted prior to the development of any project on land deemed indigenous, although veto rights are not mentioned and (ii) indigenous groups have, to the extent possible, a stake in benefits resulting from the exploitation of natural resources in indigenous land. The extent of these benefits has not been defined by the Chilean government. The Chilean government has addressed item (i) above through Supreme Decree No. 66, issued by the Social Development Ministry. This decree requires government entities to consult indigenous groups that may be directly affected by the adoption of legislative or administrative measures, and it also defines criteria for the projects or activities that must be reviewed through the environmental evaluation system that also require such consultation. To the extent that the new rights outlined in the Indigenous Rights Convention become laws or regulations in Chile, they could affect the development of our investment projects in lands that have been defined as indigenous, which could have a material adverse effect on our business, financial condition and results of operations.

Chile is located in a seismically active region

Chile is prone to earthquakes because it is located along major fault lines. The most recent major earthquake in Chile occurred offshore in 2015 and had a magnitude of 8.3 on the Richter scale. There were also earthquakes in 2014 and 2010 that caused substantial damage to some areas of the country. Chile has also experienced volcanic activity. A major earthquake or a volcanic eruption could have significant negative consequences for our operations and for the general infrastructure, such as roads, rail, and access to goods, in Chile. Although we maintain industry standard insurance policies that include earthquake coverage, we cannot assure you that a future seismic or volcanic event will not have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to our Shares and to our ADSs

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

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

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

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 and our shares.

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 or ADS price may react negatively to future acquisitions and investments

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

ADS holders 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 ADS holders may not be able to enforce or may have difficulty enforcing rights currently in effect under U.S. federal or state securities laws.

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

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

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

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

If we issue preemptive rights, United States holders of ADSs would not be able to exercise their rights unless a registration statement under the Securities Act were effective with respect to such rights and the

shares issuable upon exercise of such rights or an exemption from registration were available. We cannot assure holders of ADSs that we will file a registration statement or that an exemption from registration will be available. We may, in our absolute discretion, decide not to prepare and file such a registration statement. If our holders were unable to exercise their preemptive rights because we did not file a registration statement, the depository bank would attempt to sell their rights and distribute the net proceeds from the sale to them, after deducting the depository's fees and expenses. If the depository 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 by the U.S. Internal Revenue Service, there could be adverse consequences for U.S. investors

We believe that we were not classified as a Passive Foreign Investment Company ("PFIC") for 2016. 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. When the Company pays a corporate income tax on the income from which the dividend is paid, known as a "First Category Tax", a credit for the full amount of the First Category Tax effectively reduces the rate of Withholding Tax. Changes in Chilean tax regulations could have adverse consequences for U.S. investors. See "Item 3.D. Risk Factors—Risks Relating to Chile—The Chilean Government Could Levy Additional Taxes on Corporations Operating in Chile" and "Item 10.E. Taxation—Chilean Tax Considerations."

ITEM 4. INFORMATION ON THE COMPANY

4.A. History and Development of the Company

Historical Background

Sociedad Química y Minera de Chile S.A. is an open stock corporation organized under the laws of the Republic of Chile. We were constituted by public deed issued on June 17, 1968 by the Notary Public of Santiago, Mr. Sergio Rodríguez Garcés. Our existence was approved by Decree No. 1,164 of June 22, 1968 of the Ministry of Finance, and we were registered on June 29, 1968 in the Registry of Commerce of Santiago, on page 4,537 No. 1,992. Our headquarters is located at El Trovador 4285, Fl. 6, Las Condes, Santiago, Chile. Our telephone number is +56 2 2425-2000.

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

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

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

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

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

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

In 2014, we invested in the development of new extraction sectors and production increases in both nitrates and iodine at Nueva Victoria, reaching an approximate production capacity (including the Iris facility) of

8,500 metric tons per year of iodine at the facility. We also issued a bond in the international capital markets for US\$250 million, primarily to refinance existing indebtedness.

In 2015, we focused on increasing the efficiency of our operations. Within this context, we announced a plan to restructure our iodine and nitrate operations. In an effort to take advantage of our highly efficient production facilities at our Nueva Victoria site, we decided to suspend the mining and nitrate operations and reduce iodine production at our Pedro de Valdivia site. During the year, we increased our iodine production capacity at Nueva Victoria to approximately 9,000 metric tons per year. Including Pedro de Valdivia and Nueva Victoria our effective iodine capacity is approximately 10,000 metric tons per year.

In 2016, we entered into a 50/50 joint venture with Lithium Americas to develop the Caucharí-Olaroz lithium project in the Jujuy province of Argentina. The project's production capacity is targeted at 50,000 tons per year of lithium carbonate equivalent. Under the current project timeline, we expect to commission plant production by 2019. We also made a capital contribution of US\$20 million to Elemental Minerals Limited ("Elemental Minerals"), an Australian based company whose main assets are various potassium deposits in the Republic of Congo. We invested approximately US\$20 million in exchange for 18% of the company, and a right of first refusal for approximately 20% of the total potash production of Elemental Minerals. Following this transaction at the end of 2016, Elemental Minerals changed its name to Kore Potash Limited. The State General Reserve Fund of Oman contributed US\$20 million. These investments are not included in the capital expenditure program amounts discussed in the section below. These investments were carried out with internal financing.

Capital Expenditure Program

We regularly review different opportunities to improve our production methods, reduce costs, increase production capacity of existing products and develop new products and markets. Additionally, significant capital expenditures are required every year in order to sustain our production capacity. We are focused on developing new products in response to identified customer demand, as well as new products that can be derived as part of our existing production or other products that could fit our long-term development strategy. Our capital expenditures during the past five years were mainly related to the organic growth and sustainability of our business, including the construction of new facilities and the renovation of plants and equipment; during 2016, we begin new investment projects associated with our lithium, potassium nitrate and iodine business lines. These investments were carried out with internal financing through our capital expenditure program for investments in Chile.

Our capital expenditures for the years ended December 31, 2016, 2015 and 2014 were as follows:

| (in millions of US\$) | 2016 | 2015 | 2014 |
|------------------------------|-------------|-------------|-------------|
| Capital expenditures | 131.3 | 111.3 | 112.1 |

During 2016, we had total capital expenditures of US\$131.3 million, primarily related to:

- Completion of the project related to the expansion of ponds at Nueva Victoria to increase the production of iodine and nitrates;
- Capacity expansion projects related to our potassium nitrate production;
- Capacity expansion project related to our lithium hydroxide production;
- Improvements in the open storage areas at the Port of Tocopilla;
- General maintenance of all production units in order to ensure the fulfillment of production targets and the safety of all of our employees.

During 2015, we had total capital expenditures of US\$111.3 million, primarily related to:

- expansion of ponds at Nueva Victoria in order to increase the production of iodine and nitrates;

- refining system at potassium nitrate plants;
- exploration and construction of new wells to sustain production at the Salar de Atacama and
- maintenance of production facilities in order to ensure production goals are met, as well as improvements in the open storage areas at the Port of Tocopilla.

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

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

The Board of Directors has approved a capital expenditures plan for 2017 of approximately US\$170 million primarily focused on the maintenance of our production facilities in order to strengthen our ability to meet our production goals and to increase lithium and nitrates production capacity. This amount does not include an approximately US\$100 million investment in the development of the Caucharí-Olaroz lithium project in Argentina, which we expect to begin construction on, as planned, during the first half of 2017. In addition, we will begin the engineering and preliminary supply purchases related to the potassium nitrate plant, and we will complete the construction of a new lithium hydroxide plant. We do not expect that our 2017 capital investment program will require external financing. However, we always have the option to access capital markets in order to optimize our financial position.

4.B. Business Overview

The Company

We believe that we are the world's largest producer of potassium nitrate and iodine. We also produce specialty plant nutrients, iodine derivatives, lithium and its derivatives, potassium chloride, potassium sulfate and certain industrial chemicals (including industrial nitrates and solar salts). Our products are sold in over 115 countries through our worldwide distribution network, with 92% of our sales in 2016 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 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. Potassium sulfate is a specialty fertilizer used primarily in crops such as vegetables, fruits and industrial crops. Industrial chemicals have a wide range of applications in certain chemical processes such as the manufacturing of glass, explosives and ceramics, and, more recently, industrial nitrates are being used in concentrated solar power plants as a means for energy storage. In addition, we complement our portfolio of plant nutrients through the buying and selling of other commodity fertilizers for use mainly in Chile.

For the year ended December 31, 2016, we had revenues of US\$1,939.3 million, gross profit of US\$611.0 million and profit attributable to controlling interests of US\$278.3 million. Our worldwide market capitalization as of December 31, 2016 was approximately US\$7.9 billion.

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

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

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

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

Potassium: We produce potassium chloride and potassium sulfate from brines extracted from the Salar de Atacama. Potassium chloride is a commodity fertilizer used to fertilize a variety of crops including corn,

rice, sugar, soybean and wheat. Potassium sulfate is a specialty fertilizer used mainly in crops such as vegetables, fruits and industrial crops. We market potassium chloride using the brand Qrop™ MOP.

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

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

The following table shows the percentage breakdown of our revenues for 2016, 2015 and 2014 according to our product lines:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------------------------|--------------------|--------------------|--------------------|
| Specialty Plant Nutrition | 32% | 38% | 35% |
| Iodine and Derivatives..... | 12% | 15% | 17% |
| Lithium and Derivatives | 27% | 13% | 10% |
| Potassium | 21% | 25% | 29% |
| Industrial Chemicals | 5% | 6% | 5% |
| Other | 3% | 4% | 4% |
| Total | <u>100%</u> | <u>100%</u> | <u>100%</u> |

Business Strategy

Our business strategy is to be a mining operator that selectively integrates the production and sale of products, while efficiently supplying products to industries essential for human development (e.g. food, health, technology). This strategy was built on the following six principles:

- strengthen internal processes to ensure access to key resources required for the sustainability of the business;
- extend M1 (lean operations) to the entire organization to strengthen our cost position, increase quality and ensure safety;
- invest in the development of a specialty fertilizer market, including product differentiation, sales channel management and price optimization;
- recover the iodine market share, seek consolidation and vertical integration opportunities, and invest in the development of industrial nitrate applications;
- search and invest in lithium and potassium assets outside of Chile to leverage our operational capabilities and take advantage of the current lithium market appeal and ensure access to raw materials for our potassium nitrate production; and
- seek diversification opportunities in gold, copper and zinc projects in the region to leverage our mining operating capabilities and provide business continuity to our exploration program.

These principles are based on the following four concepts:

- build an organization with strategic clarity, inspirational leaders, responsible personnel and strong values;

- develop a strategic planning process that responds to the needs of our customers and market trends, while ensuring coordination between all segments of the business, including sales and operations;
- develop a robust risk control and mitigation process to actively manage our risk; and
- improve our stakeholder management to establish links with the community and communicate to Chile and worldwide our contribution to industries essential for human development.

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. To take advantage of these opportunities, we have developed specific strategies for each of our product lines.

Specialty Plant Nutrition

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

Iodine and its Derivatives

Our strategy in our iodine business is to: (i) reach or at least maintain our market share of over 30% in the iodine market in order to optimize the use of our available production capacity; (ii) encourage demand growth and promote new iodine uses; (iii) participate in iodine recycling projects through the Ajay-SQM Group (“ASG”); (iv) reduce our production costs through improved processes and higher productivity in order to compete more effectively and (v) supply a product with consistent quality according to the requirements of our customers.

Lithium and its Derivatives

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

Potassium

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

Industrial Chemicals

Our strategy in our industrial chemical business is to: (i) maintain our leadership position in the industrial nitrates market as well as increase our supply of potassium chloride in markets where we have natural advantages; (ii) encourage demand growth in different applications; (iii) become a long-term, reliable supplier for the thermal storage industry, maintaining close relationships with R&D programs; (iv) reduce

our production costs through improved processes and higher productivity in order to compete more effectively and (v) supply a product with consistent quality according to the requirements of our customers.

New Business Ventures

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

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

In addition, we are actively conducting exploration for metallic minerals in the mining properties we own. If such minerals are found, we may decide to exploit, sell or enter into an association to extract these resources. Our exploration efforts are currently focused on the layer of bedrock that lies beneath the caliche ore that we use as the primary raw material in the production of iodine and nitrates. This bedrock has significant potential for metallic mineralization, particularly copper and gold. A significant portion of our mining properties are located in the Antofagasta region of Chile, where many large copper producers operate.

We have an in-house geological exploration team that explores the area directly, drilling targets and assessing new prospects. In 2016, the team identified 15 new targets and confirmed mineralization in four of the targets, using its own truck-mounted drill rigs. The number of perforated meters reached 32,000 meters, and were made with three machines of which two were internal and the other external. We also have a metal business development team that works to engage partners interested in investing in metal exploration within our mining properties. As of December 31, 2016, we had ten option agreements in place with eight companies, including small junior mining companies, private equity firms and large mining companies.

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 44% of global potassium nitrate sales for all applications by volume in 2016, an increase from 43% in 2015. During 2016, the potassium nitrate market increased by around 3%. These estimates do not include potassium nitrate produced and sold locally in China, only net imports/exports.

In addition to potassium nitrate, we also produce the following specialty plant nutrients: sodium nitrate, sodium potassium nitrate and specialty blends (containing various combinations of nitrogen, phosphate and potassium and generally known as "NPK blends").

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

In particular, our specialty plant nutrients:

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

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

In 2016, our specialty plant nutrients revenues decreased to US\$623.9 million, representing 32% of our total revenues for that year and a 4.4% decrease from US\$652.3 million in specialty plant nutrients revenues in 2015. This decrease was the result of lower prices compared to 2015. Prices decreased approximately 5% in 2016.

Specialty Plant Nutrition: Market

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

Over the last ten years, the compound annual growth rate for vegetable production per capita was 3% while the compound annual growth rate for the world population was closer to 1%.

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% during the last 20 years (a pace similar to population growth). However, microirrigation has grown at 10% per year over the same period. Microirrigation systems, which include drip irrigation and micro-sprinklers, are the most efficient forms of technical irrigation. These applications require fully water-soluble plant nutrients. Our nitrate-based specialty plant nutrients provide nitrogen in nitric form, which helps crops absorb these nutrients faster than they absorb urea- or ammonium-based fertilizers, facilitating a more efficient application of nutrients to the plant and thereby increasing the crop's yield and improving its quality.

Asia is the region with the lowest microirrigation to total irrigated hectares ratio in the world, reaching around 3%. This represents a high potential for this technology, which is reflected in the high growth rates in recent years.

The market for potassium nitrate in China is an important market for this product, although its demand is largely fulfilled by domestic producers. Demand totals approximately 400,000 to 420,000 metric tons, of which approximately 150,000 is related to the tobacco industry and 120,000 is related to the horticulture business. Of the total, between 20,000 and 30,000 metric tons are imports.

Specialty Plant Nutrition: Our Products

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

The following table shows our sales volumes of and revenues from specialty plant nutrients for 2016, 2015 and 2014:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|
| Sales volumes (Th. MT) | | | |
| Sodium nitrate | 24.4 | 26.0 | 15.8 |
| Potassium nitrate and sodium potassium nitrate | 475.8 | 493.6 | 531.6 |
| Specialty blends ⁽¹⁾ | 213.5 | 203.9 | 228.0 |
| Other specialty plant nutrients ⁽²⁾ | 127.2 | 108.4 | 102.5 |
| Total revenues (in US\$ millions) | 623.9 | 652.3 | 708.0 |

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

(2) Includes trading of other specialty fertilizers.

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

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

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

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

Foliar feeding with potassium nitrate can have beneficial effects:

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

Another benefit of our potassium nitrate is that, according to a 2014 study by the consulting firm Arthur D. Little Benelux, our production process generates up to 40% less greenhouse gases compared to other major potassium nitrate producers in the world.

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

In 2015, we added a new product to our portfolio of specialty field fertilizers: Qrop™KS. This product was developed by our research and development team and is an improvement to existing products. It is more physically stable and is not required to be transported as hazardous cargo, which means it can be sold in other markets.

Specialty Plant Nutrition: Marketing and Customers

In 2016, we sold our specialty plant nutrients in approximately 98 countries. One customer represented more than 10% of our specialty plant nutrient revenues during 2016, representing approximately 27% of our total specialty plant nutrition revenues, and our ten largest customers accounted in the aggregate for approximately 50% of revenues during that period. No supplier accounted for more than 10% of the costs of sales for this business line.

The table below shows the geographical breakdown of our revenues:

| <u>Revenues breakdown</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------------------------|-------------|-------------|-------------|
| North America | 33% | 33% | 30% |
| Europe | 18% | 22% | 21% |
| Central and South America | 11% | 28% | 31% |
| Asia and Others | 37% | 16% | 18% |

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

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

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

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

Specialty Plant Nutrition: Joint Ventures and Agreements

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

In May 2008, we signed a joint venture agreement with Migao for the production and distribution of specialty plant nutrients in China. Through the joint venture, we constructed a potassium nitrate plant with a production capacity of 40,000 metric tons per year. The plant began operating in January 2011, and has

allowed us to increase our presence in China, which is one of the most important and fastest growing markets for the fertilizer industry.

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

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

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

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

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

In 2015, an asset transfer agreement was signed in December 2014 between Plantacote BV and Plantacote NV entered into effect. As a result of this agreement, the business and Plantacote® brand were transferred to the new company Plantacote NV, but with no changes to the business or the Controlled Release Fertilizer project. SQM continues to hold a 50% ownership stake in the company.

In 2015, SQM Vitas South Africa, was acquired by Roulliers. As a result, Roullier manages the operations, and the production facilities are owned by SQM.

In 2016, we began operating soluble specialty plant nutrient production facilities through our joint ventures in Peru and Netherlands. We also began operating a third facility in Mexico.

Specialty Plant Nutrition: Fertilizer Sales in Chile

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

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

SQMC sells local products as well as products imported from different countries around the world.

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

Soquimich Comercial S.A.'s fertilizer sales represented approximately 24% of total fertilizer sales in Chile during 2016. No customer accounted for more than 10% of Soquimich Comercial S.A.'s revenues in 2016. Soquimich Comercial S.A.'s consolidated revenues were approximately US\$150 million and US\$177 million in 2016 and 2015, respectively.

Specialty Plant Nutrition: Competition

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

In the potassium nitrate market our largest competitor is Haifa Chemicals Ltd. ("Haifa"), in Israel, which is a subsidiary of Trans Resources International Inc. We estimate that sales of potassium nitrate by Haifa accounted for approximately 31% of total world sales during 2016 (excluding sales by Chinese producers to the domestic Chinese market), compared to our share of the market which accounted for approximately 44% of global potassium nitrate sales by volume for the period.

ACF, another Chilean producer, mainly oriented to iodine production, has produced potassium nitrate from caliche ore and potassium chloride since 2005. Kemapco, a Jordanian producer owned by Arab Potash, produces potassium nitrate in a plant located close to the Port of Aqaba, Jordan. In addition, there are several potassium nitrate producers in China, the largest of which are Yuantong 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 2016, our revenues from iodine and iodine derivatives amounted to US\$231.1 million, representing 12% of our total revenues in that year. We estimate that our sales accounted for approximately 29% of world iodine sales by volume in 2016.

Iodine: Market

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

X-ray contrast media is the leading application of iodine, accounting for approximately 23% of demand. Iodine's high atomic number and density make it ideally suited for this application, as its presence in the body can help to increase contrast between tissues, organs, and blood vessels with similar X-ray densities. Other applications include pharmaceuticals, which we believe account for 13% of demand; LCD and LED screens, 12%; iodophors and povidone-iodine, 10%; animal nutrition, 8%; fluoride derivatives, 7%; biocides, 5%; nylon, 4%; human nutrition, 3% and other applications, 16%.

During 2016, iodine demand grew slightly compared to 2015, partly as a result of very minimal growth in the iodine market for uses related to LEC and LCD and the reuse of iodine in the iodine market related to plastics. We estimate that the global market size in 2016 was approximately 33,500 metric tons, with around 57% of supply coming from Chilean producers, including us.

Iodine: Our Products

We produce iodine in our Nueva Victoria plant, near Iquique, and our Pedro de Valdivia plant, close to María Elena. We have a total effective production capacity of approximately 10,000 metric tons per year of iodine, including the Iris plant, which is located next to the Nueva Victoria plant.

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

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

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

The following table shows our total sales volumes and revenues from iodine and iodine derivatives for 2016, 2015 and 2014:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|
| Sales volumes (Th. MT) | | | |
| Iodine and derivatives..... | 10.2 | 9.3 | 8.8 |
| Total revenues (in US\$ millions)..... | 231.1 | 262.6 | 335.4 |

Our revenues decreased to US\$231.1 million in 2016 from US\$262.6 million in 2015. This decrease was primarily attributable to the decrease in iodine prices during 2016. Average iodine prices were more than 19% lower in 2016 when compared to 2015. Our sales volumes increased 9% in 2016, outpacing global iodine demand growth.

Iodine: Marketing and Customers

In 2016, we sold our iodine products to approximately 300 customers in over 55 countries, and most of our sales were exports. Two in the aggregate customers each accounted for more than 10% of our iodine revenues in 2016. These two customers accounted for approximately 40% of revenues, and our ten largest customers accounted in the aggregate for approximately 77% of revenues. No supplier accounted for more than 10% of the cost of sales of this business line.

The following table shows the geographical breakdown of our revenues for 2016, 2015 and 2014:

| Revenues breakdown | 2016 | 2015 | 2014 |
|--------------------------------|-------------|-------------|-------------|
| North America | 25% | 29% | 31% |
| Europe..... | 36% | 34% | 35% |
| Central and South America..... | 0% | 4% | 4% |
| Asia and Others | 38% | 33% | 30% |

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

Iodine: Competition

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

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

Five Chilean companies accounted for approximately 57% of total global sales of iodine in 2016, including SQM, with approximately 29%, and four other producers, accounting for the remaining 28%. The other Chilean producers are: Atacama Chemical S.A. (Cosayach), controlled by the Chilean holding Inverraz S.A.; ACF Minera S.A. owned by the Chilean family Urruticoechea; Algorta Norte S.A., a joint venture between ACF Minera S.A. and Toyota Tsusho; and RB Energy (a Canadian company previously known as Sirocco Mining Inc. or as Atacama Minerals).

We estimate that eight Japanese iodine producers accounted for approximately 30% of global iodine sales in 2016, including recycled iodine.

We estimate that iodine producers in the United States (one of which is owned by Toyota Tsusho and another is owned by Ise Chemicals Ltd., both of which are Japanese companies) accounted for nearly 5% of world iodine sales in 2016.

Iodine recycling is a growing trend worldwide. Several producers have recycling facilities where they recover iodine and iodine derivatives from iodine waste streams. Iodine recycling, mainly related to LCD and LED consumption, has increased over the past few years and currently represents approximately 18% of world iodine sales. It is estimated that approximately 75% of total world iodine recycling was done by Japanese iodine producers.

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

The prices of iodine and iodine derivative products are determined by market conditions. World iodine prices vary depending upon, among other things, the relationship between supply and demand at any given time. Iodine supply varies primarily as a result of the production levels of the iodine producers (including us) and their respective business strategies. Our annual average iodine sales prices decreased to approximately US\$23 per kilogram in 2016, continuing the downward trend observed in 2015.

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

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

Lithium and its Derivatives

We believe we are one of the world's largest producers of lithium carbonate and lithium hydroxide. In 2016, our revenues from lithium sales amounted to US\$514.6 million, representing 27% of our total revenues. We estimate that our sales volumes accounted for approximately 27% of the global lithium chemicals sales volumes.

Lithium: Market

Lithium is mainly sold as lithium carbonate. The next most traded compound is lithium hydroxide. Both of these compounds are used to produce the cathodes for rechargeable batteries, taking advantage of lithium's extreme electrochemical potential and low density. Batteries are the leading application for lithium, accounting for approximately 53% of total demand, including batteries for electric vehicles, which accounted for approximately 20% of total lithium demand. Lithium carbonate is also used in applications such as ceramic and enamel frits (approximately 4% of demand), heat resistant glass (ceramic glass) (approximately 4% of demand), air conditioning chemicals (approximately 3% of demand), continuous casting powder for steel extrusion (approximately 2% of demand), primary aluminum smelting process (approximately 1% of demand) and others, including the synthesis of pharmaceuticals and lithium derivatives.

Lithium hydroxide is also used as a raw material in the lubricating greases industry (approximately 9% of total lithium chemical demand), as well as in the dyes and the battery industries.

Lithium chloride solutions are primarily used as an input for the production of other lithium derivatives.

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

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

During 2016, lithium chemicals demand increased by approximately 14%, reaching approximately 182,000 metric tons, with close to 44% supplied by Chilean producers. We expect applications related to energy storage to continue driving demand in the coming years.

Lithium: Our Products

We produce lithium carbonate at our Salar del Carmen facilities, near Antofagasta, Chile, from solutions with high concentrations of lithium, in the form of lithium chloride, as a by-product of 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 also sell the lithium chloride solutions that we produce at the Salar de Atacama, which are purified in the Salar del Carmen. We believe that the technologies we use, together with the high concentrations of lithium and the 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. During 2017, we plan to increase this capacity to 13,500 through increased efficiencies and the construction of a 7,000 metric ton plant.

The following table shows our total sales volumes and revenues from lithium carbonate and its derivatives for 2016, 2015 and 2014:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|
| Sales volumes (Th. MT) | | | |
| Lithium and derivatives | 49.7 | 38.7 | 39.5 |
| Total revenues (in US\$ millions) | <u>514.6</u> | <u>223.0</u> | <u>206.8</u> |

Our revenues in 2016 were US\$514.6 million, a 131.0% increase from US\$223.0 million in 2015, due to higher prices and higher sales volumes. The average price for 2016 was approximately 80% higher than the average price in 2015, as global demand growth outpaced supply growth.

Lithium: Marketing and Customers

In 2016, we sold our lithium products to over 235 customers in approximately 44 countries, and most of our sales were to customers outside of Chile. One customer accounted for more than 10% of our lithium revenues in 2016, accounting for approximately 12% of our lithium revenues. Our ten largest customers accounted in aggregate for approximately 62% of revenues. Only one supplier accounted for over 10% of the cost of sales of this business line, accounting for approximately 13% of the cost of sales.

The following table shows the geographical breakdown of our revenues for 2016, 2015 and 2014:

| Revenues breakdown | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------------------------|-------------|-------------|-------------|
| North America..... | 8% | 11% | 11% |
| Europe | 19% | 21% | 22% |
| Central and South America | 1% | 1% | 1% |
| Asia and Others | 73% | 67% | 66% |

We sell lithium carbonate and lithium hydroxide through our own worldwide network of representative offices and through our sales, support and distribution affiliates. We maintain inventories of these products at our facilities throughout the world to facilitate prompt delivery to customers. Sales of lithium carbonate, lithium hydroxide and lithium chloride solutions 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 Albemarle, which, according to our estimates, has a market share of approximately 17%, and FMC Corporation (“FMC”), which has an estimated market share of approximately 10%. In addition, there are at least ten lithium producers in China that, together, supplied approximately 37% of the world market in 2016. These

producers can be divided according to the type of raw material they use: brines (6%) or hard rock (31%). A significant portion of the hard rock that is processed in China is imported from Australia. The largest producer in China is Sichuan Tianqi Lithium Industries (“Tianqi”). Albemarle produces lithium carbonate at its operations in Chile and in Nevada, United States. Its production of downstream lithium products is mostly performed in the United States, Germany and Taiwan. Albemarle and Tianqi are 49%/51% partners in Talison Lithium Pty Ltd., an Australian company that produces lithium mineral concentrate in Western Australia. 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. In 2015, Orocobre Ltd. began producing lithium carbonate in Argentina. It is estimated that it had a market share of approximately 8% in 2016.

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

Potassium

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

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

In 2016, our potassium chloride and potassium sulfate revenues amounted to US\$403.3 million, representing 21% of our total revenues and a 6.3% decrease compared to 2015.

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

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

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

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

Potassium: Market

During the last decade, growth in demand for potassium chloride, and for fertilizers in general, has been driven by several key factors, such as a growing world population, higher demand for protein-based diets and less arable land. All of these factors contribute to fertilizer demand growth as a result of efforts to maximize crop yields and use resources more efficiently. For the last ten years, the compound annual

growth for the global potassium chloride market was approximately 1% to 2%. We estimate that demand totaled approximately 58 million metric tons in 2016, similar to demand in 2015.

According to studies prepared by the International Fertilizer Industry Association, cereals account for approximately 37% of world potassium consumption, including corn (15%), rice (12%) and wheat (6%). Oilseeds, predominantly soybeans and palm oil, represent approximately 20% of total potassium demand. Fruits and vegetables account for around 17% of world potassium demand, and sugar crops account for close to 8%.

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 this product in soluble grades.

The following table shows our sales volumes of and revenues from potassium chloride and potassium sulfate for 2016, 2015 and 2014:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|
| Sales volumes (Th. MT) | | | |
| Potassium chloride and potassium sulfate | 1,534.7 | 1,241.8 | 1,556.2 |
| Total revenues (in US\$ millions) | <u>403.3</u> | <u>430.6</u> | <u>584.3</u> |

Potassium: Marketing and Customers

In 2016, we sold potassium chloride and potassium sulfate to approximately 500 customers in over 80 countries. There were three individual customers that each accounted for more than 10% of our revenues of potassium chloride and potassium sulfate in 2016, totaling approximately 35% of the revenues of potassium chloride and potassium sulfate during this period. We estimate that our ten largest customers accounted in the aggregate for approximately 55% of such revenues. One supplier accounted for more than 10% of the cost of sales of this business line, accounting for approximately 16% of the cost of sales for the business line.

The following table shows the geographical breakdown of our revenues for 2016, 2015 and 2014:

| Revenues breakdown | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------------------------|--------------------|--------------------|--------------------|
| North America | 20% | 22% | 23% |
| Europe | 20% | 12% | 13% |
| Central and South America | 38% | 42% | 45% |
| Asia and Others | 22% | 24% | 19% |

Potassium: Competition

We estimate that we accounted for less than 3% of global sales of potassium chloride in 2016. Our main competitors are Uralkali, Belaruskali, PCS and Mosaic. We estimate that in 2016, Uralkali accounted for approximately 19% of global sales, Belaruskali accounted for approximately 16% of global sales, PCS accounted for approximately 15% of global sales, and The Mosaic Company 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 estimate that these three producers account for approximately 30% of the worldwide production of potassium sulfate. SQM accounts for less than 2% of global production.

Industrial Chemicals

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

In addition to producing industrial nitrates, we produce, market and sell industrial-grade potassium chloride.

In 2016, our revenues from industrial chemicals were US\$104.1 million, representing approximately 5% of our total revenues for that year.

Industrial Chemicals: Market

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

In addition, this product line has also experienced growth from the use of industrial nitrates as thermal storage in concentrated solar power plants (commonly known as “CSP”). Solar salts for this specific application contain a blend of 60% sodium nitrate and 40% potassium nitrate by weight ratio used as a storage and heat transfer medium. Unlike traditional photovoltaic plants, these new plants use a “thermal battery” that contains molten sodium nitrate and potassium nitrate, which store the heat collected during the day. The salts are heated up during the day, while the plants are operating under direct sunlight, and at night they release the solar energy that they have captured, allowing the plants to operate even during hours of darkness. Depending on the power plant technology, solar salts are also used as a heat transfer fluid in the plant system and thereby make CSP plants even more efficient, increasing their output and reducing the Levelized Cost of Electricity (LCOE).

Experts believe that CSP plays a critical role in electricity grid stabilization and manageability due to its inherent large scale storage capability. Nevertheless, such large installations are capital intensive and are strongly influenced by the generation mix in each country. Therefore, fluctuations in solar salts demand are unavoidable in terms of quantity and timing. During 2017 and thereafter, we expect to see further developments in new markets such as the Middle East, Chile and China, as well as recently developed markets such as Morocco and South Africa that continue to make progress on their programs.

Industrial-grade potassium chloride is used as an additive in oil drilling as well as in food processing, among other applications.

Industrial Chemicals: Our Products

The following table shows our sales volumes of industrial chemicals and total revenues for 2016, 2015 and 2014:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|--------------------|---------------------|
| Sales volumes (Th. MT) | | | |
| Industrial chemicals | 128.9 | 126.1 | 125.5 |
| Total revenues (in US\$ millions).. | <u>104.1</u> | <u>97.6</u> | <u>101.9</u> |

Revenues for industrial chemicals increased from US\$97.6 million in 2015 to US\$104.1 million in 2016, as a result of higher sales volumes in this business line.

Industrial Chemicals: Marketing and Customers

We sold our industrial nitrate products in approximately 54 countries in 2016 to approximately 317 customers. Two customers accounted for more than 10% of our revenues of industrial chemicals in 2016, accounting for approximately 46%, and our ten largest customers accounted in the aggregate for approximately 62% of such revenues. No supplier accounted for more than 10% of the cost of sales of this business line.

The following table shows the geographical breakdown of our revenues for 2016, 2015 and 2014:

| Revenues breakdown | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------------------------|--------------------|--------------------|--------------------|
| North America | 24% | 31% | 32% |
| Europe..... | 14% | 15% | 37% |
| Central and South America | 9% | 11% | 14% |
| Asia and Others..... | 54% | 43% | 17% |

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

Industrial Chemicals: Competition

We believe we are one of the leading producers of sodium nitrate, potassium nitrate and potassium chloride for industrial uses. In the case of industrial sodium nitrate, we estimate that our sales represented close to 33% of world demand in 2016 (excluding internal demand for China and India, for which we believe reliable estimates are not available). Our competitors are mainly based in Europe and Asia, producing sodium nitrate as a by-product of other production processes. In refined grade sodium nitrate, BASF AG, a German corporation and several producers in China and Eastern Europe are highly competitive in the European and Asian markets. Our industrial sodium nitrate products also compete indirectly with substitute chemicals, including sodium carbonate, sodium sulfate, calcium nitrate and ammonium nitrate, which may be used in certain applications instead of sodium nitrate and are available from a large number of producers worldwide.

Our main competitor in the industrial potassium nitrate business is Haifa Chemicals, which we estimate had a market share of 25%. We estimate that our market share was approximately 24% for 2016.

In the solar salts business, we believe we have been the market leader since we started selling to commercial projects in 2007. Our competitors include Haifa Chemicals, which is a potassium nitrate supplier, and BASF AG, which is a sodium nitrate supplier.

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 industrial potassium chloride market, we are a relatively small producer, mainly supplying regional needs.

Other Products

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

Production Process

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

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

Caliche Ore Deposits

Caliche ore deposits are located in northern Chile. During 2016, we operated one mine in this region: Nueva Victoria. We also began establishing a new mining area called Tente en el Aire, which is also located in northern Chile, about 15 kilometers northwest of our Nueva Victoria operations. We believe this new mine will allow us to capture operating synergies that will increase efficiency and reduce costs. In November 2015, mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production was reduced at the Pedro de Valdivia site, in order to take advantage of the highly efficient production facilities at Nueva Victoria. Mining operations at the Pampa Blanca site and the El Toco mine (which is part of the María Elena site) were suspended in March 2010 and November 2013, respectively, 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 centimeter to four meters, and with the overburden varying in thickness between zero centimeters and two meters.

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

The mining process generally begins with bulldozers first breaking and then removing the overburden in the mining area. This process is followed by an inspection and review of the drill holes before production drilling and blasting occurs to break the caliche seams. Front-end loaders load the ore onto off-road trucks, which take it to be processed.

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

Currently, the Pedro de Valdivia and María Elena sites continue to generate solutions that are produced by leaching the mine tailings. These solutions are treated at the iodide plants at María Elena and Pedro de Valdivia. The iodide that is produced at the María Elena plant is subsequently sent to Pedro de Valdivia in order to produce prilled iodine. After iodide is obtained at both plants, the remaining solutions, which are rich in nitrate and potassium, are sent to the solar evaporation ponds at Coya Sur in order to be used in the production of potassium nitrate.

Caliche Ore-Derived Products

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

Sodium Nitrate

During 2016, sodium nitrate for both agricultural and industrial applications was produced by inventory generated at the Pedro de Valdivia facility and subsequently processed at the Coya Sur plants. At the Pedro de Valdivia facility, until November 2015, the caliche ore was crushed, creating two products: a coarse fraction and a fine fraction. In preparation for the eventual suspension of nitrates operations at Pedro de Valdivia, we had increased our sodium nitrate inventory levels through November 2015. As of December 2016, we had approximately 450,000 tons of crystallized sodium nitrate in inventory, which will provide us with enough sodium nitrate to produce finished nitrates for approximately three years. For subsequent production, we are in the process of adapting the crystallization plant at Pedro de Valdivia to be able to produce sodium nitrate using nitrate salts from our Nueva Victoria facility.

Crystallized sodium nitrate is an intermediate product that is subsequently processed further at the Coya Sur production plants to produce sodium nitrate, potassium nitrate and sodium potassium nitrate in different chemical and physical qualities, including crystallized and prilled products. Finally, the products are transported by railway or truck to our port facilities in Tocopilla for shipping to customers and distributors worldwide.

Potassium Nitrate

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

Our current potassium nitrate production capacity at Coya Sur is approximately 1,100,000 metric tons per year. Since the end of 2013, we have been working with external advisors to implement the "lean" method of manufacturing in our potassium nitrate plants. We achieved complete implementation of this method of manufacturing during 2015. The improvements we have achieved have enabled us to reduce costs, improve energy consumption, increase the production of potassium nitrate and decrease our accident rates. This method is based on increasing the involvement of our workers in decision-making, and strengthening the leadership of our production supervisors. The goal is to identify opportunities to improve the production process and reduce waste on an ongoing basis.

During 2016, the potassium nitrate refining plants entered into operation, allowing the production of a higher quality product with lower impurity content as required by the new market conditions. These new facilities enable integrated production at the plants of Coya Sur, allowing the Company to reuse rinsing solutions, and thereby reducing the total cost of production.

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

Sodium Potassium Nitrate

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

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

Iodine and Iodine Derivatives

During 2016, we produced iodine at our facilities at Nueva Victoria (including the Iris facility), Pedro de Valdivia and María Elena. Iodine is extracted from solutions produced by leaching caliche ore.

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

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

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

Our total iodine production in 2016 was 8,542 metric tons: 7,744 metric tons from Nueva Victoria and Iris; 610 metric tons from Pedro de Valdivia; and 188 metric tons from María Elena. Nueva Victoria is also equipped to toll iodine from iodide delivered from our other facilities. We have the flexibility to adjust our production according to market conditions. Following the production facility restructuring at Pedro de Valdivia and Nueva Victoria announced in 2015, our total current effective production capacity at our iodine production plants is approximately 10,000 metric tons per year.

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

In September 2010, CONAMA, currently known as the Environmental Evaluation Service, approved the environmental study of our Pampa Hermosa project in the Tarapacá Region of Chile. This environmental permit allows for an increase in the production capacity of our Nueva Victoria operations to 11,000 metric tons of iodine per year and to produce up to 1.2 million metric tons of crystallized nitrates, mine up to 37 million metric tons of caliche per year and use new water rights of up to 570.8 liters per second. In recent years, we have made investments in order to increase the water capacity in the Nueva Victoria operations from two water sources approved by the environmental study of Pampa Hermosa, expand the capacity of solar evaporation ponds, and implement new areas of mining and collection of solutions. Our current production capacity at Nueva Victoria is approximately 9,000 metric tons per year of iodine (including the Iris operations) and 700,000 metric tons per year of nitrates. Additional expansions may be done from time to time in the future, depending on market conditions.

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 mining exploitation rights to the Salar de Atacama are pursuant to the Lease Agreement, which expires in 2030. The Lease Agreement permits the CCHEN to establish a total accumulated extraction and sales limit of 180,100 tons of lithium metal (958,672 tons of lithium carbonate equivalent) in the aggregate for all periods. We are over halfway through the term of the Lease Agreement and have extracted approximately 59% of the total accumulated extraction and sales limit of lithium.

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

Products Derived from the Salar de Atacama Brines

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

Potassium Chloride

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

In order to produce potassium chloride, brines from the Salar de Atacama are pumped to solar evaporation ponds. Evaporation of the water contained in the brine, results in a crystallized mixture of salts with various content levels of potassium, sodium and magnesium. In the first stage of the precipitation, sodium chloride salts are removed; these salts are not used in the production process of other products. After further evaporation, the sodium and potassium salts are harvested and sent for treatment at one of the wet potassium chloride plants where potassium chloride is separated by a grinding, flotation, and filtering

process. In the final evaporation stage, salts containing potassium and magnesium are harvested and sent for treatment at one of the cold leach plants where magnesium is removed. Potassium chloride is transported approximately 300 kilometers to our Coya Sur facilities via a dedicated truck transport system, where it is used in the production of potassium nitrate. We sell potassium chloride produced at the Salar de Atacama in excess of our needs to third parties. All of our potassium-related plants in the Salar de Atacama currently have nominal production capacity in excess of up to 2.6 million metric tons per year. Actual production capacity depends on volume, metallurgical recovery rates and quality of the mining resources pumped from the Salar de Atacama.

The by-products of the potassium chloride production process are (i) solutions remaining after removal of the potassium chloride, which are used to produce lithium carbonate as described below, with the excess amount not required for lithium carbonate production being reinjected into the Salar de Atacama; (ii) sodium chloride, which is similar to the surface material of the Salar de Atacama and is deposited at sites near the production facility and (iii) other salts containing magnesium chloride.

Lithium Carbonate and Lithium Chloride

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

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

Lithium Hydroxide

Lithium carbonate is sold to customers, and we also use it as a raw material for our lithium hydroxide production, 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 lithium hydroxide solution is evaporated in a multiple effect evaporator and crystallized to produce the lithium hydroxide, which is filtered, dried and packaged for shipment to customers.

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

Potassium Sulfate and Boric Acid

Approximately 12 kilometers northeast of the potassium chloride facilities at the Salar de Atacama, we use the brines from the Salar de Atacama to produce potassium sulfate, potassium chloride (as a by-product of the potassium sulfate process) and, depending on market conditions, 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 to produce potassium sulfate. The brine is pumped to solar evaporation ponds, where sodium chloride salts

are precipitated, harvested and put into piles. After further evaporation, the sulfate and potassium salts precipitate in different concentrations and are harvested and sent for processing to the potassium sulfate plant. Potassium sulfate is produced using flotation, concentration and reaction processes, after which it is crystallized, filtered, dried, classified and packaged for shipment.

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

The principal by-products of the production of potassium sulfate are: (i) non-commercial sodium chloride, which is deposited at sites near the production facility and (ii) remaining solutions, which are re-injected into the Salar de Atacama or returned to the evaporation ponds. The principal by-products of the boric acid production process are remaining solutions that are treated with sodium carbonate to neutralize acidity and then are re-injected 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), 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 companies, and liquefied natural gas and fuel oil for heat generation. Our raw material costs (excluding caliche ore and salar brines and including energy) represented approximately 13% of our cost of sales in 2016.

We have been connected to the northern power grid in Chile, which currently supplies electricity to most cities and industrial facilities in northern Chile, since April 2000. We have several electricity supply agreements signed with major producers in Chile, which are within the contract terms. Our electricity needs are primarily covered by the Electrical Energy Supply Agreement that we entered into with AES Gener S.A. (formerly known as Gener S.A.) on December 31, 2012. Pursuant to the terms of the Electrical Energy Supply Agreement, we are required to purchase an amount of electricity that exceeds the amount that we estimate we will need for our operations. The excess amount is sold at marginal cost, which could result in a material loss for us.

For the supply of liquefied natural gas, in 2013 and 2014 we had a contract with Solgas. For 2015 and 2016, we executed supply contracts with Enel Chile (formerly Endesa) as with Solgas, primarily to serve our operations at the Salar del Carmen and Coya Sur.

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

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

Water Supply

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

Government Regulations

Regulations in Chile Generally

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

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

Under Law No. 16,319 that created the Chilean Nuclear Energy Commission (*Comisión Chilena de Energía Nuclear* or “CCHEN”), we have an obligation to the CCHEN regarding the exploitation and sale of lithium from the Salar de Atacama, which prohibits the use of lithium for nuclear fusion. In addition, CCHEN has imposed annual quotas that limit the total tonnage of lithium authorized to be sold.

We also hold water use rights granted by the respective administrative authorities and which enable us to have a supply of water from rivers or wells near our production facilities sufficient to meet our current operating requirements. See “Item 3.D. Risk Factors—Risks Relating to Chile—Changes in water rights laws and other regulations could affect our operating costs.” The Water Code and related regulations are subject to change, which could have a material adverse impact on our business, financial condition and results of operations.

We operate port facilities at Tocopilla, Chile for the shipment of products and the delivery of raw materials in conformity with maritime concessions, which have been granted by the respective administrative authority. These concessions are normally renewable on application, provided that such facilities are used as authorized and annual concession fees are paid.

In 2005, Law No. 20,026, known as the Law to Establish a Specific Tax on Mining Activity” (*Ley que Establece un Impuesto Específico a la Actividad Minera* or the “Royalty Law”), established a royalty tax to be applied to mining activities developed in Chile. In 2010, modifications were made to the law and taxes were increased.

In 2012, new modifications to the tax laws were enacted to set the corporate tax rate at 20% for companies like SQM.

On September 29, 2014, Law No. 20,780 was published (the “Tax Reform”), introducing significant changes to the Chilean taxation system and strengthening the powers of the SII to control and prevent tax

avoidance. Subsequently, on February 8, 2016, Law No. 20,899 that simplifies the income tax system and modifies other legal tax provisions was published. As a result of these reforms, open stock corporations, like SQM, are subject to the partially integrated shareholder tax regime (*sistema parcialmente integrado*). The corporate tax rate applicable to us increased gradually from 20% to 24% in 2016. It will increase to 25.5% in 2017 and increase to a maximum rate of 27% in 2018.

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

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.

We are also subject to the Chilean Labor Code and the Subcontracting Law, which are overseen by the Labor Authority (*Dirección del Trabajo*), the National Geology and Mining Service (*Servicio Nacional de Geología y Minería* or "Sernageomin"), and the National Health Service. Recent changes to these laws and their application may have a material adverse effect on our business, financial condition and results of operations. See "Item 3.D. Risk Factors—Risks Relating to Our Business—We are exposed to labor strikes and labor liabilities that could impact our production levels and costs."

In addition, we are subject to Law No. 20,393, which establishes criminal liability for legal entities, for the crimes of (a) asset laundering, (b) financing terrorism and (c) bribery. Potential sanctions for violations under this law could include (i) fines, (ii) loss of certain governmental benefits during a given period, (iii) a temporary or permanent bar against the corporation executing contracts with governmental entities, and (iv) dissolution of corporation.

Finally, we are governed by the Securities Law and Law No. 18,046 on Corporations (*Ley de Sociedades Anónimas* or the "Chilean Corporations Act"), which regulates corporate governance. Specifically, the Chilean Corporations Act regulates, among other things, independent director requirements, disclosure obligations 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. See "Item 6.C. Board Practices" and Item 7.B. Related Party Transactions."

There are currently no material legal or administrative proceedings pending against us except as discussed in Note 19.1 to our Consolidated Financial Statements and below under "Safety, Health and Environmental Regulations in Chile."

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 us are the Mine Health and Safety Act of 1989 (*Reglamento de Seguridad Minera* or the "Mine Health and Safety Act"), the Health Code (*Código Sanitario*), the Health and Basic Conditions Act of 1999 (*Reglamento sobre Condiciones Sanitarias y Ambientales Básicas en los Lugares de Trabajo* or the "Health and Basic Conditions Act"), the Subcontracting Law and the Environmental Law of 1994, amended in 2010 (*Ley sobre Bases Generales del Medio Ambiente* or the "Environmental Law").

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

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

In November 2011, the Ministry of Mining enacted Law No. 20,551 that Regulates the Closure of Mining Sites and Facilities (*Ley que Regula el Cierre de Faenas e Instalaciones Mineras*). This statute entered in force in November 2012 and required all mining sites to present or update their closure plans as of November 2014. SQM has fulfilled this requirement for all of its mining sites and facilities. The main requirements of the law are related to disclosures to the Sernageomin regarding decommissioning plans for each mining site and its facilities, along with the estimated cost to implement such plans. The mining site closure plans are approved by Sernageomin and the corresponding financial assurances are subject to approval by the SVS. In both cases, SQM has received the requisite approvals and kept the respective guarantees up to date according to the useful life of each mining site.

The new and modified Chilean Environmental Law defines the Ministry of the Environment as the governmental agency responsible for coordinating and supervising environmental issues. The Environmental Assessment Service is responsible for reviewing environmental assessments of new projects or significant modifications of existing ones, and the decision to grant or reject environmental permits rests with the Environmental Assessment Commission. On the other hand, the Superintendence for the Environment is responsible for supervising environmental performance during the construction, operation and closure of the projects that have been evaluated for environmental permits, and it is also responsible for enforcing compliance with prevention and atmospheric decontamination plans. The Environmental Law also promotes citizen participation in project evaluation and implementation, providing more opportunities for observations or objections to be made during the environmental evaluation process. Annually, the Superintendence for the Environment audits a sample of approved projects to verify compliance with the environmental permits, and it may pursue fines or sanctions if applicable, which can be challenged in the Environmental Court.

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

at Nueva Victoria, and the Protect&Sustain certification from the International Fertilizer Association, which applies to our operations at Coya Sur, the Salar de Atacama, Tocopilla, Antofagasta and Santiago.

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

We employ our best efforts to ensure compliance with the complex regulatory environments in which we operate.

In March 2016, the European Commission sent to the European Parliament a new regulatory proposal for fertilizers, which is expected to be approved by the end of 2017, following which there will be a transition period for its implementation. The new European regulation proposes to reduce the maximum content limit of perchlorates in inorganic fertilizer with macronutrients, such as the potassium nitrate sold by us, from 0.01% to 0.005%. The fertilizers that we sell contain less than 0.005% of perchlorate. However, we anticipate that in 2017, the Food Chain Security unit of the General Health and Consumer Affairs Council may revise the perchlorate limits in food that are currently in force and effect, following the European Food Safety Authority's ("EFSA") evaluation of the data from the 2016 monitoring program that analyzed perchlorate levels in food and in drinkable water. The new limits of perchlorates in food is expected to be established by the end of 2017.

With respect to the regulation on explosives in Europe, we issued a procedure for all employees of SQM Europe NV (Procedure for the Reporting of Suspicious Transactions and Theft of Products covered by Regulation (EU) No. 98/2013). We completed a new training program for employees in related European companies with respect to such regulation. This regulation considers nitrogen, phosphorus, and potassium ("NPK") mixes produced in Europe as well as the nitrates in the product line and third party products covered by the regulation. The member states that participate in the European Committee that reviews the regulation did not reach a consensus on defining the ranges of concentration for fertilizer products. We will continue to monitor the development of changes to the regulation through our participation in the Potassium Nitrate Association as part of the public-private committee created by the European Committee. In 2017, the reviewing committee expects to prepare a report evaluating the regulation.

In September 2016, we fulfilled the United States Environmental Protection Agency's ("US-EPA") requirement under the Chemical Data Reporting ("CDR") regulation and the Toxic Substances Control Act (US-TSCA) to disclose all chemical substances imported to the United States by SQM North America Corp. during the 2012-2015 period, including the amount in tons per year and its uses. We conducted a survey of all products imported to the United States of America from our headquarters and affiliates during this period and reported the information per chemical substance to the US-EPA. This disclosure will be made again in 2020 for products imported during the 2016-2019 period.

In January 2016, a new Korean regulation for the management of chemical products known as K-REACH came into effect. K-REACH contains requirements that are similar to those established by the European regulation, REACH. K-REACH defines obligations for both importers and users of our products with respect to the evaluation of security and the communication of risks to the supply chain. K-REACH also defines substances that should be registered in accordance with the regulation that will be implemented in July 2018. We intend to act through a sole representative in Korea for all products subject to the regulation.

On March 14, 2016, Normative Instruction No. 5 became effective in Brazil, which defines specification requirements, guarantees, tolerances, registration requirements, packaging requirements, and the labeling of fertilizer products, among others. Normative Instruction No. 5 also defines changes to the information presented for the new registration of products and for the renewal of existing registries, when applicable.

Research and Development, Patents and Licenses

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

4.C. Organizational Structure

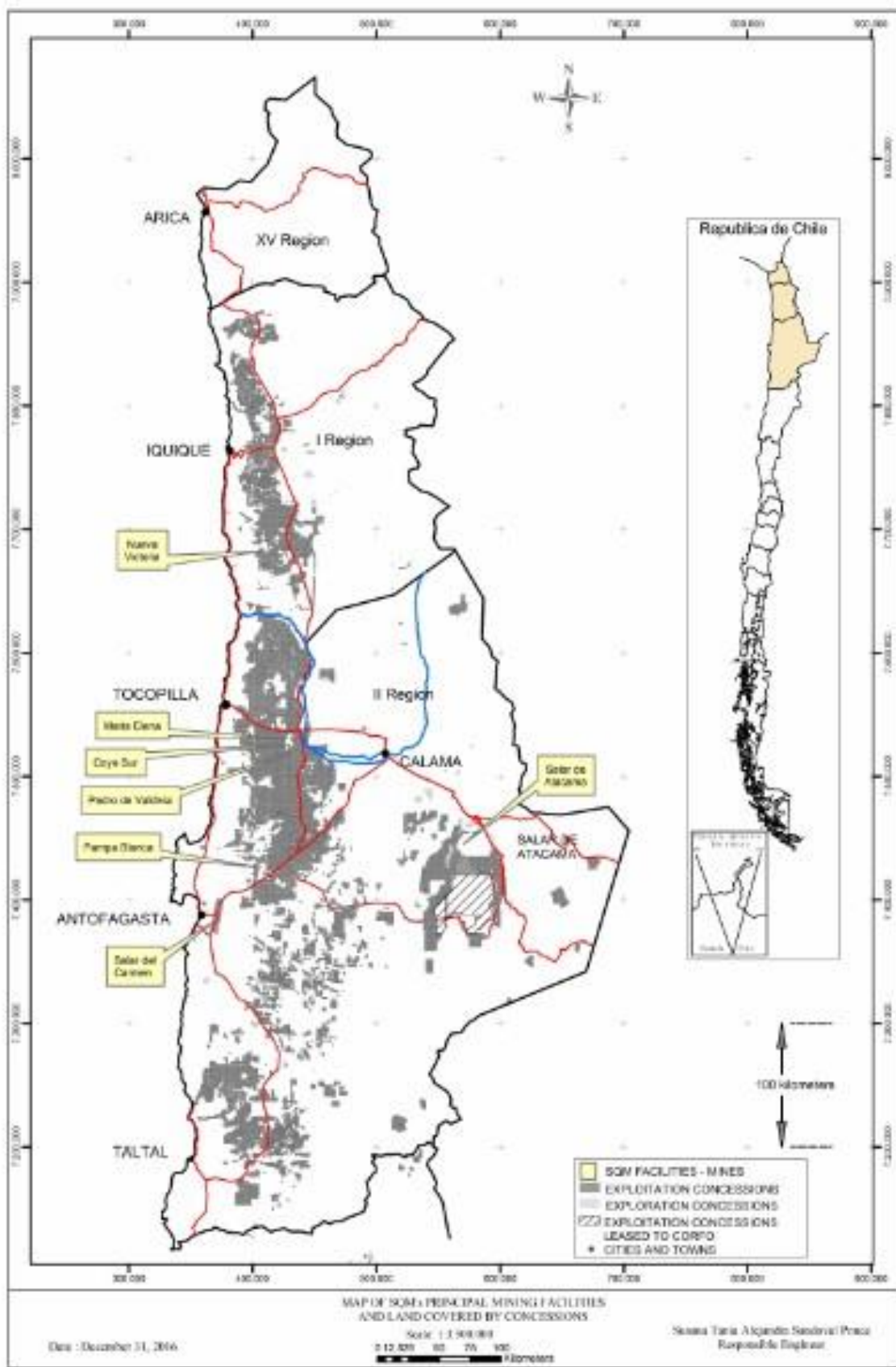
All of our principal operating subsidiaries are essentially wholly-owned, except for Soquimich Comercial S.A., which is approximately 61% owned by us and whose shares are listed and traded on the Santiago Stock Exchange, and Ajay SQM Chile S.A., which is 51% owned by us. The following is a summary of our main subsidiaries as of December 31, 2016. For a list of all our consolidated subsidiaries, see Note 2.5 to our Consolidated Financial Statements.

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

4.D. Property, Plant and Equipment

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

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



Mining Concessions

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

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

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

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

As of December 31, 2016, the surface area covered by Mining Exploitation Concessions that have been granted in relation to the caliche resources of SQM S.A.’s mining sites corresponds to approximately 569,323 hectares. In addition, as of December 31, 2016, the surface area covered by Mining Exploration Concessions in relation to the caliche resources of SQM S.A.’s mining sites corresponds to approximately 6,800 hectares. We have not requested additional mining rights.

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

As of December 31, 2016, our subsidiary SQM Salar 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 is only entitled to exploit the mineral resources of 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar pursuant to the Lease Agreement. Corfo cannot unilaterally modify the Lease Agreement, and the rights to exploit the resources cannot be transferred. The Lease Agreement establishes that SQM Salar is responsible for making quarterly lease payments to Corfo according to specified percentages of the value of production of minerals extracted from the Salar de Atacama brines, maintaining Corfo’s rights over the mining exploitation concessions and making annual payments to the Chilean government for such concession rights. The Lease Agreement expires on December 31, 2030.

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

SQM Salar holds an additional 254,940 hectares of constituted Mining Exploitation Concessions in areas near the Salar de Atacama, which correspond to mining reserves that have not been exploited. SQM Salar also holds Mining Exploitation Concessions that are in the process of being granted covering 72,178 hectares in areas near the Salar de Atacama.

In addition, as of December 31, 2016, SQM Salar held constituted Mining Exploration Concessions covering approximately 68,400 hectares and had applied for additional Mining Exploration Concessions of approximately 2,600 hectares. Exploration rights are valid for a period of two years, after which we can (i) request a Mining Exploitation Concession for the land, (ii) request an extension of the Mining Exploration Concession for an additional two years (the extension only applies to a reduced surface area equal to 50% of the initial area) or (iii) allow the concession to expire.

According to the terms of the Lease Agreement, with respect to lithium production, the CCHEN has established a total accumulated extraction limit set at 180,100 tons of lithium (958,672 tons of lithium carbonate equivalent) in the aggregate for all periods while the Lease Agreement is in force. More than halfway through the term of the Lease Agreement, we have extracted approximately 59% of the total accumulated extraction limit of lithium.

Corfo has initiated arbitration proceedings in connection with the Lease Agreement. For more information, see “Item 8.A.7 Legal Proceedings”.

Concessions Generally

As of December 31, 2016, approximately 96% of SQM’s mining interests were held pursuant to Mining Exploitation Concessions and 4% pursuant to Mining Exploration Concessions. Of the Mining Exploitation Concessions, approximately 93% already have been granted pursuant to applicable Chilean law, and approximately 7% are in the process of being granted. Of the Mining Exploration Concessions, approximately 96% already have been granted pursuant to applicable Chilean law, and approximately 4% are in the process of being granted.

In 2016, we made payments of approximately US\$7.2 million to the Chilean government for Mining Exploration and Exploitation Concessions, including the concessions we lease from Corfo. These payments do not include the payments we made directly to Corfo pursuant to the Lease Agreement, according to the percentages of the sales price of products produced using brines from the Salar de Atacama.

The following table shows the constituted Mining Exploitation and Exploration Concessions held by SQM, including the mining properties we lease from Corfo, as of December 31, 2016:

| Region of Chile | Exploitation Concessions | | Exploration Concessions | | Total | |
|----------------------------|--------------------------|------------------|-------------------------|----------------|---------------|------------------|
| | Total Number | Hectares | Total Number | Hectares | Total Number | Hectares |
| Region I..... | 2,820 | 538,454 | 58 | 24,600 | 2,878 | 563,054 |
| Region II..... | 9,011 | 2,372,895 | 302 | 96,200 | 9,313 | 2,469,095 |
| Region III and others..... | 406 | 97,768 | 31 | 10,300 | 437 | 108,068 |
| Total..... | 12,237 | 3,009,117 | 391 | 131,100 | 12,628 | 3,140,217 |
| ... | | | | | | |

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

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

Caliche: Facilities and Reserves

Caliche: Facilities

During 2016, caliche ore mining operations were focused in the first region of Chile, and our Nueva Victoria mine was exploited. In November 2015, the mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production was reduced at the Pedro de Valdivia site, in order to take advantage of the highly efficient production facilities at Nueva Victoria. Operations at the Pampa Blanca site were suspended in 2010, and operations at the María Elena site were suspended in October 2013.

María Elena

The María Elena mine and facilities, named El Toco, are located 220 kilometers northeast of Antofagasta and are accessible by highway. Until February 2010, caliche was used at this facility to produce nitrates and iodine through vat leaching. Subsequently, these facilities were equipped to produce nitrates and iodine through the use of heap leaching and solar evaporation ponds. Heap leaching operations at this site were suspended in October 2013. During 2014 and 2015, we continued to produce solutions rich in iodine and nitrates by leaching the mine tailings. These solutions are treated at the iodide plant at María Elena, and subsequently the prilled iodine is produced at Pedro de Valdivia. The main production facilities at this site include the operations center located at El Toco and the iodide plant located at María Elena. The area mined until operations were suspended is located approximately 14 kilometers north of the María Elena production facilities. Electricity and fuel oil are the primary sources of power for this operation.

Nueva Victoria

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

Pampa Blanca

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

Pedro de Valdivia

The Pedro de Valdivia mine and facilities are located 170 kilometers northeast of Antofagasta and are accessible by highway. At this site, we used caliche to produce nitrates and iodine through vat leaching and solar evaporation ponds. The main production facilities at this site include the crushing, vat leaching, fines processing, nitrate crystallization plant, and iodide and iodine plants. In November 2015, the mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production was reduced. Electricity, natural gas and fuel oil are the primary sources of power for this operation.

Caliche: Reserves

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

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

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

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

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

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

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

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

governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

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

The estimates of Proven Reserves of caliche ore at each of our mines as of December 31, 2016 are set forth below. The Company holds 100% of the concession rights for each of these mines.

| Mine | Proven Reserves (1) (millions of metric tons) | Nitrate Average Grade (percentage by weight) | Iodine Average Grade (parts per million) | Cutoff Grade Average for Mine (2) |
|------------------------|---|--|--|--|
| Pedro de Valdivia..... | 109.0 | 7.1% | 377 | Nitrate 6.0 % |
| María Elena..... | 83.3 | 7.2% | 436 | Iodine 300 ppm |
| Pampa Blanca..... | 54.7 | 5.7% | 538 | Iodine 300 ppm |
| Nueva Victoria..... | 377.0 | 6.4% | 430 | Iodine 300 ppm |

In addition, the estimates of our Probable Reserves of caliche ore at each of our principal mines as of December 31, 2016, are as follows:

| Mine | Probable Reserves (3) (millions of metric tons) | Nitrate Average Grade (percentage by weight) | Iodine Average Grade (parts per million) | Cutoff Grade (2) |
|------------------------|---|--|--|-------------------------|
| Pedro de Valdivia..... | 334.7 | 7.3% | 421 | Nitrate 6.0 % |
| María Elena..... | 148.8 | 7.2% | 381 | Iodine 300 ppm |
| Pampa Blanca..... | 464.6 | 5.7% | 540 | Iodine 300 ppm |
| Nueva Victoria..... | 1,020.7 | 5.3% | 421 | Iodine 300 ppm |

- (1) The Proven Reserves set forth in the table above are shown before losses related to exploitation and mineral treatment. Proven Reserves are affected by mining exploitation methods, which result in differences between the estimated reserves that are available for exploitation in the mining plan and the recoverable material that is finally transferred to the leaching vats or heaps. The average mining exploitation factor for each of our different mines ranges between 80% and 90%, whereas the average global metallurgical recoveries of processes for nitrate and iodine contained in the recovered material vary between 60% and 70%.
- (2) The cutoff grades for the Proven and Probable Reserves vary according to the objectives of each mine. These amounts correspond to the averages of the different areas.
- (3) Probable Reserves can be expressed as Proven Reserves using a conversion factor, only for purposes of obtaining a projection to be used for long-term planning purposes. On average, this conversion factor is higher than 60%, depending on geological conditions and caliche ore continuity, which vary from mine to mine (Pedro de Valdivia 60%, María Elena 50%, Pampa Blanca 70% and Nueva Victoria 60%).

The complete technical supporting documentation for the information set forth in the table above is contained in the report "Methodology, Procedure, and Classification of SQM's Nitrate and Iodine Resources and Reserves for the Year 2016," was prepared for each mine by the geologist Vladimir Tejerina and other engineering professionals employed by SQM and validated by Mr. Sergio Alarcón and Mr. Orlando Rojas.

Mr. Sergio Alarcón is a geologist with more than 30 years of experience in the field. He is currently employed by SQM as a Geology Supervisor. Mr. Alarcón is a Competent Person (*Persona Competente*),

as that term is defined under Chilean Law No. 20,235, known as the Law that Regulates the Position of Competent Person and Creates the Qualifying Committee for Competencies in Mining Resources and Reserves (*Ley que Regula la Figura de las Personas Competentes y Crea la Comisión Calificadora de Competencias de Recursos y Reservas Mineras* or “Competent Person Law”). He is registered under No. 164 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a geologist with both metallic and non-metallic deposits, with vast experience in the latter.

Mr. Orlando Rojas is a civil mining engineer and independent consultant. He is Partner and Chief Executive Officer of the company EMI-Ingenieros y Consultores S.A., whose offices are located at Renato Sánchez No. 3357, Las Condes, Santiago, Chile. He is a member of the Institute of Mining Engineers and is registered under No. 118 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a mining engineer for 39 years since graduating from university, including more than 33 years working on estimates for reserves and resources.

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

The proven and probable reserves shown above are the result of the evaluation of approximately 21.34% of the total caliche-related mining property of our Company. However, we have explored more intensely the areas in which we believe there is a higher potential of finding high-grade caliche ore minerals. The remaining 78.66% of this area has not been explored or has had limited reconnaissance, which is not sufficient to determine the sources of potential and hypothetical resources. In 2016, we did not carry out basic reconnaissance of new mining properties. With respect to detailed explorations, in 2016, we carried out recategorizations of indicated resources in the NVWS (“Nueva Victoria West South”), and Franja West sectors, totaling 1,575.64 hectares, which is still in process. Our 2017 exploration program includes the exploration of Tente en el Air section, which totals 687 hectares. The reserves shown in these tables are calculated based on properties that are not involved in any legal disputes between SQM and other parties.

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

| | 2016 | | 2015 | | 2014 | |
|-----------------------------|--------------|-------------|--------------|-------------|--------------|-------------|
| | Gross Margin | Price | Gross Margin | Price | Gross Margin | Price |
| Iodine and Derivatives..... | 17% | US\$23/kg | 30% | US\$28/kg | 42% | US\$38/kg |
| Specialty Plant Nutrition . | 23% | US\$742/ton | 29% | US\$784/ton | 21% | US\$806/ton |
| Industrial Chemicals..... | 35% | US\$808/ton | 27% | US\$770/ton | 40% | US\$812/ton |

We maintain an ongoing program of exploration and resource evaluation on the land surrounding the mines at Nueva Victoria, Pedro de Valdivia, María Elena, Pampa Blanca and other sites for which we have the appropriate concessions.

Brines from the Salar de Atacama: Facilities and Reserves

Salar de Atacama: Facilities

Salar de Atacama

Our facilities at the Salar de Atacama are located 208 kilometers to the east of the city of Antofagasta and 188 kilometers to the southeast of the city of María Elena. At this site we use brines extracted from the

salar to produce potassium chloride, potassium sulfate, boric acid, magnesium chloride salts and lithium solutions, which are subsequently sent to our lithium carbonate plant at the Salar del Carmen for processing. The main production plants at this site include the potassium chloride flotation plants (MOP-H I and II), the potassium carnallite plants (PC I and extension), the potassium sulfate flotation plant (SOP-H), the boric acid plant (ABO), the potassium chloride drying plant (Dual Plant or MOP-S), the potassium chloride compacting plant (MOP-G), the potassium sulfate drying plant (SOP-S) and the potassium sulfate compacting plant (SOP-G). Solar energy is the primary energy source used for the Salar de Atacama operations.

Salar de Atacama: Reserves

Our in-house staff of hydro-geologists and geologists prepares our estimates of the reserve base of potassium, sulfate, lithium and boron dissolved in brines at the Salar de Atacama. We have exploitation concessions covering an area of 81,920 hectares, in which we have carried out geological exploitation, brine sampling and geostatistical analysis. We estimate that our proven and probable reserves as of December 31, 2016, based on economic restrictions, geological exploitation, brine sampling and geostatistical analysis up to a depth of 110 meters of our total exploitation concessions, and additionally, up to a depth of 300 meters over approximately 47% of the same total area, are as follows:

| | Proven Reserves (1) <i>(millions of metric tons)</i> | Probable Reserves (1) <i>(millions of metric tons)</i> | Total Reserves <i>(millions of metric tons)</i> |
|--------------------------|--|--|---|
| Potassium (K+) (2)..... | 54.62 | 39.00 | 90.62 |
| Sulfate (SO4-2) (3)..... | 47.82 | 37.06 | 84.88 |
| Lithium (Li+) (4)..... | 4.89 | 3.17 | 8.06 |
| Boron (B3+) (5)..... | 1.76 | 1.26 | 3.02 |

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

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

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

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

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

The information set forth in the table above was validated in February 2017 by Messrs. Álvaro Henríquez and Orlando Rojas using information that was prepared by SQM’s hydrogeologists, geologists and engineers and external advisors.

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

Mr. Orlando Rojas is a civil mining engineer and independent consultant. He is Partner and Chief Executive Officer of the company EMI-Ingenieros y Consultores S.A., whose offices are located at Renato Sánchez No. 3357, Las Condes, Santiago, Chile. He is a member of the Institute of Mining Engineers and is registered under No. 118 in the Public Registry of Competent Persons in Mining Resources and

Reserves in accordance with the Competent Person Law and related regulations. He has worked as a mining engineer for 38 years since graduating from university, including more than 32 years working on estimates for reserves and resources.

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

A cutoff grade of 1.0% K is used in the calculation, considering a low margin scenario using only MOP-S as and using diluted brine with higher levels of contaminants as the raw material and with recovery yields of approximately 47%, which is on the lower end of the range. In this scenario, considering current market conditions and market conditions from recent years, the production cost of MOP production is still competitive.

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

The proven and probable reserves are based on production experience, drilling, brine sampling and geostatistic reservoir modeling in order to estimate brine volumes and their composition. We calculate the reserve base, which is the volume of brine effectively drainable or exploitable in each evaluation unit, by building a three-dimensional block model. The following variables are used to populate the model:

- *Porosity*: obtained from measurements of drainable porosity in core rocks, test pumping data, geophysical records and changes in the level of the brine. The volume of brine is estimated on the basis of the interpolation of the drainable porosity data.
- *Grades*: The brine chemistry is subjected to an exploratory data analysis and a variographic analysis, in order to determine the chemical populations in the Salar. Subsequently, the grades are interpolated using the Kriging method.

Based on the chemical characteristics, the volume of brine and drainable porosity, we determine the number of metric tons for each of the chemical ions being evaluated.

Reserves are defined as hydrogeological units with proven historical brine yield production, and a quality and piezometric brine monitoring network to control brine evolution over time. Reserve classification is finally achieved by using the geostatistical estimation error and hydrogeological knowledge of the units that have been explored, as an indicator between proven and probable reserves.

Probable reserves and inferred resources are being explored in order to be able to reclassify them as proven reserves and indicated or measured resources, respectively. This exploration includes systematic packer testing, chemical brine sampling and long-term pilot production pumping tests.

We consider chemical parameters to determine the process to be applied to the brines. These parameters are used to estimate potential restrictions on production yields, and the economic feasibility of producing such commercial products as potassium chloride, potassium sulfate, lithium carbonate and boric acid is determined on the basis of the evaluation.

Complementing the reserves information, SQM has an environmental impact assessment (RCA 226/06) which defines a maximum brine extraction per year until the end of the Lease Agreement (in 2030). Considering the maximum brine production rates, and including reinjection factors, we have performed several hydrogeological numeric simulations to estimate changes in the volume and quality of the brine during the life of the project. This procedure allows us to estimate an amount of 30.8 metric tons of potassium out of our environmentally approved reserves, which is considered to be a fraction of the proven and probable reserves previously defined.

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

| | 2016 | | 2015 | | 2014 | |
|--|--------------|----------------|--------------|---------------|--------------|---------------|
| | Gross Margin | Price | Gross Margin | Price | Gross Margin | Price |
| Potassium Chloride and Potassium Sulfate | 11% | US\$263/ton | 29% | US\$346/ton | 28% | US\$375/ton |
| Lithium and Derivatives | 66% | US\$10,362/ton | 51% | US\$5,762/ton | 42% | US\$5,235/ton |

Other Production Facilities

Coya Sur

The Coya Sur site is located approximately 15 kilometers south of María Elena, and production activities undertaken there are associated with the production of potassium nitrate and finished products. The main production plants at this site include four potassium nitrate plants with a total capacity of 1,100,000 metric tons per year. There are also five production lines for crystallized nitrates, with a total capacity of 1,200,000 metric tons per year, and a prilling plant with a capacity of 320,000 metric tons per year. The potassium nitrate produced at Coya Sur is an intermediate product that is used as a raw material for the production of finished products (crystallized nitrates and prilled nitrates). Therefore, the production capacities listed above are not independent of one another and cannot be added together to obtain an overall total capacity. Natural gas is the main source of energy for our Coya Sur operation.

Salar del Carmen

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

The following table provides a summary of our production facilities as of December 31, 2016:

| Facility | Type of Facility | Approximate Size (hectares) ⁽¹⁾ | Nominal Production Capacity (thousands of metric tons/year) | Weighted Average Age (years) ⁽²⁾ | Gross Book Value (millions of US\$) ⁽²⁾ |
|--|--|--|---|---|--|
| Coya Sur ⁽³⁾⁽⁴⁾ | Nitrates production | 1.518 | Potassium nitrate: 1,100 Crystallized nitrates: 1,200 Prilled nitrates: 320 | 9.0 | 533.0 |
| María Elena ⁽⁵⁾⁽⁶⁾ | Nitrates and iodine production | 35.830 | Nitrates: n/a Iodine: 1.6 Prilled nitrates: 300 | 13.5 | 432.8 |
| Nueva Victoria ⁽⁵⁾⁽⁷⁾ | Concentrated nitrate salts and iodine production | 47.492 | Iodine: 9.0 | 7.8 | 455.2 |
| Pampa Blanca ⁽⁵⁾⁽⁷⁾⁽⁸⁾ | Concentrated nitrate salts and iodide production | 10.441 | Nitrates: n/a Iodine: n/a | 7.8 | 7.2 |
| Pedro de Valdivia ⁽³⁾⁽⁹⁾ | Nitrates and iodine production | 253.880 | Nitrates: n/a Iodine: 3.2 | 12.4 | 217.8 |
| Salar de Atacama ⁽³⁾⁽¹⁰⁾ | Potassium chloride, potassium sulfate, lithium chloride, and boric acid production | 35.911 | Potassium chloride: 2,680 Potassium sulfate: 245 Boric acid: 15 | 12.1 | 1.525.6 |
| Salar del Carmen, Antofagasta ⁽³⁾ | Lithium carbonate and lithium hydroxide production | 126 | Lithium carbonate: 48 Lithium hydroxide: 6 | 8.5 | 178.4 |
| Tocopilla ⁽¹¹⁾ | Port facilities | 22 | - | 12.6 | 164.5 |

- (1) Approximate size considers both the production facilities and the mine for María Elena, Nueva Victoria, Pampa Blanca, Pedro de Valdivia and the Salar de Atacama. Mining areas are those authorized for exploitation by the environmental authority and/or Sernageomin.
- (2) Weighted average age and gross book value correspond to production facilities, excluding the mine, for María Elena, Nueva Victoria, Pampa Blanca, Pedro de Valdivia and the Salar de Atacama.
- (3) Includes production facilities and solar evaporation ponds.
- (4) The potassium nitrate produced at Coya Sur is an intermediate product that is used as a raw material for the production of finished products (crystallized nitrates and prilled nitrates). Therefore, the production capacities listed above are not independent of one another and cannot be added together to obtain an overall total capacity.
- (5) Includes production facilities, solar evaporation ponds and leaching heaps.
- (6) Operations at the El Toco mine at María Elena were suspended in November 2013.
- (7) The nominal production capacity for iodine considers the capacity of our plants. The effective capacity is 10,000 metric tons per year.
- (8) Operations at Pampa Blanca were suspended in March 2010.
- (9) In November 2015, the mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production was reduced at the Pedro de Valdivia site, in order to take advantage of the highly efficient production facilities at Nueva Victoria.
- (10) Potassium chloride and potassium sulfate are produced in a dual plant, and the production capacity for each of these products depends on the production mix. Therefore, the production capacities for these two products are not independent of one another and cannot be added together to obtain an overall total capacity.
- (11) The Tocopilla port facilities were originally constructed in 1961 and have been refurbished and expanded since that time.

The railway line that runs between our Coya Sur production facilities and our Tocopilla port facilities was damaged in August 2015 as a result of storms in the north of Chile. The train is not currently operating and as a consequence, we have replaced the train with trucks to ship products from Coya Sur. Detailed engineering studies were performed to assess the damage of the railway. During the third quarter of 2016,

the report was completed; it concluded that the cost and time needed to repair the railway at this time is not economical in the short and medium term. As a result of this determination, the Company wrote-off the assets related to the train. We do not believe it will materially impact future sales volumes or transportation costs.

We consider the condition of our principal plant and equipment to be good, with the exception of the railway line.

We directly or indirectly through subsidiaries own, lease or hold concessions over the facilities at which we carry out our operations. Such facilities are free of any material liens, pledges or encumbrances, and we believe they are suitable and adequate for the business we conduct in them.

Extraction Yields

The following table shows certain operating data relating to each of our mines for 2016, 2015 and 2014:

| <i>(in thousands, unless otherwise stated)</i> | 2016 | 2015 | 2014 |
|--|--------|--------|--------|
| Pedro de Valdivia⁽¹⁾ | | | |
| Metric tons of ore mined | – | 9,754 | 11,401 |
| Average grade nitrate (% by weight) | – | 7.8 | 8.1 |
| Iodine (parts per million (ppm)) | – | 424 | 418 |
| Metric tons of crystallized nitrate produced | – | 346 | 453 |
| Metric tons of iodine produced | 0.6 | 2.8 | 3.2 |
| Maria Elena⁽²⁾ | | | |
| Metric tons of ore mined | – | – | – |
| Average grade nitrate (% by weight) | – | – | – |
| Iodine (ppm) | – | – | – |
| Metric tons of crystallized nitrate produced | – | – | – |
| Metric tons of iodine produced | 0.2 | 0.1 | 0.4 |
| Coya Sur⁽³⁾ | | | |
| Metric tons of crystallized nitrate produced | 573 | 611 | 519 |
| Pampa Blanca⁽²⁾ | | | |
| Metric tons of ore mined | – | – | – |
| Iodine (ppm) | – | – | – |
| Metric tons of iodine produced | – | – | – |
| Nueva Victoria⁽⁴⁾ | | | |
| Metric tons of ore mined | 29,902 | 23,969 | 19,792 |
| Iodine (ppm) | 454 | 458 | 467 |
| Metric tons of iodine produced | 7.7 | 7.5 | 6.0 |
| Salar de Atacama⁽⁵⁾ | | | |
| Metric tons of lithium carbonate produced | 44 | 33 | 30 |
| Metric tons of potassium chloride and potassium sulfate and potassium salts produced | 2,045 | 1,988 | 1,993 |

- (1) In November 2015, mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production was reduced at the Pedro de Valdivia site, in order to take advantage of the highly efficient production facilities at Nueva Victoria.
- (2) Operations at the El Toco and Pampa Blanca mines were suspended in November 2013 and March 2010, respectively. During 2014 and 2015, María Elena obtained production from caliche ore exploited in prior years.
- (3) Includes production at Coya Sur from treatment of nitrates solutions from María Elena and Pedro de Valdivia, nitrate salts from pile treatment at Nueva Victoria, and net production from NPT, or technical grade potassium nitrate, plants.
- (4) Operations at the Iris iodine plant were suspended in October 2013 and restarted in August 2014.
- (5) Lithium carbonate is extracted at the Salar de Atacama and processed at our facilities at the Salar del Carmen. Potassium salts include synthetic sylvinite produced in the plant and other harvested potassium salts (natural sylvinite, carnalites and harvests from plant ponds) that are sent to Coya Sur for the production of crystallized nitrates.

Transportation and Storage Facilities

The transportation of our products is carried out by trucks that are operated by dedicated third parties through long term contracts. Furthermore, we own port and storage facilities for the transportation and management of finished products and consumable materials.

Our main centers for the production and storage of raw materials are the Nueva Victoria, Coya Sur, Pedro de Valdivia and Salar de Atacama facilities. Other facilities include chemical plants for the finished products of lithium carbonate and lithium hydroxide at the Salar del Carmen plant. The Port of Tocopilla terminal, which we own, has a surface area of approximately 22 hectares and is the principal facility for the storage and shipment of our bulk products and packaged potassium chloride (MOP), potassium sulphate (SOP) and nitrates.

The nitrate finished products are produced at our Coya Sur facilities and then transported via trucks to the Port of Tocopilla terminal where they are stored and shipped, either packaged (polypropylene bags, polyethylene or polypropylene FIBC big bags) or in bulk. The potassium chloride is produced at our Salar de Atacama facilities and we transport it by truck, either to the Port of Tocopilla terminal or the Coya Sur facility. The product transported to Coya Sur is an intermediate product that is used as a raw material for the production of potassium nitrate. On the other hand, the product transported to the Port of Tocopilla is a final product that will be shipped or transported to the client or affiliate. The raw material of nitrate for the production of potassium nitrate in Coya Sur is currently produced at Nueva Victoria and the remaining raw material is provided from historical stock stored in Coya Sur that was produced at the Pedro de Valdivia facility when it was operating. This raw material is obtained from the processing of caliche that is extracted from our mines. On the other hand, our potassium sulphate and boric acid products are produced at our Salar de Atacama facilities and later transported by trucks to the Port of Tocopilla terminal.

The lithium chloride solution, which contains a high concentration of boron, produced at our Salar de Atacama facilities, is transported to the lithium carbon plant in the Salar del Carmen area where the finished lithium carbonate is produced. Part of the lithium carbonate is provided to the adjacent lithium hydroxide plant where the finished lithium hydroxide is produced. These two products are packed in packaging of distinct characteristics (polyethylene bags, multi-layer or polypropylene FIBC big bags), stored within the same facilities and secured in roofed storerooms. Thereafter, they are consolidated into containers that are transported by trucks to a transit warehouse or directly to port terminals for their subsequent shipment. The port terminals used are currently suited to receive container ships and are situated in Antofagasta, Mejillones and Iquique.

Iodine obtained from the same caliche used for the production of nitrates, is processed, packaged and stored exclusively in the Pedro de Valdivia and Nueva Victoria facilities. The packaging used for iodine are drums and polypropylene FIBC big bags with an internal polyethylene bag and oxygen barrier, which at the time of transportation are consolidated into containers and sent by truck to port terminals suited for their management, principally located in Antofagasta, Mejillones and Iquique. Thereafter, they are sent to distinct markets by container ship or by truck to Santiago where iodine derivatives are produced in the Ajay-SQM Chile plants.

The Port of Tocopilla terminal facilities are located approximately 186 kilometers north of Antofagasta, approximately 124 kilometers west of María Elena and Coya Sur and 372 kilometers to the west of Salar de Atacama. Our affiliate, Servicios Integrales de Tránsitos y Transferencias S.A. (SIT), operates facilities for the shipment of products and the delivery of certain raw materials based on renewable concessions granted by Chilean regulatory authorities, provided that the facilities are used in accordance with the authorization granted and we pay an annual concession fee. The port also complies with the ISPS (International Ship and Port Security) Code. The Port of Tocopilla terminal facilities include a truck weighing machine that confirms product entry into the port and transfers the product to distinct storage zones, a piezometer within the shipping system to carry out bulk product loaded onto ships and a crane with a 40 ton capacity for the loading of sealed product onto ships.

The storage facilities consist of a system of 6 silos, with a total storage capacity of 55,000 metric tons, and a mixed storage area of open storehouses with a total storage capacity of approximately 250,000 metric tons. In addition, to fulfill future storage needs, we will continue to make investments in accordance with the investment plan outlined by management. The products are also put into bags at the Port of Tocopilla terminal facilities where the bagging capacity is established by two bag packaging machines, one for sacks and polypropylene FIBC big bags and one for FFS polyethylene. The products that are packaged in Tocopilla may be subsequently shipped at the same port or may also be consolidated into trucks or containers for its subsequent dispatch to clients by land or sea through containers from other ports, principally located in Antofagasta, Mejillones and Iquique.

For the transportation of bulk product, the transportation belt system extends across the coastline to deliver products directly to the hatches of bulk cargo ships. The nominal load capacity of this shipping system is 1,200 tons per hour. The transportation of packaged product is carried out utilizing the same bulk cargo ships using trailers without motors located in the dock and loaded by a crane with a 40 ton capacity from the Port of Tocopilla terminal. Thereafter, they are towed and unloaded using ship cranes to the respective warehouses.

We normally contract bulk cargo ships to transfer the product from the Port of Tocopilla terminal to our hubs around the world or to clients directly, who, in certain instances, use their own contracted vessels for delivery.

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

Water Rights

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

Computer System

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

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. The Company calculates the allowance for doubtful accounts corresponding to receivables that are not guaranteed or insured as a function of the delays that may occur in the collection of such accounts.

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 4.5% and 4.9% for the periods ended as of December 31, 2016 and 2015, respectively.

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 5.5% interest rate for both 2015 and 2016. The net balance of this obligation is presented in the "Provisions for employee benefits, non-current" line item.

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.

The results of the impairment tests the Company has performed on its primary intangible assets demonstrated that there was no need for the Company to make any accounting adjustments to such assets. These impairment tests were performed using conservative scenarios. For more information, see Note 13.1 to our Consolidated Financial Statements.

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 10.3 to our Consolidated Financial Statements.

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

a. Fair value hedge

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

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

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

b. Cash flow hedge

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

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

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

5.A. Operating Results

Introduction

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

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

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

Overview of Our Results of Operations

We divide our operations into the following business lines:

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

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

Factors Affecting Our Results of Operations

Our results of operations substantially depend on:

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

Impact of Foreign Exchange Rates

We transact a significant portion of our business in U.S. dollars, which is the currency of the primary economic environment in which we operate and is our financial currency for financial reporting purposes. A significant portion of our costs is related to the Chilean peso as most of our operations occur in Chile, and therefore an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar affects our costs of production. Additionally, as an international company operating in Chile and several other countries, we transact a portion of our business and have assets and liabilities in Chilean pesos and other non-U.S. dollar currencies, such as the Euro, the South African Rand and the Mexican peso. As a result, fluctuations in the exchange rate of such currencies to the U.S. dollar may affect our financial condition and results of operations. See Note 22 to the Financial Statements included in this Annual Report.

We monitor and attempt to balance our non-dollar assets and liabilities position, including through foreign exchange contracts and other hedging instruments, to minimize our exposure to foreign exchange rate risk. As of December 31, 2016, for hedging purposes we had open contracts to buy U.S. dollars and sell euros for approximately US\$35.41 million (EUR33 million) and sell South African rand for approximately US\$21.24 million (ZAR299.5 million), as well as forward exchange contracts to sell U.S. dollars and buy Chilean pesos for US\$63.5 million (Ch\$42,511 million). All of our UF and Chilean pesos bonds were hedged with cross-currency swaps to the U.S. dollar for approximately US\$357 million as of December 31, 2016.

In addition, we had open forward exchange contracts to buy U.S. dollars and sell Chilean pesos for approximately US\$51.2 million (Ch\$34,263 million) and to sell U.S. dollars for approximately US\$20.2 million (Ch\$ 13,540 million) to hedge our short-term loans in Chilean pesos.

The following table shows our revenues (in millions of US\$) and the percentage accounted for by each of our product lines for each of the periods indicated:

| | 2016 | | 2015 | | 2014 | |
|----------------------------------|----------------|------------|----------------|------------|----------------|------------|
| | US\$ | % | US\$ | % | US\$ | % |
| Specialty plant nutrition..... | 623.9 | 32% | 652.3 | 38% | 708.0 | 35% |
| Iodine and derivatives..... | 231.1 | 12% | 262.6 | 15% | 335.4 | 17% |
| Lithium and derivatives..... | 514.6 | 27% | 223.0 | 13% | 206.8 | 10% |
| Potassium..... | 403.3 | 21% | 430.6 | 25% | 584.3 | 29% |
| Industrial chemicals..... | 104.1 | 5% | 97.6 | 6% | 101.9 | 5% |
| Other products and services..... | 62.2 | 3% | 62.3 | 4% | 77.7 | 4% |
| Total | 1,939.3 | 100 | 1,728.3 | 100 | 2,014.2 | 100 |

The following table shows certain financial information of the Company under IFRS (in millions of US\$) for each of the periods indicated, as a percentage of revenues:

| (in millions of US\$) | Year Ended December 31, | | | | | |
|--|-------------------------|-------------|--------------|-------------|--------------|-------------|
| | 2016 | | 2015 | | 2014 | |
| | US\$ | % | US\$ | % | US\$ | % |
| Revenues | 1,939.3 | 100.0 | 1,728.3 | 100.0 | 2,014.2 | 100.0 |
| Cost of sales | (1,328.3) | 68.5 | (1,185.6) | 68.6 | (1,431.2) | 71.1 |
| Gross profit | 611.0 | 31.5 | 542.7 | 31.4 | 583.0 | 28.9 |
| Other income | 14.8 | 0.8 | 15.3 | 0.9 | 24.1 | 1.2 |
| Administrative expenses | (88.4) | 4.6 | (86.8) | 5.0 | (96.5) | 4.8 |
| Other expenses ⁽¹⁾⁽²⁾⁽³⁾ | (89.7) | 4.6 | (106.4) | 6.2 | (64.3) | 3.2 |
| Other gains (losses) | 0.6 | 0.0 | 3.8 | 0.2 | 4.4 | 0.2 |
| Finance income | 10.6 | 0.5 | 11.6 | 0.7 | 16.1 | 0.8 |
| Finance expenses | (57.5) | 3.0 | (69.9) | 4.0 | (63.4) | 3.1 |
| Equity income of associates and joint ventures accounted for using the equity method | 13.0 | 0.7 | 10.3 | 0.6 | 18.1 | 0.9 |
| Foreign currency exchange differences..... | 0.4 | 0.0 | (12.4) | 0.7 | (16.5) | 0.8 |
| Income before income tax expense ⁽¹⁾⁽²⁾⁽³⁾ .. | 414.9 | 21.4 | 308.3 | 17.8 | 405.0 | 20.1 |
| Income tax expense ⁽⁴⁾ | (133.0) | 6.9 | (83.8) | 4.8 | (160.7) | 8.0 |
| Profit attributable to: | | | | | | |
| Controlling interests ⁽¹⁾ | 278.3 | 14.4 | 220.4 | 12.7 | 236.9 | 11.8 |
| Non-controlling interests | 3.6 | 0.2 | 4.2 | 0.2 | 7.4 | 0.4 |
| Profit for the year ⁽¹⁾..... | 281.9 | 14.5 | 224.5 | 13.0 | 244.3 | 12.1 |

(1) Other expenses for 2014 includes provisions of approximately US\$7 million corresponding to payments made in 2015 to the SII for expenses that may not have qualified as tax expenses under the Chilean tax code. However, since such payments were made after March 3, 2015, the date on which the Company filed its statutory consolidated financial statements filed with the SVS, such provisions were included in net income for the period ended December 31, 2015 for purposes of the Company's statutory consolidated financial statements. For more information, see "Item 3D. Risk Factors—Risks Relating to our Business—We could be subject to numerous risks in the U.S. and Chile as a result of ongoing investigations by the SII and the Chilean Public Prosecutor in relation to certain payments made by SQM between the tax years 2009 and 2015."

(2) Other expenses for 2015 includes a charge of US\$57.7 million for impairment and severance indemnities related to the restructuring of our Pedro de Valdivia operations.

(3) Other expenses for 2016 includes a charge of US\$32.8 million for impairment related to the closure of our train between Coya Sur and Tocopilla. Other expenses for 2016 also includes charges of approximately US\$30.5 million for impairment related to the Company's agreement with the DOJ and the administrative cease and desist order issued by the SEC in connection the inquiries arising out of the alleged violations of the books and records and internal controls provisions of the Foreign Corrupt Practices Act. For more information, see "Item 3D. Risk Factors—Risks Relating to our Business—We could be subject to numerous risks in Chile as a result of ongoing

investigations by the Chilean Public Prosecutor in relation to certain payments made by SQM between the tax years 2009 and 2015” and “Item 8.A.7 Legal Proceedings.”

- (4) In accordance with IAS 12, the effects generated by the change in the income tax rate approved by Law No. 20.780 on income and deferred taxes have been applied to the income statement. For purposes of the Company’s statutory consolidated financial statements filed with the SVS, in accordance with the instructions issued by the SVS in its circular 856 of October 17, 2014, the effects generated by the change in the income tax rate were accounted for as retained earnings. The amount charged to equity as of December 31, 2014 was US\$52.3 million, thereby giving rise to a difference of US\$52.3 million in profit and income tax expense in 2014 as presented in the Company’s Audited Consolidated Financial Statements compared with profit and income tax expense presented in the Company’s statutory consolidated financial statements filed with the SVS. The effects of subsequent changes in the income tax rate will be recognized in profit or loss for the period in the Company’s statutory consolidated financial statements in accordance with IAS 12.

Results of Operations – 2016 compared to 2015

Revenues

Revenues increased by 12.2% to US\$1,939.3 million in 2016 from US\$1,728.3 million in 2015.

The main factors that caused the increase in revenues and variations in different product lines are described below.

Specialty Plant Nutrition

Specialty plant nutrition revenues decreased 4.4% to US\$623.9 million in 2016 from US\$652.3 million in 2015. Set forth below are sales volume data for the specified years by product category in this product line:

| <i>(in Th. MT)</i> | 2016 | 2015 | % Change |
|--|-------------|-------------|-----------------|
| Potassium nitrate and sodium potassium nitrate | 475.8 | 493.6 | (4)% |
| Specialty blends | 213.5 | 203.9 | 5% |
| Other specialty plant nutrients (*)..... | 127.2 | 108.4 | 17% |
| Sodium nitrate..... | 24.4 | 26.0 | (6)% |

* Includes trading of other specialty fertilizers.

We sell various products within the specialty plant nutrition business line, and most of our specialty fertilizers are sold as either field fertilizers or water soluble fertilizers. Our sales volumes in the field fertilizer market decreased in 2016 compared to 2015 due to decreased demand.

In addition, average prices in the specialty plant nutrition business line were US\$742/MT in 2016, slightly lower than US\$784/MT in 2015.

Iodine and Derivatives

Iodine and derivatives revenues decreased 12.0% to US\$231.1 million in 2016 from US\$262.6 million in 2015. Set forth below are sales volume data for the specified years:

| <i>(in Th. MT)</i> | 2016 | 2015 | % Change |
|------------------------------|-------------|-------------|-----------------|
| Iodine and derivatives | 10.2 | 9.3 | 9% |

In the iodine market, global demand grew by 1% in 2016 as a result of nominal growth in the LED and LCD markets. Our sales volumes in this business line increased by approximately 9% compared to 2015, increasing our participation in the market.

However, average prices during 2016 continued to face downward pressure. Our average price for the year was US\$23/kilogram, a decrease of over 19% compared to 2015.

Lithium and Derivatives

Lithium and derivatives revenues increased 130.8% to US\$514.6 million in 2016 from US\$223.0 million in 2015. Set forth below are sales volume data for the specified years:

| <i>(in Th. MT)</i> | 2016 | 2015 | % Change |
|-------------------------------|-------------|-------------|-----------------|
| Lithium and derivatives | 49.7 | 38.7 | 28% |

World demand in the lithium market continued to grow at robust levels in 2016, around 14%. This demand growth is led by uses related to batteries, specifically batteries related to electric vehicles. In 2016, batteries accounted for almost 53% of the total lithium market, including electric cars. Introduction of new lithium supply was delayed in 2016, and only a minimal amount of new production was offered for sale.

Average prices in this business line increased significantly in 2016, with average prices reaching nearly US\$10,400/MT, 80% higher than average prices of approximately US\$5,800/MT in 2015. Our sales volumes in 2016 increased more than 28% compared to sales volumes in 2015.

Potassium

Potassium revenues decreased 6.3% to US\$403.3 million in 2016 from US\$430.6 million in 2015. Set forth below are sales volume data for the specified years:

| <i>(in Th. MT)</i> | 2016 | 2015 | % Change |
|--|-------------|-------------|-----------------|
| Potassium chloride and potassium sulfate | 1,534.7 | 1,241.8 | 24% |

The potassium chloride market experienced little change in global demand in 2016 compared to 2015.

However, market prices in 2016 were significantly lower than in 2015 due to slight demand growth and increased supply in the market. Our average price in this business line, including both potassium chloride and potassium sulfate, was US\$263/MT in 2016, a decrease of 24.2% compared to the average price of US\$347/MT in 2015.

This decline in our average price was partially offset by the increase in our sales volumes. Our sales volumes in this business line increased 24% in 2016 compared to 2015. This increase in sales volumes, in 2016, was attributable to lower sales volumes in 2015 due to production and shipping problems.

Industrial Chemicals

Industrial chemicals revenues increased 6.8% to US\$104.1 million in 2016 from US\$97.6 million in 2015. Set forth below are sales volume data for the specified years by product category:

| <i>(in Th. MT)</i> | 2016 | 2014 | % Change |
|----------------------------|-------------|-------------|-----------------|
| Industrial chemicals | 128.9 | 126.1 | 2% |

Industrial chemicals demand for traditional applications decreased in 2016 compared to 2015, as did our sales volumes related to traditional uses due to increased sales of solar salts. Solar salt sales volumes in 2016 reached just over 57,000 metric tons, an increase of over 53% compared to 2015.

Other Products and Services

Revenues from sales of other commodity fertilizers and other income decreased 0.1% to US\$62.2 million in 2016 from US\$62.3 million in 2015, due to lower prices in the fertilizer market.

Cost of Sales

Our overall cost of sales increased 12.0% to US\$1,328.3 million in 2016, which represented 69% of revenues, from US\$1,185.6 million in 2015, which represented 69% of revenues. The main factors that caused the increase in cost of sales and variations in different product lines are described below.

Specialty Plant Nutrition

Specialty plant nutrition cost of sales increased 3.7% to US\$478.1 million in 2016 from US\$461.0 million in 2015, as a result of a product mix change. The average cost of sales in the specialty plant nutrition business line was US\$568/MT in 2016, slightly higher than US\$554/MT in 2015.

Iodine and Derivatives

Iodine and derivatives cost of sales increased 3.7% to US\$191.3 million in 2016 from US\$184.6 million in 2015, as a result of increased sales volumes in 2016. The average cost of sales in the iodine and derivatives business line was US\$19/kilogram in 2016, a decrease of almost 5% from US\$20/kilogram in 2015. We believe we are the lowest cost producer of iodine. The vast majority of our production capacity comes from our most efficient plant in Nueva Victoria.

Lithium and Derivatives

Lithium and derivatives cost of sales increased 60.5% to US\$175.6 million in 2016 from US\$109.4 million in 2015, as result of increased sales volumes, higher lease payments to Corfo, and operating our production plant close to full capacity. The average cost of sales in the lithium and derivatives business line was US\$3,536/MT in 2016, an increase of almost 25% from US\$2,825/MT in 2015.

Potassium

Potassium cost of sales increased 18.4% to US\$359.5 million in 2016 from US\$303.6 million in 2015, as a result of increased sales volumes.] The average cost of sales in the potassium business line was US\$234/MT in 2016, a decrease of almost 4% from US\$245/MT in 2015.

Industrial Chemicals

Industrial chemicals cost of sales decreased 5.4% to US\$67.4 million in 2016 from US\$71.3 million in 2015, as a result of decreased sales of potassium nitrate for industrial use that has a higher average cost of sales. The average cost of sales in the industrial chemicals business line was US\$523/MT in 2016, a decrease of almost 8% from US\$565/MT in 2015. This decrease in cost was a result of a change in product mix.

Gross Profit

Gross profit increased 12.6% to US\$611.0 million in 2016, which represented 31.5% of revenues, from US\$542.7 million in 2015, which represented 31.4% of revenues. As discussed above, this increase is attributable to the increase in revenues as a result of higher sales volumes in all of our business lines, and significantly higher average prices in the lithium and derivatives business line, partially offset by the

increase in cost of sales as a result of higher revenues, as costs as a percentage of sales did not change between 2016 and 2015.

Other Income

Other income decreased 3.7% to US\$14.8 million in 2016, which represented 0.8% of revenues, from US\$15.3 million in 2015, which represented 0.9% of revenues. As a percentage of revenues, other income remained very similar between 2016 and 2015.

Administrative Expenses

Administrative expenses increased 1.8% to US\$88.4 million in 2016, which represented 4.6% of revenues, from US\$86.8 million in 2015, which represented 5.0% of revenues. We were able to reduce our costs as a percentage of revenues through increased efficiencies.

Other Expenses

Other expenses decreased 15.7% to US\$89.7 million in 2016, which represented 4.6% of revenues, from US\$106.4 million in 2015, which represented 6.2% of revenues. This decrease was primarily attributable to a one-time charge of US\$57.7 million in 2015, for impairment and severance indemnities related to the restructuring of our operations in Pedro de Valdivia.

Other Gains (Losses)

Other gains (losses) decreased to a gain of US\$0.7 million in 2016, which represented 0.04% of revenues, from a gain of US\$3.8 million in 2015, which represented 0.2% of revenues.

Finance Income

Finance income decreased 8.8% to US\$10.5 million in 2016, which represented 0.5% of revenues, from US\$11.6 million in 2015, which represented 0.7% of revenues, due to lower interest rates earned on our investments.

Finance Expenses

Finance expenses decreased 17.7% to US\$57.5 million in 2016, which represented 3.0% of revenues, from US\$69.9 million in 2015, which represented 4.0% of revenues, due to decreased levels of debt that we incurred at the end of 2016.

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

Equity income of associates and joint ventures accounted for using the equity method increased 26.4% to US\$13.0 million in 2016, which represented 0.7% of revenues, from US\$10.3 million in 2015, which represented 0.6% of revenues.

Foreign Currency Exchange Differences

Losses from foreign currency exchange differences decreased 104% to US\$0.5 million in 2016, which represented 0.02% of revenues, from US\$12.4 million in 2015, which represented 0.7% of revenues. A significant portion of our costs is related to the Chilean peso as most of our operations occur in Chile. Because the U.S. dollar is our functional currency, we are subject to currency fluctuations. We aim to

mitigate this impact through an active hedging program. During 2016, the Chilean peso appreciated 6.0% against the U.S. dollar.

Profit Before Taxes

Profit before taxes increased by US\$79.7 million, or 25.9%, to US\$414.9 million in 2016 from US\$308.3 million in 2015. This increase was primarily attributable to increase in revenues by US\$211 million and a decrease in financial expenses by US\$12.4 million, partially offset by an increase in cost of sales by US\$142.7 million, each for the reasons described above.

Income Tax Expense

Income tax expenses increased 58.7% to US\$133.0 million in 2016, representing an effective tax rate of 32.0%, compared to US\$83.8 million in 2015, representing an effective tax rate of 27.2%. The Chilean corporate tax rate was 22.5% during 2015 and increased to 24.0% during 2016. The difference between the statutory and effective tax rates was due primarily to royalty taxes on income.

Profit for the Year

Profit for the year increased 25.6% to US\$281.9 million in 2016 from US\$224.5 million in 2015 primarily as a result of increased volumes in all business lines, and significantly higher prices in the lithium business line in 2016 compared to 2015.

Results of Operations – 2015 compared to 2014

Revenues

Revenues decreased 14.2% to US\$1,728.3 million in 2015 from US\$2,014.2 million in 2014.

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

Specialty Plant Nutrition

Specialty plant nutrition revenues decreased 7.9% to US\$652.3 million in 2015 from US\$708.0 million in 2014. Set forth below are sales volume data for the specified years by product category in this product line:

| <i>(in Th. MT)</i> | 2015 | 2014 | % Change |
|--|-------------|-------------|-----------------|
| Potassium nitrate and sodium potassium nitrate | 493.6 | 531.6 | (7%) |
| Specialty blends | 203.9 | 228.0 | (11%) |
| Other specialty plant nutrients (*)..... | 108.4 | 102.5 | 6% |
| Sodium nitrate..... | 26.0 | 15.8 | 65% |

* Includes trading of other specialty fertilizers.

We sell various products within the specialty plant nutrition business line, and most of our specialty fertilizers are sold as either field fertilizers or water soluble fertilizers. While sales volumes in field fertilizer market decreased in 2015 compared to 2014, our sales volumes in the water soluble fertilizer market increased approximately 5%.

Average prices in the specialty plant nutrition business line in 2015 were US\$784/MT, slightly lower than US\$807/MT in 2014.

Iodine and Derivatives

Iodine and derivatives revenues decreased 21.7% to US\$262.6 million in 2015 from US\$335.4 million in 2014. Set forth below are sales volume data for the specified years:

| <i>(in Th. MT)</i> | 2015 | 2014 | % Change |
|------------------------------|-------------|-------------|-----------------|
| Iodine and derivatives | 9.3 | 8.8 | 6% |

In the iodine market, global demand grew more than 4% during 2015, and our sales volumes in this business line increased by approximately 6% compared to 2014. Demand growth was led by uses related to x-ray contrast media, LCD and the polymer industry.

Prices during 2015 continued to face downward pressure. Our average price for the year was US\$28/kilogram, a decrease of over 26% compared to 2014.

Lithium and Derivatives

Lithium and derivatives revenues increased 7.8% to US\$223.0 million in 2015 from US\$206.8 million in 2014. Set forth below are sales volume data for the specified years:

| <i>(in Th. MT)</i> | 2015 | 2014 | % Change |
|-------------------------------|-------------|-------------|-----------------|
| Lithium and derivatives | 38.7 | 39.5 | (2%) |

World demand in the lithium market continued to grow at robust levels in 2015, around 5%. This demand growth was led by uses related to batteries. In 2015, batteries accounted for almost 50% of the total lithium market, including electric cars. Introduction of new lithium supply was delayed in 2015, and only a minimal amount of new production was offered for sale.

Prices in this business line increased in 2015, with average prices reaching nearly US\$5,800/MT, 10% higher than average prices of approximately US\$5,200/MT in 2014. Our sales volumes in 2015 decreased more than 2.1% compared to sales volumes in 2014.

Potassium

Potassium revenues decreased 26.3% to US\$430.6 million in 2015 from US\$584.3 million in 2014. Set forth below are sales volume data for the specified years:

| <i>(in Th. MT)</i> | 2015 | 2014 | % Change |
|--|-------------|-------------|-----------------|
| Potassium chloride and potassium sulfate | 1,241.8 | 1,556.2 | (20%) |

The potassium chloride market faced weaker global demand in 2015 when compared to 2014.

The main issue in this market was the significant decrease in prices over the last few quarters. In 2015, our average price in this business line, including both potassium chloride and potassium sulfate, was US\$346/MT, a decrease of 7.7% compared to the average price of US\$376/MT in 2014.

Our sales volumes in this business line decreased 20% in 2015 compared to 2014. This was a result of shipping and production delays during the first half of 2015.

Industrial Chemicals

Industrial chemicals revenues decreased 4.2% to US\$97.6 million in 2015 from US\$101.9 million in 2014. Set forth below are sales volume data for the specified years by product category:

| <i>(in Th. MT)</i> | 2015 | 2014 | % Change |
|----------------------------|-------------|-------------|-----------------|
| Industrial chemicals | 126.1 | 125.5 | 1% |

Industrial chemicals demand for traditional applications remained relatively stable in 2015 when compared to 2014. Solar salt sales volumes in 2015 reached just over 37,000 metric tons, an increase of over 65% compared to 2014.

Other Products and Services

Revenues from sales of other commodity fertilizers and other income decreased 19.9% to US\$62.3 million in 2015 from US\$77.7 million in 2014, due to lower prices in the fertilizer market. That was reflected in a 18.3% decrease of cost of sales to US\$55.7 million in 2015 compared to US\$68.2 million in 2014.

Cost of Sales

Our overall cost of sales decreased 17.2% to US\$1,185.6 million in 2015, which represented 69% of revenues, from US\$1,431.2 million in 2014, which represented 71% of revenues. Cost of sales decreased primarily as a result of lower production costs and the weaker Chilean peso. The main factors that caused the decrease in cost of sales and variations in different product lines are described below.

Specialty Plant Nutrition

Specialty plant nutrition average cost of sales decreased 18.3% to US\$461.0 million in 2015 from US\$564.2 million in 2014.

Iodine and Derivatives

Iodine and derivatives cost of sales decreased 6.1% to US\$184.5 million in 2015 from US\$196.5 million in 2014. We believe we are the lowest cost producer of iodine. Following the restructuring of our iodine production facilities in 2015, the vast majority of our production capacity came from our most efficient plant in Nueva Victoria.

Lithium and Derivatives

Lithium and derivatives average cost of sales decreased 7.6% to US\$109.4 million in 2015 from US\$118.4 million in 2014.

Potassium

Potassium average cost of sales decreased 28.3% to US\$303.6 million in 2015 from US\$423.5 million in 2014. This change was related to the significant decrease in sales volumes reported in 2015 compared to 2014.

Industrial Chemicals

Industrial chemicals cost of sales increased 17.9% to US\$71.3 million in 2015 from US\$60.5 million in 2014.

Gross Profit

Gross profit decreased 6.9% to US\$542.7 million in 2015, which represented 31.4% of revenues, from US\$583.0 million in 2014, which represented 28.9% of revenues. Cost of sales decreased primarily as a result of lower production costs and the weaker Chilean peso. Revenues decreased as a result of lower average prices in several of our business lines, and lower volumes in our fertilizer business lines. We were able to reduce costs more than revenues decreased.

Other Income

Other income decreased 36.5% to US\$15.3 million in 2015, which represented 0.9% of revenues, from US\$24.1 million in 2014, which represented 1.2% of revenues.

Administrative Expenses

Administrative expenses decreased 10.1% to US\$86.8 million in 2015, which represented 5.0% of revenues, from US\$96.5 million in 2014, which represented 4.8% of revenues.

Other Expenses

Other expenses increased 65.5% to US\$106.4 million in 2015, which represented 6.2% of revenues, from US\$64.3 million in 2014, which represented 3.2% of revenues. This increase was primarily related to a one-time charge of US\$57.7 million in 2015, for depreciation and severance indemnities related to the restructuring of our operations in Pedro de Valdivia.

Other Gains (Losses)

Other gains (losses) decreased to a gain of US\$3.8 million in 2015, which represented 0.2% of revenues, from a gain of US\$4.4 million in 2014, which represented 0.2% of revenues.

Finance Income

Finance income decreased 28.0% to US\$11.6 million in 2015, which represented 0.7% of revenues, from US\$16.1 million in 2014, which represented 0.8% of revenues, due to lower interest rates earned on our investments.

Finance Expenses

Finance expenses increased 10.3% to US\$69.9 million in 2015, which represented 4.0% of revenues, from US\$63.4 million in 2014, which represented 3.1% of revenues, due to increased levels of debt that we incurred at the end of 2014.

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 43.1% to US\$10.3 million in 2015, which represented 0.6% of revenues, from US\$18.1 million in 2014, which represented 0.9% of revenues.

Foreign Currency Exchange Differences

Losses from foreign currency exchange differences decreased 24.8% to US\$12.4 million in 2015, which represented 0.7% of revenues, from US\$16.5 million in 2014, which represented 0.8% of revenues. A significant portion of our costs is related to the Chilean peso as most of our operations occur in Chile. Because the U.S. dollar is our functional currency, we are subject to currency fluctuations. We aim to mitigate this impact through an active hedging program. During 2015, the Chilean peso depreciated 17.0% against the U.S. dollar.

Profit Before Taxes

Profit before taxes decreased by US\$96.7 million, or 23.9%, to US\$308.3 million in 2015 from US\$405.0 million in 2014. This decrease was primarily attributable to decrease in revenues by US\$285.9 million, an increase in other expenses by US\$42.1 million and an increase in finance expenses of US\$6.5 million, partially offset by a decrease in cost of sales by US\$ 245.6 million, each for the reasons described above.

Income Tax Expense

Income tax expenses decreased 47.9% to US\$83.8 million in 2015, representing an effective tax rate of 27.8%, compared to US\$160.7 million in 2014, representing an effective tax rate of 39.7%. The higher effective tax rate in 2014 was primarily due to an increase of US\$52.3 million in our deferred tax liabilities, as a result of the 2014 Chilean Tax Reform. The Chilean corporate tax rate was 21.0% during 2014 and increased to 22.5% during 2015. The difference between the statutory and effective tax rates was due primarily to royalty taxes on income.

Profit for the Year

Profit for the year decreased 8.1% to US\$224.5 million in 2015 from US\$244.3 million in 2014 primarily as a result of the foregoing factors and lower prices across multiple business lines compared to 2014.

5.B. Liquidity and Capital Resources

As of December 31, 2016, we had US\$798.8 million of cash and cash equivalents and time deposits. In addition, as of December 31, 2016, we had US\$267 million of unused uncommitted working capital credit lines.

Shareholders' equity decreased to US\$2,307.3 million as of December 31, 2016 from US\$2,400.4 million as of December 31, 2015. Our ratio of total liabilities to total equity (including non-controlling interest) on a consolidated basis decreased to 0.83 as of December 31, 2016 from 0.93 as of December 31, 2015.

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

The table below shows our cash flows for 2016, 2015 and 2014:

| <i>(in millions of US\$)</i> | 2016 | 2015 | 2014 |
|--|---------|---------|---------|
| Net cash from operating activities..... | 640.1 | 427.3 | 591.0 |
| Net cash used in financing activities..... | (816.4) | (180.3) | (388.0) |

| | | | |
|---|--------|--------|---------|
| Net cash from (used in) investing activities..... | 155.9 | (69.8) | (311.4) |
| Effects of exchange rate fluctuations on cash and cash equivalents..... | 7.8 | (4.5) | (13.7) |
| Net increase (decrease) in cash and cash equivalents..... | (12.6) | 172.7 | (122.1) |

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

The Board of Directors approved a capital expenditures plan for 2017 of approximately US\$170 million in connection with investments to be made in Chile. The 2017 capital investment program is primarily focused on the maintenance of our production facilities. Our 2017 capital investment program does not call for any external financing. However, we always have the option to access capital markets in order to optimize our financial position. See “Item 4.A. History and Development of the Company—Capital Expenditure Program.”

Our other major use of funds is for dividend distributions. We paid dividends of US\$398 million and US\$123 million during 2016 and 2015, respectively. Our 2016 dividend policy, as disclosed at our 2016 annual general shareholders’ meeting, is to pay 50% of our net income, as calculated in our financial statements filed with the SVS for each fiscal year, in dividends. Under Chilean law, the minimum dividend payout is 30% of net income for each fiscal year. On March 22, 2016, the Company’s Board of Directors agreed to recommend that, subject to the approval of SQM’s shareholders at the next Annual General Shareholders’ Meeting on April 26, 2016, the Company distribute and pay a final dividend, totaling 50% of the Company’s 2015 net income. In addition, on March 22, 2016, the Board of Directors agreed to partially modify the current “dividend policy in effect to add a special dividend (*dividendo eventual*) of US\$150 million. This dividend payment was presented for consideration at the Annual General Shareholders’ Meeting held on April 26, 2016 and was charged to SQM’s retained earnings.

On November 23, 2016, the Board of Directors, with a divided vote, agreed: (i) to pay and distribute on December 20, 2016 a provisional dividend of US\$225 million, equivalent to US\$0.85487 per share, to be charged against the 2016 net income, (ii) to change the Dividend Policy for the 2016 business year as discussed at the Annual General Shareholders’ Meeting held on April 26, 2016, (iii) that no further provisional dividend would be charged against the 2016 net income and (iv) that the remaining amount of net income for the 2016 business year, if any, would be withheld and used to finance the Company’s operations or one or more of the Company’s investment projects and to fund all or part of any possible future expenditures, without prejudice.

On April 11, 2017, the Board of Directors, agreed to recommend to the shareholders the payment of a definitive dividend representing 100% of the 2016 net income. This definitive dividend payment will be presented for consideration at the Annual General Shareholders’ Meeting held on April 28, 2017. Therefore, and subject to the approval at the Shareholders’ meeting, the Company shall pay a final dividend of US\$1.05735 per share, the amount of US\$0.85487 per share must be deducted from the final dividend, which was already paid as a provisional dividend on December 20, 2016. The balance, in the amount of US\$0.20248 per share, shall be paid and distributed to Company’s shareholders, pending shareholders’ approval, on May 11, 2017.

Financing Activities

Our current ratio, defined as current assets divided by current liabilities, increased to 4.02 as of December 31, 2016 from 3.84 as of December 31, 2015. The following table shows key information about our outstanding long- and short-term debt as of December 31, 2016.

| Debt Instrument ⁽¹⁾⁽²⁾ | Interest Rate | Issue Date | Maturity Date | Amortization |
|---|---------------|---------------|---------------|-------------------------------|
| 5.50% Notes due 2020 — US\$250 million | 5.50% | Apr. 21, 2010 | Apr. 21, 2020 | Bullet |
| 3.625% Notes due 2023 — US\$300 million | 3.63% | Apr. 03, 2013 | Apr. 03, 2023 | Bullet |
| 4.375% Notes due 2025 — US\$250 million | 4.38% | Oct. 28, 2014 | Jan. 28, 2025 | Bullet |
| Series C Bond — UF 1.5 million | 4.00% | Dec. 01, 2005 | Dec. 01, 2026 | Semiannual, beginning in 2007 |
| Series H Bond — UF 4 million | 4.90% | Jan. 05, 2009 | Jan. 05, 2030 | Semiannual, beginning in 2019 |
| Series O Bond — UF 1.5 million | 3.80% | Feb. 01, 2012 | Feb. 01, 2033 | Bullet |

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

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

As of December 31, 2016, we had total financial debt of US\$1,215 million compared to US\$1,616 million as of December 31, 2015. Considering the effects of financial derivatives, our total financial debt amounted to US\$1,273 million as of December 31, 2016 and US\$1,692 million as of December 31, 2015. Of the total debt as of December 31, 2016, US\$179 million was short-term debt. All of our UF local bonds were hedged with cross-currency swaps to the U.S. dollar as of December 31, 2016.

As of December 31, 2016, all of our long-term debt, including the current portion, was denominated in U.S. dollars, and all our UF-denominated bonds were hedged with cross-currency swaps to the U.S. dollar.

The financial covenants related to our debt instruments include: (i) limitations on the ratio of total liabilities to equity (including non-controlling interest) on a consolidated basis, (ii) minimum net worth requirements, (iii) limitations on net financial debt to EBITDA, (iv) limitations on interest indebtedness of operating subsidiaries and (v) minimum production assets. We believe that the terms and conditions of our debt agreements are standard and customary and that we are in compliance in all material respects with such terms and conditions as of December 31, 2016.

The following table shows the maturities of our long-term debt by year as of December 31, 2016 (in millions of US dollars):

| Maturity ⁽¹⁾ | Amount |
|---------------------------|----------------|
| 2017..... | 145.7 |
| 2018..... | 5.9 |
| 2019..... | 13.1 |
| 2020..... | 270.2 |
| 2021 and thereafter | 780.4 |
| Total | 1,215.3 |

(1) Only the principal amount has been included. For the UF-denominated local bonds, the amounts presented reflect the real U.S. dollar obligation as of December 31, 2016 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, 2016, a market value of US\$400 million against SQM.

Environmental and Occupational Safety and Health Projects

We spent US\$9.3 million on environmental, safety and health projects in 2016. We have budgeted approximately US\$9.7 million in 2017 for environmental, safety and health projects. This amount forms part of the capital expenditure program discussed above.

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

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

Our research and development policy emphasizes the following: (i) optimizing current processes in order to decrease costs and improve product quality through the implementation of new technology, (ii) developing higher-margin products from current products through vertical integration or different product specifications, (iii) adding value to inventories and (iv) using renewable energy in our processes.

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

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

For the years ended December 31, 2016, 2015 and 2014, we invested US\$11.0 million, US\$4.4 million and US\$7.4 million, respectively, in research and development activities.

5.D. Trend Information

Our revenues increased 12.2% to US\$1,939.3 million in 2016 from US\$1,728.3 million in 2015. Gross profit increased 12.6% to US\$611.0 million in 2016, which represented 31.5% of revenues, from US\$542.7 million in 2015, which represented 31.4% of revenues. Profit attributable to controlling interests increased 26.3% to US\$278.3 million in 2016 from US\$220.4 million in 2015.

Our sales volumes in the specialty plant nutrition business line increased 1.1% in 2016 compared to 2015, while average prices decreased by 5.4%. As a result, our revenues in this business line decreased by 4.4%. We sell various products within this business line, and most of our specialty fertilizers are sold as either field fertilizers or water soluble fertilizers. Our recent strategy in this business line has been to focus primarily on the water soluble fertilizer market, which in general yields higher margins and has more

growth potential. Average prices in this business line were slightly lower in 2016, and we expect average prices to be lower in 2017.

Our sales volumes in the iodine business line increased 9.0% in 2016. However, the continued downward pressure on prices throughout the year led to a decrease of nearly 12% in our revenues for this business line. Average prices decreased more than 19% in 2016, but we have seen the prices stabilize in recent months and we are cautiously optimistic that prices may not deteriorate more during 2017. However, as the lowest cost producer in Chile, we believe that we are well positioned to face the challenging pricing environment. We expect that our sales volumes will increase as we continue to work to regain some of our market share. According to our estimates, the worldwide iodine market grew approximately 3% during 2016. We believe that market demand reached approximately 33,500 metric tons, of which SQM had a market share of approximately 29%. We expect worldwide demand to grow around 2% in 2017.

Our sales volumes in the lithium business line increased by 28.3% in 2016 compared to 2015. The average price of lithium carbonate increased 76.1% in 2016, and the average price of lithium hydroxide increased 67.0%. This upward trend in pricing exceeded our expectations and together with higher sales volumes, impacted our 2016 revenues. According to our estimates, worldwide demand for lithium grew approximately 14% in 2016, driven primarily by growth in the rechargeable battery market. We estimate that our market share for 2016 was approximately 27%. However, we expect reduced growth in worldwide demand in 2017, around 10%, as we expect that other lithium producers will add new supplies during the second half of 2017. We expect our sales volumes for lithium, in 2017, to be similar to those observed in 2016. However, we expect our product mix to shift, leading to higher lithium hydroxide sales volumes in 2017.

Our sales volumes in the potassium business line increased by 23.6% in 2016 compared to 2015, but average prices were 24.2% lower. These increased sales volumes in 2016 when compared to 2015, allowed us to return to the sales volumes we saw in 2014. We believe that we could see a decrease in potassium chloride production during 2017, and potassium chloride sales volumes could decrease in the future. The lower prices reflected the weaker global demand for potassium chloride in 2016. We expect average prices for this business line to be lower in 2017 than in 2016, although we anticipate that 2017 global potash market may increase by an additional 2 million tons.

Our sales volumes in the industrial chemicals product line increased 2.3% in 2016 compared to 2015. Although sales of industrial nitrates for traditional applications decreased, sales volumes of solar salts increased. We remain confident in the long-term prospects in the solar thermal energy storage market, and we expect annual sales volumes for 2017, 2018 and 2019 to be higher than sales volumes for 2016.

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 tables show our material expected obligations and commitments as of December 31, 2016:

| | | Less Than | 1 - 3 | 3 - 5 | More Than |
|--|------------------|----------------|----------------|----------------|----------------|
| | Total | 1 year | years | Years | 5 years |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Financial liabilities ⁽¹⁾ | 1,550,290 | 196,840 | 261,806 | 217,740 | 873,910 |
| Operating leases | 35,643 | 2,546 | 5,092 | 5,092 | 22,913 |
| Purchase commitments ⁽²⁾ | 19,959 | 19,959 | - | - | - |
| Staff severance indemnities | 22,532 | - | - | - | 22,532 |
| Total contractual obligations and commitments | 1,628,424 | 219,345 | 266,898 | 222,832 | 919,355 |

(1) Interest was calculated based on the contractual agreements and considering the effect of hedging financial instruments

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

5.G. Safe Harbor

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. Directors and Senior Management

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

The current Board of Directors was elected for a three-year term at the Annual Ordinary Shareholders’ Meeting that took place on April 26, 2016. On this date, the current Board Members were elected, and between January 1, 2016 and April 26, 2016 Juan Antonio Guzmán, Wolf von Appen and Hernán Büchi served as Board Members. On March 22, 2017, Julio Rebolledo D. informed the Board of Directors that he had decided to resign from his position as director of SQM effective April 27, 2017. As a result of his resignation, the entire Board of Directors will be elected at the next Annual Ordinary Shareholders’ Meeting on April 28, 2017.

Our current directors are as follows:

| Name | Position and relevant experience | Current position held since |
|-------------------------|--|-----------------------------|
| Eugenio Ponce L. | Chairman of the Board and Director. Mr. Ponce earned a mechanical engineering degree from the Universidad Católica de Valparaíso. In 1981, he joined SQM as 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. Between 2000 and 2016, he was Senior Commercial Vice President. He was also a member of the Board of IANSA. Currently, Mr. Ponce is a member of the Board of Soquimich Comercial. In April 2016, he was elected to the Board of SQM, and in May 2016, he was nominated as Chairman of the Board. He is the brother of Julio Ponce L. | April 2016 |
| Edward J. Waitzer | Vice Chairman of the Board and Director. Mr. Waitzer was Chair of Stikeman Elliott LLP, a leading Canadian law firm, from 1999 to 2006 and remains a senior partner whose practice focuses on complex business transactions. He also advises on a range of public policy and governance matters. He is a professor and the Jarislowsky Dimma Mooney Chair in Corporate Governance and is director of the Hennick Centre for Business and Law at Osgoode Hall and the Schulich School of Business at York University. Mr. Waitzer served from 1993 to 1996 as Chair of the Ontario Securities Commission and of the Technical Committee of the International Organization of Securities Commissions and as Vice-President of the Toronto Stock Exchange until 1981. He was Chair of the Liquor Control Board of Ontario from 2013 to 2016. He has written and spoken extensively on a variety of legal and public policy issues and serves or has served as director of a number of corporations, foundations, community organizations, editorial boards and advisory groups. He earned his LL.B. in 1976 and his LL.M. in 1981 from the Faculty of Law, University of Toronto. Mr. Waitzer was called to the Ontario Bar in 1978 and admitted to the New York Bar in 1985. | April 2015 |
| Joanne L. Boyes..... | Director. Ms. Boyes is Vice President, Treasury, Risk & Corporate Reporting of PotashCorp. She has been with PotashCorp since 2004 and is responsible for PotashCorp's enterprise risk management and corporate-wide insurance program, global external financial and integrated | April 2015 |

| Name | Position and relevant experience | Current position held since |
|--|---|-----------------------------|
| Gonzalo Guerrero Y. ⁽¹⁾ | <p>reporting, and complex accounting. Prior to this, she was responsible for treasury, internal control compliance and aspects of internal audit. She is a regular management participant on PotashCorp's Audit Committee.</p> <p>Director. Mr. Guerrero earned a law degree from the Universidad de Chile and a Masters of Business Law from the Universidad Adolfo Ibáñez. He was General Counsel and substitute board member of Integramédica S.A for seven years and was Director of Inversiones Oro Blanco S.A and VNT S.A. (Vantrust Capital Asset Management) until April 2016. Currently, he is an executive board member of Guerrero and Associates, and a board member of Asfaltos Chilenos S.A., Sanasalud S.A. and Club Deportivo Palestino SADP.</p> | April 2016 |
| Robert A. Kirkpatrick | <p>Director. Mr. Kirkpatrick is Vice President, Deputy General Counsel and Assistant Corporate Secretary of PotashCorp. He has been with PotashCorp since 1994 and is responsible for securities regulatory compliance and advising on corporate finance and development matters. He is a regular management participant on PotashCorp's Corporate Governance and Nominating Committee.</p> | April 2015 |
| Hans Dieter Linneberg A.... | <p>Director. Mr. Linneberg earned an economics degree from the Universidad de Chile and a Master of Arts and a Ph.D.(C) from the Université Catholique Louvain in Belgium. Currently, he is Director of the Corporate Governance and Capital Markets Department at the Business School of the Universidad de Chile where he is also a faculty member, lecturing on corporate governance and international finance.</p> | April 2015 |
| Arnfinn F. Prugger..... | <p>Director. Dr. Prugger is Vice President, Technical Services of PotashCorp. He has been with the company for over 25 years and has a wide range of senior-level experience in mining and applied geophysics.</p> | April 2015 |
| Julio Rebolledo D. ⁽²⁾ | <p>Director. Mr. Rebolledo is member of SQM's Directors' Committee, an adjunct faculty member at Pontificia Universidad Católica de Chile and a Senior Consultant at FEN-Business Center at the</p> | April 2016 |

| Name | Position and relevant experience | Current position held since |
|-------------|--|------------------------------------|
| | Universidad de Chile. From 2000 to 2011, he was a finance lecturer at the Universidad de Chile and the University of Bath in the U.K., and a visiting researcher scholar at Chilean Central Bank. In 2008, he received the Presidente de la Republica grant for his doctoral studies at the University of Bath where he was awarded a research teaching associate position for his research in economic forecasting. | |

Our current executive officers are as follows:

| Name | Position and relevant experience | Current position held since |
|--------------------------------|---|------------------------------------|
| Patricio de Solminihac T. | Chief Executive Officer. Mr. de Solminihac earned an industrial engineering degree from the Pontificia Universidad Católica de Chile and a Master of Business Administration from the University of Chicago. In 1988, he joined SQM as Business Development Vice President. Currently, he is a member of the Board of Directors of Melon S.A. | March 2015 |
| Ricardo Ramos R..... | Chief Financial Officer and Vice President of Corporate Services. Mr. Ramos earned an industrial engineering degree from the Pontificia Universidad Católica de Chile. In 1989, he joined SQM as Finance Advisor. In 1991, he took a position in the Sales Department where he was in charge of operations and sales coordination. In 1994, Mr. Ramos returned to the Finance Department as CFO. Mr. Ramos is also a member of the Board of Directors of Soquimich Comercial S.A. | May 2016 |
| Gonzalo Aguirre T. | General Counsel. Mr. Aguirre studied law at the Universidad Católica de Chile and earned a Master of Laws (LL.M) degree from Georgetown University Law Center. He joined SQM in April 2016 and has served as Legal Vice President since September of the same year. Prior to joining SQM, he worked at SunEdison as Head of Legal for Latin America and at AES Gener, where he served as a counsel on corporate and project matters. Prior to his in-house practice, he worked for Carey, Paul Hastings LLP (as an international legal consultant) and Vial and Palma, where his practice focused on corporate and financial matters. He is admitted to | September 2016 |

| Name | Position and relevant experience | Current position held since |
|---|--|-----------------------------|
| | practice in Chile and in Washington, D.C., as a special legal consultant. | |
| Pablo Altimiras C. | Vice President of Development and Planning. Mr. Altimiras is earned an engineering degree and a Master of Business Administration from the Universidad Católica de Chile. In 2007, he joined SQM as Chief of Logistics Projects. In 2009, he was promoted to Regulatory Affairs Director. He was Business Development Vice Manager from 2010 to 2011 and Development and Planning Manager in 2012. In 2016, he became Vice President of Development and Planning. | May 2016 |
| Juan Carlos Barrera P. ⁽³⁾ ... | Vice President of Operations, Potassium and Lithium. Mr. Barrera earned an industrial engineering degree from the Pontificia Universidad Católica de Chile and a Master of Business Administration from Tulane University and Universidad de Chile. From 1991 to 1994, he served in various roles at SQM, including as Advisor in the Business Development area. In 1995, he was Business Development Manager of SQM Nitratos S.A. Thereafter, he was Corporate Quality Manager in 1999, Corporate Supply Chain Vice President in 2000 and General Manager of Soquimich Comercial S.A. in 2006. | January 2007 |
| Jose Miguel Berguño C. ⁽⁴⁾ | Vice President of Human Resources and Performance. Mr. Berguño earned an engineering degree and Master of Business Administration from the Universidad Católica de Chile. In 1998, he joined SQM as Planning Engineer. In 2001, he served as Supply Chain Manager, and in 2006 he was Human Resources Manager. From 2010 to 2011, he was the National Director of Science under the Minister of Labor. In 2012, he was Human Resources Manager for Vitamina Work Life. In 2013, he resumed his role as Supply Chain Manager at SQM, and in 2016 took on the position of Vice President of Human Resources and Performance. | May 2016 |
| Frank Biot..... | Vice President of Sales, Potassium and Nitrate. Frank Biot earned a Master in Applied Economics from the University of Antwerp in Belgium and a Master of Business Administration from the Catholic University of Leuven. In 1984, he joined Nitrate Corporation of Chile Ltd. established in London. In 1991, he was promoted to President of SQM Europe at SQM's regional headquarters for Europe, Africa, Asia and Oceania. In 2000, he | May 2016 |

| Name | Position and relevant experience | Current position held since |
|--|---|-----------------------------|
| | assumed the position of Commercial Vice President Specialty Plant Nutrition. | |
| Pauline De Vidts S. ⁽⁵⁾ | Vice President of Public Affairs and Sustainability. Mrs. De Vidts earned an industrial engineering degree from the Pontificia Universidad Católica de Chile and a Ph.D. in chemical engineering from Texas A&M University. In 1996, she joined SQM to work in process development for the Salar de Atacama Operations. In 1998, she was Development Manager. In 2001, she was Corporate R&D and thereafter Environmental Issues Vice President. Since 2005, she has overseen safety, health, environmental and community issues, and in 2011, she also began overseeing corporate communications and public affairs for SQM. In 2016, she assumed the role of Vice President of Public Affairs and Sustainability. | May 2016 |
| Carlos Díaz O. | Vice President of Operations, Nitrates and Iodine. Mr. Díaz earned an engineering degree and a Master of Business Administration from the Pontificia Universidad Católica de Chile. In 1996, he joined SQM as Planning Engineer in the Sales Division. He was promoted to Planning Manager in 1998. In 2002, he assumed the position of Deputy Financial Manager of the Commercial Offices. In 2006, he became our Logistics Manager. | October 2012 |
| Gerardo Illanes G. ⁽⁶⁾ | Vice President of Finance. Mr. Illanes earned an engineering degree from the Universidad Católica de Chile and a Master of Business Administration from Emory University's Goizueta Business School. In 2006, he joined SQM and has served in several positions within the finance area in Santiago, Chile and in subsidiaries around the world. Mr. Illanes is also a member of the Board of Soquimich Comercial. In May 2016, he became Vice President of Finance | May 2016 |

| Name | Position and relevant experience | Current position held since |
|-------------------------|---|-----------------------------|
| Daniel Jiménez Sch..... | Vice President of Sales Iodine, Lithium and Industrial Chemicals. Mr. Jiménez earned an industrial engineering degree from the Pontificia Universidad Católica de Chile and a Master of Business Administration from Old Dominion University. In 1991, he joined SQM and has served in several positions within the finance and sales areas at SQM's headquarters and foreign subsidiaries in the United States and Belgium for eight years. In 2002, he became VP Sales and Marketing Iodine, Lithium and Industrial Chemicals. In 2007, he became Senior VP of Human Resources and Corporate Services. In 2016, he became VP of Sales of Iodine, Lithium and Industrial Chemicals. Mr. Jiménez is also a member of the Board of Directors of Soquimich Comercial S.A. | May 2016 |
| Raul Puerto M. | Internal Audit Manager. He earned a Master of Business Administration from the University of Chile and Tulane University and an industrial engineering degree from the Pontificia Universidad Javeriana de Colombia. Mr. Puerto has 18 years of experience in auditing, risk management, internal control, and compliance, having worked in several multinational companies in Chile and Latin America. | January 2016 |
| Andrés Yaksic B. | Risk Management and Compliance Officer. Mr. Yaksic is earned an engineering degree and a Master of Business Administration from the Pontificia Universidad Católica de Chile. In 2008, he joined SQM as a Strategic Marketing Engineer. He was promoted to Strategic Marketing Manager the following year. In 2012 and 2013, he was Development Manager for New Lithium Projects and in November 2013 worked as the Finance Manager for the Commercial Offices. | October 2015 |

- (1) As of December 31, 2016, Mr. Guerrero beneficially owned 1,353 of SQM's shares.
- (2) On March 22, 2017, Julio Rebolledo D. informed the Board of Directors that he has decided to resign from his position as director of SQM effective April 27, 2017.
- (3) As of December 31, 2016, Mr. Barrera beneficially owned 224 of SQM's shares.
- (4) As of December 31, 2016, Mr. Berguño beneficially owned 380 of SQM's shares.
- (5) On April 11, 2017, as a result of a Company reorganization, Pauline de Vidts left her position as Vice President of Public Affairs and Sustainability at SQM.
- (6) As of December 31, 2016, Mr. Illanes beneficially owned 800 of SQM's shares.

6.B. Compensation

At the Ordinary Shareholders' Meeting held on April 26, 2016, shareholders did not vote to maintain the Ad-Hoc Committee created at the Ordinary Shareholders' Meeting held on April 24, 2015. The compensation for the Audit and Financial Risk Committee, Corporate Governance Committee and the

Safety, Health and Environmental Committee was approved during the Ordinary Shareholders' Meeting held on April 26, 2016.

During 2016, directors were paid a monthly fee, which was independent of attendance and the number of Board sessions. For the Chairman, the fee amounted to UF 300 per month. For the remaining seven directors, the fee amounted to UF 200. In addition, the directors received variable compensation (in Chilean pesos) based on a profit-sharing program approved by the shareholders. In 2016, the Chairman received the equivalent of 0.135% of 2015 profit and each of the remaining seven directors received the equivalent of 0.06% of 2015 profit.

In addition, during 2016, members of the Directors' Committee were paid UF 75 per month, regardless of the number of sessions held by the Directors' Committee. In addition, the members of the Directors' Committee received variable compensation (in Chilean pesos) based on a profit-sharing program approved by the shareholders. In 2016, members of the Directors' Committee each received an amount equal to 0.02% of 2015 profit. This remuneration is also independent from what the Committee members obtain as members of our Board of Directors.

During 2016, the members of the Safety, Health and Environmental Committee received UF 50 per month, regardless of the number of sessions held. During 2016, the members of the ad-hoc Committee received UF 50 per month for the period between January and April, regardless of the number of sessions held. During 2016, the members of the Corporate Governance Committee received UF 50 per month, regardless of the number of sessions held.

During 2016, 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 Directors' Committee (CH\$) | SQM Health, Safety and Environment Committee (CH\$) | Corporate Governance Committee (CH\$) | Ad-Hoc Committee (CH\$) | SQMC Board Meeting (CH\$) | Total (CH\$) |
|--------------------------|--------------------------|---------------------------------|---|---------------------------------------|-------------------------|---------------------------|----------------------|
| Joanne L. Boyes | 121,519,416 | - | 9,008,878 | - | - | - | 130,528,294 |
| Hernán Büchi B. | 106,096,980 | 36,224,761 | - | - | - | - | 142,321,741 |
| Gonzalo Guerrero Y. | 41,908,638 | - | 10,477,162 | - | - | - | 52,385,800 |
| Juan Antonio Gúzman M. | 230,946,965 | - | - | - | - | - | 230,946,965 |
| Robert A. Kirkpatrick | 121,519,416 | - | - | 9,008,878 | 7,709,225 | - | 138,237,519 |
| Hans Dieter Linneberg A. | 153,131,436 | 53,862,684 | - | 16,911,885 | - | - | 223,906,005 |
| Luis Eugenio Ponce Lerou | 62,862,957 | - | - | - | - | 9,378,257 | 72,241,214 |
| Arnfinn F. Prugger | 121,519,416 | - | 9,008,878 | - | - | - | 130,528,294 |
| Julio Cesar Rebolledo D. | 36,639,042 | 13,739,642 | - | - | - | - | 50,378,684 |
| Wolf Von Appen B. | 116,342,480 | - | 7,714,644 | - | 7,714,644 | - | 131,771,768 |
| Edward J. Waitzer | 152,959,848 | 53,801,338 | - | 16,868,988 | 7,709,225 | - | 231,339,399 |
| Total | 1,265,446,594 | 157,628,425 | 36,209,562 | 42,789,751 | 23,133,094 | 9,378,257 | 1,534,585,683 |

For the year ended December 31, 2016, the aggregate compensation paid to our 105 principal executives based in Chile was Ch\$13,683 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 and long-term indicators. We provide executives with an annual and a long-term

bonus plan payable in the first quarter of 2021 or the date of the employee's resignation, taking into account achievement of targets and individual contribution to the Company's operating results. These incentives are based on the following variables: a) Short term (annual): the Company's operating results and safety indices; and b) Long term: the Company's after-tax return on equity. SQM also operates a compensation plan designed to retain its executives by providing bonuses linked to the Company's share price.

As of December 31, 2016, we had a provision related to all of the incentive programs in an aggregate of US\$20.2 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 2019. The contracts of our executive officers are indefinite. The current Board of Directors was elected at the previous Annual Ordinary Shareholders' Meeting held on April 26, 2016.

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 2016, 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.

Since April 26, 2016, our Directors' Committee has been comprised of three Directors Hans Dieter Linneberg A., Julio Rebolledo D., and Edward J. Waitzer, each of whom meets the NYSE independence and Chilean independence requirements for audit committee members.

Between January 1, 2016 and April 26, 2016, our Directors' Committee was comprised of three Directors: Mr. Waitzer, Mr. Hernán Büchi B., and Mr. Linneberg. Each of the three members met the NYSE independence requirements for audit committee members. According to Chilean independence requirements, Mr. Linneberg and Mr. Waitzer met the requirements for independence. On March 22, 2016, Mr. Büchi informed the Board of Directors that he had decided to resign from his position as director of SQM effective April 25, 2016.

During 2016, the Directors' Committee of SQM (the "Committee") analyzed (i) the Company's Unaudited Financial Statements and Reports; (ii) the Company's Audited Financial Statements and Reports; (iii) the Reports and proposals of external auditors, accounts inspectors and independent risk rating agencies for the Company; (iv) the proposal to SQM's Board of Directors about the external auditors and independent rating agencies that the Board could recommend to the respective shareholders' meeting for their subsequent appointment; (v) the tax and other services, other than audit services, provided by the Company's external auditors and its subsidiaries in Chile and abroad; (vi) the remuneration and

compensation plans for the Company's main executives; (vii) the information related to the Company's operations as referred to in Title XVI of the Corporations Act; (viii) the report on internal control of the Company and (ix) the various matters referred to in the Chapter titled "Directors' Committee" included in SQM's Financial Statements at December 31, 2016.

Regarding the above, the Committee:

- (a) Examined the information regarding the financial statements of SQM for the 2016 business year and the Report issued thereon by the External Auditors of SQM. Similarly, it also examined the Company's Interim Consolidated Financial Statements for the 2016 business year.
- (b) Examined, at its Meeting No. 111 on November 7, 2016, the resolution of four broker agreements in Japan and other Asian countries with the Japanese company Kowa Co., Ltd. ("Kowa"). Kowa is a related party of the Company based on a Joint Operation Agreement with Sociedad de Inversiones Pampa Calichera S.A. The Directors' Committee of the Company approved such contracts. In its Meeting No. 729 on November 7, 2016, the Board of Directors was informed in a timely manner of such approval by the Directors' Committee and, in turn, also confirmed that such contracts were on terms, prices and other conditions similar to those prevailing in the respective markets at the pertinent time and approved, by the unanimous vote of directors present at the meeting, the execution of such agreements.
- (c) Proposed to the Company's Board of Directors the names of the External Auditors and the Independent Risk Rating Agencies for SQM and the Company's Board of Directors, in turn, suggested their appointment to the respective Annual Ordinary Shareholders Meeting of SQM. The Company's Board of Directors approved said suggestions and the Shareholders' Meeting also ratified them.
- (d) Examined and approved the remuneration system and the compensation plans for the Company's employees and senior executives.

The Committee also (i) authorized the contracting by the Company of various consulting services with PwC, (ii) reviewed the expenses of the Company's CEO, and (iii) reviewed the reports from the Company's internal audit and risk and compliance areas.

Finally, the Committee issued the Annual Management Report referred to in Law No. 18,046.

On April 26, 2016, the Annual General Shareholders' Meeting of SQM approved an operational budget for the Committee; the operational budget is equivalent to the annual remuneration of the members of the Committee. The activities carried out by the Committee, as well as the expenses incurred by it, are disclosed at the General Shareholders Meeting. During 2016 the Committee incurred expenses of approximately US\$65,000 for advisory services.

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

Comparative Summary of Differences in Corporate Governance Standards

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

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

| Section | NYSE Standards | SQM practices pursuant to Chilean Stock Exchange regulations |
|---------|--|--|
| 303A.01 | Listed companies must have a majority of independent directors. | There is no legal obligation to have a majority of independent directors on the Board but, according to Chilean law, the Company's directors cannot serve as executive officers. |
| 303A.02 | <p>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).</p> <p>In addition, a director is not independent if:</p> <p>(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.</p> <p>(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).</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> | <p>A director would not be considered independent if, at any time, within the last 18 months he or she:</p> <p>(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;</p> <p>(ii) Maintained a family relationship with any of the members described in (i) above;</p> <p>(iii) Has been a director, manager, administrator or principal officer of non-profit organizations that have received contributions from (i) above;</p> <p>(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;</p> <p>(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.</p> |
| 303A.03 | The non-management directors must meet at regularly scheduled executive sessions without management. | These meetings are not needed given that directors cannot serve as executive officers. |
| 303A.04 | (a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors. | 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). |

| Section | NYSE Standards | SQM practices pursuant to Chilean Stock Exchange regulations |
|---------|--|--|
| | <p>(b) The nominating/corporate governance committee must have a written charter that addresses:</p> <p>(i) the committee’s purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and</p> <p>(ii) an annual performance evaluation of the committee.</p> | |
| 303A.05 | Listed companies must have a compensation committee composed entirely of independent directors, and must have a written charter | This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations, SQM has a Directors’ Committee (see Board practices above) that is in charge of reviewing management’s compensation. |
| 303A.06 | Listed companies must have an audit committee. | This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations, SQM has a Directors’ Committee that performs the functions of an audit committee and that complies with the requirements of the NYSE corporate governance rules. |
| 303A.07 | The audit committee must have a minimum of three members. All audit committee members must satisfy requirements of independence, and the committee must have a written charter. The listed companies must have an internal audit function to provide management with ongoing assistance of the Company’s risk management process and the system of internal controls | Pursuant to Section 303A.00, SQM is not required to comply with requirements in 303A.07. Pursuant to Chilean Regulations SQM has a Director’s Committee (see Board practices above) that also performs the functions of an audit committee with certain requirements of independence. |
| 303A.08 | Shareholders must have the opportunity to vote on all equity-compensation plans and material revisions thereto. | SQM does not have equity compensation plans. However, as mentioned in Item 6.B. Compensation, the Company does have a long-term cash bonus compensation plan. Directors and executives may only acquire SQM shares by individual purchases. The purchaser must give notice of such purchases to the Company and the Superintendence of Securities and Insurance. |
| 303A.09 | Listed companies must adopt and disclose corporate governance guidelines. | Chilean law does not require that corporate governance guidelines be adopted. Directors’ responsibilities and access to management and independent advisors are directly provided for by applicable law. Directors’ compensation is approved at the annual meeting of shareholders, pursuant to applicable law. |
| 303A.10 | Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers. | Not required in the Chilean regulations. SQM has adopted and disclosed a Code of Business Conduct and Ethics, available at the Company’s website, www.sqm.com . |
| 303A.11 | Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listed standards. | Pursuant to 303A.11, this table shows a comparative summary of differences in corporate governance practices followed by SQM under Chilean regulations and those applicable to U.S. domestic issuers pursuant to Section 303A. |
| 303A.12 | Each listed company CEO must (a) certify to the NYSE each year that he or she is not aware of any violation by | Not required in the Chilean regulations. The CEO must only comply with Section 303A.12 (b) and (c). |

| Section | NYSE Standards | SQM practices pursuant to Chilean Stock Exchange regulations |
|---------|--|--|
| | the listed company of NYSE corporate governance listing standards; (b) promptly notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with any applicable provisions of Section 303A; and (c) must submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must submit an interim Written Affirmation as and when required by the interim Written Affirmation form specified by the NYSE. The annual and interim Written Affirmations must be in the form specified by the NYSE. | |
| 303A.13 | The NYSE may issue a public reprimand letter to any listed company that violates a NYSE listing standard. | Not specified in the Chilean regulations. |

6.D. Employees

As of December 31, 2016, we had 4,751 permanent employees, 216 of whom were employed outside of Chile. The average tenure of our permanent employees is approximately 6.2 years.

| | As of December 31, | | |
|----------------------------------|--------------------|--------------|--------------|
| | 2016 | 2015 | 2014 |
| Employees in Chile | 4,535 | 4,048 | 4,610 |
| Employees outside of Chile | 216 | 202 | 190 |
| Total employees | 4,751 | 4,250 | 4,800 |

As of December 31, 2016, 65% of our permanent employees in Chile were represented by 22 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 agreement to agreement. Under these agreements, employees receive a salary according to a scale that depends upon job function and productivity. Unionized employees also receive certain benefits provided by law and certain benefits provided under the applicable collective bargaining agreement, which vary depending upon the terms of the collective agreement, such as scholarships and additional health, death and disability benefits, among others.

In addition, we own all of the equity of Institución de Salud Previsional Norte Grande Limitada (“Isapre Norte Grande”), which is a health care organization that provides medical services primarily to our employees, and of Sociedad Prestadora de Servicios de Salud Cruz de Norte S.A. (“Prestadora”), which is a hospital in María Elena. We make contributions to Isapre Norte Grande and to Prestadora in

accordance with Chilean laws and the provisions of our various collective bargaining agreements, but we are not otherwise responsible for their liabilities.

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

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

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

Over 95% of our employees are employed in Chile, of which approximately 65% were represented by 22 labor unions as of December 31, 2016. As in previous years, during 2016, we renegotiated collective labor contracts with individual unions one year before the expiration of such contracts. During 2017, we expect to renegotiate collective labor contracts with three unions. Collective labor contracts with 16 unions, representing 80% of unionized workers, will expire in 2019. Collective labor contracts with three unions, representing 20% of unionized workers, will expire in 2020. We are exposed to labor strikes and illegal work stoppages that could impact our production levels. If a strike or illegal work stoppage occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in our product flow that could have a material adverse effect on our business, financial condition and results of operations.

6.E. Share Ownership

We do not grant stock options or other arrangements involving the capital of SQM to directors, managers or employees. For more information on the shareholdings of current directors and executive officers, see “Item 6. Directors, Senior Management and Employees—Directors and Senior Management.”

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major Shareholders

The following table shows certain information concerning beneficial ownership of the Series A and Series B common shares of SQM as of April 20, 2017 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 | — | — | 56,451,520 | 46.90% | 21.45% |
| Sociedad de Inversiones Pampa Calichera S.A. ^{(1) (2)} | 44,894,152 | 31.43% | 7,007,688 | 5.82% | 19.72% |
| Inversiones El Bordo Ltda. ⁽³⁾ | 29,330,326 | 20.54% | 16,363,546 | 13.59% | 17.36% |
| Inversiones RAC Chile Ltda. ⁽³⁾ | 19,200,242 | 13.44% | 2,202,773 | 1.83% | 8.13% |
| Potasios de Chile S.A. ⁽²⁾ | 18,179,147 | 12.73% | — | — | 6.91% |
| Inversiones PCS Chile Limitada. ⁽³⁾ | 15,526,000 | 10.87% | 1,600,000 | 1.33% | 6.51% |
| Banco de Chile por Cuenta de Terceros No Residentes | — | — | 8,714,235 | 7.24% | 3.31% |
| Inversiones Global Mining Chile Ltda. ⁽²⁾ | 8,798,539 | 6.16% | — | — | 3.34% |

- (1) Pampa Calichera is a publicly held corporation whose shares are traded on the Santiago Stock Exchange. Originally, the shareholders of Pampa Calichera were employees of SQM. Pampa Calichera was formed to hold the capital stock of SQM contributed by such employees or later acquired in the open market.
- (2) As of April 20, 2017, SQM had a “controlling group,” as such term is defined in Title XV of Chilean Law No. 18,045. SQM has been informed that, as of April 20, 2017, Mr. Julio Ponce Lerou, who is the brother of Eugenio Ponce L., and related persons control 100% of Inversiones SQYA Ltda. (“SQYA”) and 100% of Inversiones SQ Ltda. These two companies control indirectly 29.97% of all shares of SQM (consisting of 71,871,838 Series A shares and 7,007,688 Series B shares), as follows: (i) Inversiones SQ Ltda. controls 0.0258% of Norte Grande S.A. (“Norte Grande”) and SQYA controls 67.59% of Norte Grande, which controls 76.82% of Sociedad de Inversiones Oro Blanco S.A., which controls 88.64% of Pampa Calichera, which controls 19.72% of SQM; (ii) Pampa Calichera controls 99.99% of Inversiones Global Mining (Chile) Limitada, which controls 3.34% of SQM and (iii) Norte Grande controls 76.34% of Nitratos de Chile S.A., which controls 98.89% of Potasios de Chile S.A., which controls 10.07% of Pampa Calichera and 6.91% of SQM. Thus, Pampa Calichera and its related companies, Inversiones Global Mining Chile Limitada and Potasios de Chile S.A. (together, the “Pampa Group”), control 29.97% of SQM.

As of April 20, 2017, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A., and La Esperanza Delaware Corporation (together, the “Kowa Group”) are owners of 2.11% of all shares in SQM. On December 21, 2006, the Pampa Group and the Kowa Group entered into a Joint Operation Agreement which currently allows them to have the status of “controlling group” of the Company. The aforementioned Joint Operation Agreement refers to a filing made with the SVS that was filed by Sociedad de Inversiones Pampa Calichera S.A. on December 21, 2006.

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

| | % Beneficial ownership |
|-------------------------|------------------------|
| April 20, 2017 | 32.08% |
| December 31, 2016 | 32.08% |
| December 31, 2015 | 32.08% |
| December 31, 2014 | 32.03% |

Separately from any ownership interest held by the Controller Group, as of April 20, 2017, SQM has been informed that PCS indirectly controls 100% of the shares of Inversiones El Boldo Limitada, 100% of the shares of Inversiones RAC Chile Limitada and 100% of the shares of Inversiones PCS Chile Limitada. Through these companies, PCS owns 32.00% of the total shares of SQM.

- (3) As of April 20, 2017, PCS owns 100% of Inversiones El Boldo Limitada, 100% of Inversiones RAC Chile Ltda., and 100% of Inversiones PCS Chile Limitada, and, accordingly, is the beneficial owner of 84,222,887, or 32.00%, of SQM's total shares. The stake held by PCS as of December 31, 2015 and 2014 was, respectively, 32.00% and 32.00% of SQM's total shares.

On December 21, 2006, Pampa Calichera and Kowa executed a joint performance agreement that allows them to become the "controller group" of the Company, as such term is defined under Chilean law. We have been informed that, as of April 15, 2017, Mr. Julio Ponce L. and related persons beneficially owned, through Pampa Calichera and certain other companies, 29.97% of the shares of the Company. As of April 20, 2017, Kowa Group owned, directly and indirectly, 2.11% of the shares of the Company. As of April 20, 2017, pursuant to the joint performance agreement, the "controller group" led by Mr. Julio Ponce L. beneficially owned 32.08% of the total shares of the Company.

On April 17, 2017, certain entities owned by the Pampa Group, the Kowa Group and PCS, which collectively own 61.92% of the total outstanding shares of SQM, entered into a letter agreement with respect to certain corporate governance matters of SQM (the "Corporate Governance Agreement"). The full text of the Corporate Governance Agreement is attached hereto as Exhibit 99.4 and incorporated herein by reference.

The Company believes that approximately 51.33% of its Series A shares and 20.19% of its Series B shares were beneficially held in Chile as of April 20, 2017. Approximately 1,231 record holders were in Chile as of April 20, 2017.

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 April 20, 2017, there are 142,819,552 Series A common shares and 120,376,972 Series B common shares outstanding.

7.B. Related Party Transactions

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

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

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

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

- that the operation be informed to the Directors' Committee and to the Board of Directors prior to its execution;
- that the Board of Directors, excluding any Directors involved in the operation, approves the operation with an absolute majority of its members, or, if an absolute majority is not feasible, with a unanimous vote by the Directors not involved in the transaction, or, if neither of these options is available, that an Extraordinary Shareholders' Meeting be held and that shareholders representing 2/3 of the outstanding shares with voting rights approve the operation. In the latter case, prior to the meeting, the shareholders must be provided with a report by an independent evaluator and with statements by the directors as to whether or not such operation is in SQM's interest;
- that the grounds for the decision and for the exclusion be recorded in the respective minutes of the Board meeting; and
- that the agreement and the names of the directors who approved the same be reported at the next shareholders' meeting. Infractions will not affect the validity of the operation but they will grant SQM or its shareholders the right to demand that the related party committing such infraction refund the amount equivalent to the benefits received by such party in the operation to SQM, and that such party indemnify for any corresponding damages.

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

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

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

The Company regularly enters into business arrangements with related parties, principally its joint ventures and associates, which are described in Note 9 to the Consolidated Financial Statements.

7.C. *Interests of Experts and Counsel*

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. *Consolidated Statements and Other Financial Information*

8.A.1 See “Item 18. Financial Statements.”

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

8.A.3 See “Item 19. Exhibits—Index to 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, 2016, 2015 and 2014:

| <i>Th. US\$</i> | 2016 | 2015 | 2014 |
|-----------------------|--------------|--------------|--------------|
| Foreign sales | 1,776,845 | 1,539,740 | 1,786,953 |
| Total sales | 1,939,323 | 1,728,332 | 2,014,214 |
| Foreign sales % | 91.6% | 89.1% | 88.7% |

8.A.7 **Legal Proceedings**

Chilean Investigation

The SII has been conducting investigations related to the payment of invoices by SQM and its subsidiaries, SQM Salar S.A. and SQM Industrial S.A., for services that may not have been properly supported or that may not have been necessary to generate corporate income. The Chilean Public Prosecutor (*Ministerio Público*) is conducting related inquiries to determine whether such payments may be linked with alleged violations by SQM, these subsidiaries and public officials of political contribution or anti-corruption laws. The SII and the Chilean Public Prosecutor are also conducting similar investigations related to the payment of invoices by other Chilean companies that may not have been properly supported or that may not have been necessary to generate corporate income.

On February 26, 2015, SQM’s Board of Directors resolved to establish an ad-hoc Committee authorized to conduct an internal investigation relating to the issues that were the subject of the SII and Public Prosecutor investigations and to retain such independent external advice as it deemed appropriate. The original members of the ad-hoc Committee were José María Eyzaguirre B., Juan Antonio Guzmán M. and Wolf von Appen B.

The ad-hoc Committee engaged its own lawyers from Chile and the U.S. and forensic accountants from the U.S. to assist with its internal review. The U.S. lawyers retained by the ad-hoc Committee were principally charged with reviewing the relevant facts and analyzing those facts against the requirements of the FCPA. The factual findings of the ad-hoc Committee, however, were ultimately shared with Chilean as well as U.S. authorities.

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

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

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

On March 20, 2015, the Company identified to the SII approximately US\$11 million in payments of invoices that may not have been properly supported by services rendered or that may not qualify as tax expenses under the Chilean tax code. These payments originated from the office of the former CEO, Patricio Contesse G., during the six-year tax period from 2009 to 2014. As a result, the Company subsequently submitted amendments to its tax returns for the 2009 to 2014 tax years and thereafter paid taxes and interest relating to such amended returns totaling approximately US\$7 million. On April 24, 2015, the Company announced that it had identified up to an additional US\$2 million in payments by its subsidiary SQM Salar S.A. during the same six-year tax period that were also authorized by the former CEO and that may be deemed not properly supported by services rendered or that may not qualify as tax expenses under the Chilean tax code. Subsequently, SQM Salar S.A. filed amended tax returns and paid taxes and interest relating to such amended returns totaling approximately US\$1.2 million. On August 14, 2015, the Company announced that it had identified to the SII approximately US\$1.6 million in additional payments by SQM S.A. and its subsidiary SQM Industrial S.A. that may be deemed not properly supported by services rendered or that may not qualify as tax expenses under the Chilean tax code. SQM S.A. and SQM Industrial S.A. subsequently filed amended tax returns and, in early 2016, SQM Industrial S.A. paid taxes and interest relating to such amended returns totaling approximately US\$0.3 million, and SQM S.A. paid taxes and interest relating to such amended returns totaling approximately US\$1.3 million. The statute of limitations under Chilean law for tax claims is up to six years, during which period the former CEO had an annual discretionary budget covering the Company and its subsidiaries of approximately US\$6 million.

On March 23, 2015, the SII, based on the Income Tax Law (*Ley de Impuesto a La Renta*) filed a criminal claim against the Company's former CEO and the current CEO and CFO in their capacities as the Company's tax representatives relating to part of the payments referred to above. This and subsequent related similar claims filed by the SII against these officers and third parties are currently under review by the Public Prosecutor.

On March 31, 2015, the SVS filed an administrative claim against five current or former members of the Board of Directors, alleging that they did not release information in a timely manner relating to the payments that are subject to the tax claim referred to above. On September 30, 2015, the SVS proceeded to fine the three current and the two former members of the Board of Directors UF1,000 each (approximately US\$36,000). They are currently appealing this decision to the Chilean courts.

On April 24, 2015, new members were elected to the Board of Directors at the Annual General Shareholders' Meeting, including three new members that were nominated by PCS, and the ad-hoc

Committee was subsequently reconstituted by Board of Directors members Robert A. Kirkpatrick, Wolf von Appen B. and Edward J. Waitzer.

On April 30, 2015, the Public Prosecutor, after reviewing the claims filed by the SII, informed the Company's former CEO that it was formally investigating allegations that he approved the payment of invoices that may not be properly supported by services rendered or that may not qualify as tax expenses under the Chilean tax code and in connection therewith made intentionally false or incomplete declarations or used fraudulent procedures designed to conceal or disguise the true amount of transactions or to circumvent taxes. If he is finally adjudicated responsible, the Company may also be subject to the payment of a fine by the Chilean Criminal Court totaling 50% to 300% of the taxes paid. The Company estimates that no provision is needed at this stage.

On May 11, 2015, the SII filed an additional criminal claim against the former CEO and the current CEO and CFO in their capacities as the Company's tax representatives alleging violations of the Chilean Inheritance and Donations Law (*Ley sobre Impuesto a Las Herencias, Asignaciones y Donaciones*). The claim states that the Company paid two invoices in 2009 and 2010 totaling approximately US\$175,000 that are alleged to have been improperly supported. The claim states that these payments should have been classified as donations, and appropriate taxes should have been paid. These payments were accounted for in the amended tax returns filed with the SII. Subsequently, the SII filed a number of additional claims against these officers and third parties alleging violations of Chilean tax law and the Chilean Inheritance and Donations Law. The most recent of these criminal claims was filed by the SII on March 9, 2016. All of these claims are under review by the Public Prosecutor.

On July 31, 2015, the deputy of the Tarapacá region of Chile, Hugo Gutiérrez G., filed a lawsuit against the Company, broadly alleging violations of the anti-corruption and money laundering provisions of Law No. 20,393 on Criminal Liability of Legal Entities. Potential sanctions under this law could include (i) fines, (ii) loss of certain governmental benefits during a given period, (iii) a temporary or permanent bar against the Company executing contracts with governmental entities, and (iv) dissolution of the Company. This claim is under review by the Public Prosecutor.

On September 29, 2015, the Company was notified of a labor lawsuit by its former CEO, Patricio Contesse, claiming payment from the Company related to the termination of his employment contract. The total amount claimed in the lawsuit is approximately Ch\$4.0 billion (approximately US\$5.7 million), including severance payments for years of service and other legal or contractual payments. The Company has not paid any indemnities to the former CEO, and the lawsuit is pending in the Chilean courts. The Company estimates that no provision is needed at this stage. On March 27, 2017, the Company reached an agreement with Mr. Contesse to terminate the labor lawsuit Mr. Contesse filed against the Company. The amount included in the agreement was provisioned for in the financial statements as of December 31, 2016.

During 2015, the ad-hoc Committee that was established in February 2015, conducted an investigation into whether the Company faced possible liability under the U.S. Foreign Corrupt Practices Act. The ad-hoc Committee engaged its own separate counsel, Shearman & Sterling LLP, which presented a report to the Board of Directors on December 15, 2015.

Following the presentation by the ad-hoc Committee of its findings to the Board of Directors, the Company voluntarily shared the findings of the ad-hoc Committee investigation with authorities in Chile and the U.S. (including the SEC and the DOJ).

On January 13, 2017, the Company and the DOJ reached agreement on the terms of a Deferred Prosecution Agreement ("DPA") that would resolve the DOJ's inquiry, based on alleged violations of the books and records and internal controls provisions of the Foreign Corrupt Practices Act. Among other terms, the DPA calls for the Company to pay a monetary penalty of US\$15,487,500, and engage a compliance monitor for a term of two (2) years. Upon successful completion of the three (3) year term of

the DPA, all charges against the Company would be dismissed. On the same date, the SEC agreed to resolve its inquiry through an administrative cease and desist order, arising out of the alleged violations of the same accounting provisions of the FCPA. Among other terms, the SEC order calls for the Company to pay an additional monetary penalty of US\$15 million. These penalties were reflected in the 2016 financial statements.

In Chile, the authorities' review of the questioned payments is ongoing. We are unable to predict the duration, scope, or results of this review, or how it may affect our business, financial condition, cash flows, results of operations and the prices of our securities. There can be no assurance that the authorities will agree with the conclusions of the ad-hoc Committee or that the authorities will not conclude that a violation of applicable law has occurred. There can be no assurance that authorities in Chile or the U.S. will not undertake a broader investigation or seek to commence additional litigation against the Company.

Responding to our regulators' inquiries and any future civil, criminal or regulatory inquiries or proceedings diverts our management's attention from day-to-day operations. Additionally, expenses that may arise from responding to such inquiries or proceedings, our review of responsive materials, any related litigation or other associated activities may continue to be significant. Current and former employees, officers and directors may seek indemnification, advancement or reimbursement of expenses from us, including attorneys' fees, with respect to the current inquiry or future proceedings related to this matter. If, as a result of further investigations, it is determined that our financial statements were materially incorrect, we could be required to restate financial information for prior reporting periods. Chilean authorities could impose a range of sanctions, including the sanctions discussed above under Law No. 20,393.

Class Actions

Since October 2015, a consolidated class action lawsuit has been pending against the Company in federal district court in the United States, alleging violations of the U.S. securities laws in connection with the subject matter of the investigations described above. The complaint alleges that certain statements made by the Company between June 30, 2010 and June 18, 2015, principally in the Company's SEC filings and press releases, were materially false and/or misleading in violation of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder. Specifically, the complaint challenges certain of the Company's statements concerning its compliance with applicable laws and regulations; the effectiveness of its internal controls; its adoption of a code of ethics consistent with SEC requirements; its revenues and taxes owed; and its compliance with applicable accounting standards. The complaint also alleges that the Company made inadequate disclosures concerning the status of the Corfo litigation described below. The lead plaintiff seeks to represent a putative class consisting of all persons who purchased SQM ADSs between June 30, 2010 and June 18, 2015, and seeks damages of an undetermined amount to recover the economic losses allegedly suffered by the class as a result of the challenged statements.

On March 30, 2016, the Company filed a motion to dismiss the complaint under the doctrine of *forum non conveniens* or, alternatively, pursuant to Rules 9(b) and 12(b)(6) of the Federal Rules of Civil Procedure for failure to state a claim under Section 10(b) of the Exchange Act. Briefing on that motion to dismiss was completed on June 29, 2016. On March 28, 2017, the district court issued an opinion and order denying in part and granting in part the motion to dismiss. The district court denied the motion to dismiss under the doctrine of *forum non conveniens*; denied the motion to dismiss for failure to state a claim with respect to the statements concerning legal compliance, internal controls, and financial reporting and accounting; and granted the motion to dismiss for failure to state a claim with respect to the statements concerning the Company's code of ethics and the status of the Corfo litigation.

Corfo Litigation

Our subsidiary SQM Salar holds exclusive and temporary exploitation rights to mineral resources in 81,920 hectares in the Salar de Atacama pursuant to the Lease Agreement. The mining exploitation

concessions related to such rights are owned by Corfo and leased to SQM Salar in exchange for quarterly lease payments to Corfo based on specified percentages associated to the value of the products resulting from the minerals extracted from such concessions. For the year ended December 31, 2016, revenue related to products originating from the Salar de Atacama represented 47% of our consolidated revenues, which corresponded to revenues from our potassium product line and our lithium and derivatives product line for the period. All of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement.

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

In August 2016, Corfo requested a second arbitration proceeding, demanding (i) the early termination of the Project Contract signed between Corfo, SQM Potasio S.A., SQM Salar, and the Company, (ii) the dissolution of SQM Salar and (iii) the early termination of the Lease Agreement for alleged breaches of the Project Contract. In addition, Corfo demanded SQM Salar return (i) the assets Corfo contributed to it under a condition subsequent, (ii) the OMA mining properties and the aquifers included in the Lease Agreement, (iii) the water rights granted to SQM Salar and (iv) the legal mining easements identified in the lawsuit. Finally, Corfo requested that the defendants pay damages as a result of the breaches alleged in the lawsuit. The Company believes there is insufficient evidence to demonstrate that the Project Contract has been breached. However, there can be no assurance that the Company will prevail against Corfo or that other legal actions will not be taken by Corfo against the Company's interests.

SQMNA Litigation

In October 2010, the City of Pomona, California, named Sociedad Química y Minera de Chile S.A. and SQM North America Corporation ("SQMNA") and SQM as defendants in an action filed in the California Superior Court for Los Angeles County. In this matter the plaintiff seeks damages for alleged groundwater contamination from the use of defendant's fertilizer products. The Plaintiff subsequently withdrew its lawsuit against SQM. On June 10, 2015, the jury rejected the lawsuit against SQMNA, and the plaintiff filed an appeal, the resolution of which is pending. SQMNA intends to vigorously defend this action.

In October 2010, the City of Lindsay, California, named Sociedad Química y Minera de Chile S.A. and SQMNA as defendants in an action filed in the California Superior Court for Tulare County. In this matter the plaintiff seeks damages for alleged groundwater contamination from the use of defendant's fertilizer products. This case is pending in the trial court. SQMNA and SQM (if it is legally served) intend to vigorously defend this action. The process has been suspended and we are awaiting results from the case in Pomona. SQMNA and SQM intend to vigorously defend this action.

Other Matters

In addition, various lawsuits, claims and proceedings, other than those specifically disclosed above, have been or may be instituted or asserted against the Company, relating to the conduct of the company's business, including those pertaining to mining, civil, tort, commercial, labor and regulatory matters, among others. Although the outcome of other litigation cannot be predicted with certainty, and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, our management believes the disposition of such other pending matters will not have a material effect on the company's business, financial condition, results of operations or cash flows.

8.A.8. Dividend Policy

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

At the Annual Shareholders' Meeting held on April 26, 2016, shareholders agreed to pay and distribute a dividend equal to 50% of the distributable income for 2015 (to be determined in accordance with SVS regulations). The cash dividends for 2015 have been calculated and approved by shareholders based on the profit attributable to owners of the parent as presented in the Chilean statutory consolidated financial statements, of US\$213.2 million. The amount of the final dividend approved by shareholders at the Annual Shareholders' Meeting held on April 26, 2016 was US\$0.40496 per share. This amount was partially paid on December 10, 2015, through an interim dividend of US\$0.31915 per share. The remaining US\$0.08581 was paid on May 6, 2016. Additionally, the shareholders approved the distribution and payment of a special dividend ("dividendo eventual") of US\$150 million, equivalent to US\$0.56992 per share, to be charged to the Company's retained earnings, and also paid on May 6, 2016.

The dividend policy for 2016 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 2016. For this purpose, distributable net income includes income for the year included in the income statement item "Profit (Loss) Attributable to Owners of the Parent" (determined in accordance with SVS regulations).

On November 23, 2016, with a divided vote, the Board of Directors agreed: (i) to pay and distribute on December 20, 2016 a provisional dividend of US\$225 million, equivalent to US\$0.85487 per share, to be charged against the 2016 net income, (ii) to change the Dividend Policy for the 2016 business year, as discussed at the Annual General Shareholders' Meeting held on April 26, 2016, (iii) that no further provisional dividend would be charged against the 2016 net income and iv) that the remaining amount of net income for the 2016 business year, if any, would be withheld and used to finance of the Company's operations or one or more of the Company's investment projects and to fund all or part of any possible future expenditures, without prejudice.

On April 11, 2017, the Board of Directors, agreed to recommend to the shareholders the payment of a definitive dividend representing 100% of the 2016 net income. This definitive dividend payment will be presented for consideration at the Annual General Shareholders' Meeting held on April 28, 2017. Therefore, and subject to the approval at the Shareholders' meeting, the Company shall pay a final dividend of US\$1.05735 per share, the amount of US\$0.85487 per share must be deducted from the final dividend, which was already paid as a provisional dividend on December 20, 2016. The balance, in the

amount of US\$0.20248 per share, shall be paid and distributed to Company's shareholders, pending shareholders' approval, on May 11, 2017.

On March 1, 2016, the Company filed its Chilean statutory consolidated financial statements with the SVS, an English language copy of which was furnished by the Company on Form 6-K dated April 7, 2016. For purposes of the Company's Chilean statutory consolidated financial statements, in accordance with the instructions issued by the SVS in its circular 856 of October 17, 2014, the effects generated by the change in the income tax rate were accounted for as retained earnings. The amount charged to equity as of December 31, 2014 was US\$52.3 million, thereby giving rise to a difference of US\$52.3 million in profit and income tax expense in 2014 as presented in the Company's Audited Consolidated Financial Statements compared with profit and income tax expense presented in the Company's Chilean statutory consolidated financial statements filed with the SVS. The effects of subsequent changes in the income tax rate will be recognized in retained earnings instead of the income statement.

There is also a difference between net income for the periods ended December 31, 2015 and December 31, 2014 in the Audited Consolidated Financial Statements and net income for such periods in the Chilean statutory consolidated financial statements filed with the SVS. In March 2015, the Company made payments to the SII for expenses that may not have qualified as tax expenses under the Chilean tax code. Provisions of approximately US\$7 million corresponding to such payments were included in net income for the period ended December 31, 2014 in these financial statements. However, since such payments were made after March 3, 2015, the date on which the Company filed its statutory consolidated financial statements for the period ended December 31, 2014, with the SVS, such provisions were included in net income for the period ended December 31, 2015 for purposes of the Company's statutory consolidated financial statements. For more information, see "Item 3D. Risk Factors—Risks Relating to our Business. The amount of any dividends to be paid will be calculated on the basis of net income as determined for purposes of the Company's statutory consolidated financial statements.

The dividend policy for 2017 will be announced at the Annual Shareholders' Meeting held on April 28, 2017.

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.

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

Dividends

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

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

| Dividends | | Per Share | Per ADS |
|---------------------------------------|----------------|------------------|----------------|
| Declared for the business year | Paid in | Ch\$ | US\$ |
| 2010 (interim) | 2010 | 198.90 | 0.41794 |
| 2010 | 2011 | 142.40 | 0.30798 |
| 2011 (interim) | 2011 | 376.99 | 0.73329 |
| 2011 | 2012 | 147.66 | 0.30350 |
| 2012(interim) | 2012 | 456.93 | 0.94986 |
| 2012 | 2013 | 134.56 | 0.28337 |
| 2013 (interim) | 2013 | 401.60 | 0.75609 |
| 2013 | 2014 | 73.48 | 0.13129 |
| n/a (<i>eventual</i>) | 2014 | 479.51 | 0.87387 |
| 2014 (interim) | 2014 | 253.80 | 0.41493 |
| 2014 | 2015 | 91.55 | 0.14811 |
| 2015 (interim) | 2015 | 224.51 | 0.31915 |
| 2015 | 2016 | 57.35 | 0.08581 |
| n/a (<i>eventual</i>) | 2016 | 380.91 | 0.56992 |
| 2016 (interim) | 2016 | 555.15 | 0.85487 |

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

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

8.B. Significant Changes

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

ITEM 9. THE OFFER AND LISTING

9.A. Offer and Listing Details

Price History

The table below shows, for the periods indicated, the reported high and low market prices for our shares on the Santiago Stock Exchange and the high and low market prices of the ADSs as reported by the NYSE, as the two main exchanges on which our shares are traded. On March 27, 2008, the Company voluntarily delisted its Series A ADSs from the New York Stock Exchange. The ratio of ordinary shares to Series B ADSs is 1:1.

(a) Last 5 years

| | Santiago Stock Exchange | | | | NYSE | |
|------|--------------------------|-------------|--------------|-------------|-------------------------|-------------|
| | Per Share ⁽¹⁾ | | | | Per ADS | |
| | Series A | | Series B | | Series B ⁽²⁾ | |
| | High Ch\$ | Low Ch\$ | High Ch\$ | Low Ch\$ | High US\$ | Low US\$ |
| 2012 | 30,100 | 26,000 | 30,700 | 26,000 | 65.31 | 50.41 |
| 2013 | 27,350 | 15,500 | 27,900 | 11,956 | 59.06 | 22.50 |
| 2014 | 19,071 | 15,245 | 19,594 | 12,883 | 36.25 | 21.52 |
| 2015 | 19,450 | 12,000 | 16,400 | 8,400 | 26.40 | 12.65 |
| 2016 | 21,500 | 15,000 | 20,950 | 10,680 | 32.32 | 14.90 |

(b) 2015 to 2017 by quarter

| | Santiago Stock Exchange | | | | NYSE | |
|----------------|--------------------------|-------------|--------------|-------------|-------------------------|-------------|
| | Per Share ⁽¹⁾ | | | | Per ADS | |
| | Series A | | Series B | | Series B ⁽²⁾ | |
| | High Ch\$ | Low Ch\$ | High Ch\$ | Low Ch\$ | High US\$ | Low US\$ |
| 2015 | | | | | | |
| First quarter | 16,300 | 15,000 | 16,400 | 10,100 | 26.4 | 15.02 |
| Second quarter | 16,500 | 15,899 | 13,704 | 10,055 | 22.74 | 15.51 |
| Third quarter | 17,500 | 12,000 | 12,050 | 8,400 | 17.57 | 12.65 |
| Fourth quarter | 19,450 | 14,510 | 14,288 | 10,100 | 20.06 | 14.55 |
| 2016 | | | | | | |
| First quarter | 18,250 | 15,000 | 14,500 | 10,680 | 21.28 | 14.9 |
| Second quarter | 18,500 | 16,500 | 16,780 | 13,214 | 24.99 | 19.46 |
| Third quarter | 18,500 | 18,399 | 18,995 | 15,751 | 28.26 | 24.18 |
| Fourth quarter | 21,500 | 16,801 | 20,950 | 17,664 | 32.32 | 26.28 |
| 2017 | | | | | | |
| First quarter | 23,500 | 21,000 | 22,970 | 19,100 | 34.84 | 28.58 |

(c) **Last 6 months**

| | Santiago Stock Exchange | | | | NYSE | |
|--------------------|---------------------------------|-------------|-----------------|-------------|--------------------------------|-------------|
| | Per Share ⁽¹⁾ | | | | Per ADS | |
| | Series A | | Series B | | Series B ⁽²⁾ | |
| | High | Low | High | Low | High | Low |
| | Ch\$ | Ch\$ | Ch\$ | Ch\$ | US\$ | US\$ |
| October 2016..... | 21,300 | 16,801 | 19,650 | 17,664 | 30.06 | 26.28 |
| November 2016..... | 20,900 | 20,400 | 19,300 | 17,766 | 29.67 | 26.47 |
| December 2016..... | 21,500 | 18,000 | 20,950 | 17,750 | 32.32 | 26.68 |
| January 2017..... | 22,130 | 21,000 | 22,700 | 19,100 | 34.84 | 28.58 |
| February 2017..... | 23,500 | 21,100 | 22,200 | 20,089 | 34.57 | 30.82 |
| March 2017..... | 23,500 | 23,104 | 22,970 | 20,412 | 34.67 | 31.48 |

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

(2) Series B shares began trading on the New York Stock Exchange on September 20, 1993.

As of April 20, 2017, there were 56,451,520 Series B ADSs outstanding. As of April 20, 2017, such ADSs represented approximately 21.45% 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 April 20, 2017, the Series B shares were also traded on the New York Stock Exchange in the form of ADSs at a ratio of 1:1. The ADSs representing Series B shares have traded on the NYSE since September 20, 1993. The depositary bank for these ADSs is the Bank of New York Mellon.

9.D Selling Shareholders

Not applicable.

9.E Dilution

Not applicable.

9.F Expenses Of The Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. Share Capital

Not applicable.

10.B. Memorandum and Articles of Association

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

Corporate purposes

Our main purposes, which appear in article 4 of our By-laws, are to: (a) perform all kinds of chemical or mining activities and businesses and, among others, those related to researching, prospecting, extracting, producing, working, processing, purchasing, disposing of, and marketing properties, as applicable, of all metallic and non-metallic and fossil mining substances and elements of any type or nature, to be obtained from them or from one or more concessions or mining deposits, and in their natural or converted state, or transformed into different raw materials or manufactured or partially manufactured products, and of all rights and properties thereon; (b) manufacture, produce, work, purchase, transfer ownership, import, export, distribute, transport, and market in any way, all kinds of fertilizers, components, raw materials, chemical, mining, agricultural, and industrial products, and their by-products; (c) generate, produce, distribute, purchase, transfer ownership, and market, in any way, all kinds of electrical, thermal, geothermic or other type of power, and hydric resources or water rights in general; (d) request, manifest, claim, constitute, explore, work, lease, transfer ownership, and purchase, in any way, all kinds of mining concessions; (e) purchase, transfer ownership, and administer, in any way, any kind of telecommunications, railroads, ships, ports, and any means of transport, and represent and manage shipping companies, common carriers by water, airlines, and carries in general; (f) manufacture, produce, market, maintain, repair, assemble, construct, disassemble, purchase and transfer ownership, and in any way, any kind of electromechanical structure, and substructure in general, components, parts, spares, or parts of equipment, and machines, and execute, develop, advice, and market, any kind of electromechanical or smelting activities; (g) purchase, transfer ownership, lease, and market any kind of agro industrial and farm forestry activities, in any way (h) purchase, transfer ownership, lease, and market, in any way, any kind of urban or rural real estate; (i) render any kind of health services and manage hospitals, private clinics, or similar facilities; (j) construct, maintain, purchase, transfer ownership, and manage, in any way, any kind of roads, tunnels, bridges, water supply systems, and other required infrastructure works, without any limitation, regardless of whether they may be public or private, among others, to participate in bids and enter into any kind of contracts, and to be the legal owner of the applicable concessions; and (k) purchase, transfer ownership, and market, in any way, any kind of intangible properties such as stocks, bonds, debentures, financial assets, commercial papers, shares or rights in corporations, and any kind of bearer securities or instruments, and to administer such investments, acting always within the Investment and Financing Policies approved by the applicable General Shareholders Meeting. We may comply with the foregoing by acting ourselves or through or with other different legal entities or natural persons, within the country or abroad, with properties of our own or owned by third parties, and additionally, in the ways and territories, and with the aforementioned properties and purposes, we may also construct and operate industrial or agricultural facilities or installations; constitute, administer, purchase, transfer ownership, dissolve, liquidate, transform, modify, or form part of partnerships, institutions, foundations, corporations, or associations of any kind or nature; perform all actions, enter into all contracts, and incur in all obligations convenient or necessary for the foregoing; perform any business or activity related to our properties, assets, or patrimony, or with that of our affiliates, associated companies, or related companies; and render financial, commercial, technical, legal, auditing, administrative, advisory, and other pertinent services.

Directors

As stated in article 9 of the Company's By-laws, the Company has eight 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 five 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 50% of the issued, outstanding and paid shares of SQM Series B. SQM Series B shares have a restricted right to vote as they can only elect one Director of the Company, regardless of their capital stock's share. Series B shares have the right to call for an Ordinary or Extraordinary Shareholders' Meeting when the shareholders of at least 5% of the Series B issued shares request so and for an Extraordinary Board of Directors Meeting without the Chairman's authorization when it is requested by the Director elected by the shareholders of the Series B shares. Series A shares have the option to exclude the Director elected by Series B shareholders from the voting process in which the Chairman of the Board is to be elected, if there is a tie in the first voting process. However, articles 31 and 31 bis of the Company's By-laws establish that in General Shareholders' Meetings each shareholder will have a right to one vote for each share he owns or represents and (a) that no shareholder will have the right to vote for himself or on behalf of other shareholders of the same Series A or Series B shares representing more than 37.5% of the total outstanding shares with right to vote of each Series and (b) that no shareholder will have the right to vote for himself or on behalf of other shareholders representing more than 32% of the total outstanding shares

with a right to vote. In calculating a single shareholder's ownership of Series A or B shares, the shareholder's stock and those pertaining to third parties related to them are to be added.

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

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

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

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

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

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

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

Shareholders' Meetings

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

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

Article 67 of Law No. 18,046 provides that decisions made at Extraordinary Shareholders' Meeting on the following matters require the approval of 2/3 of the outstanding shares with voting rights: (1) transformation or division of the Company and its merger with another company; (2) modification of the Company's term of duration, if any; (3) early dissolution of the Company; (4) change of the corporate domicile; (5) capital decrease; (6) approval of contributions and estimation of non-cash assets; (7) modification of powers reserved for Shareholders Meetings or limitations on powers of the Board of Directors; (8) reduction in the number of members of the Board of Directors; (9) disposal of 50% or more of the Company's assets; formulation or modification of any business plan exceeding the above percentage; disposal of 50% or more of an asset belonging to a subsidiary that represents at least 20% of the Company's assets and disposal of shares of the referred subsidiary such that the parent company would

lose its position as controller of the same; (10) method in which profits are distributed; (11) granting of real or personal guarantees as sureties for third-party obligations that exceed 50% of the Company assets, except for subsidiaries, in which case approval of the Board of Directors shall suffice; (12) acquisition of own shares as set forth in articles 27A and 27B of the said law; (13) other matters indicated in the By-laws; (14) amendment of the Company By-laws as a result of errors in the constitution process and amendments in the By-laws involving one or more of the matters stated in the preceding numbers; (15) forced sale of shares carried out by the controller who would acquire more than 95% of the Company's shares in a tender offer, and (16) approval or ratification of proceedings or contracts with related parties in accordance with the provisions of articles 44 and 147 of Law No. 18,046.

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

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

Foreign Shareholders

There exists no restriction on ownership or share concentration, or limiting the exercise of the related right to vote, by local or foreign shareholders other than those discussed under Item 10.B. Memorandum and Articles of Association.

Change in Control

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

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

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

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

Disclosure of Share Ownership

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

10.C. Material Contracts

The 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, with the exception of the Electrical Energy Supply agreement with Gener S.A. described in "Item 4.B. Business Overview—Raw Materials."

10.D. Exchange Controls

The Central Bank of Chile is responsible for, among other things, monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile permits the investor access to the Formal Exchange Market. Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 of 1974 or can be registered with the Central Bank of Chile under the Central Bank Act, Law No 18,840 of October 1989. The Central Bank Act is an organic constitutional law requiring a "special majority" vote of the Chilean Congress to be modified. Effective January 1, 2016, Decree Law No. 600 was repealed by Article 9 of the 2014 Tax Reform. Therefore, foreign investments made on or after January 1, 2016 cannot be registered with the Foreign Investment Committee. According to the Tax Reform, a new law, replacing Decree Law No. 600, must be enacted prior to December 31, 2015. Given that such new law was not enacted by December 31, 2015, the repeal of Decree Law No. 600 will be postponed until such new law has been enacted.

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

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

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

Investors receiving Withdrawn Shares in exchange for ADSs will have the right to redeposit such shares in exchange for ADSs, provided that the conditions to redeposit described hereunder are satisfied.

Chapter XXVI provided that access to the Formal Exchange Market in connection with dividend payments will be conditioned upon certification by the Company to the Central Bank of Chile that a dividend payment has been made and any applicable tax has been withheld. Chapter XXVI also provided that access to the Formal Exchange Market in connection with the sale of Withdrawn Shares or distributions thereon will be conditioned upon receipt by the Central Bank of Chile of certification by the Depository 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 Depository that such deposit has been effected and that the related ADSs have been issued and receipt by the Custodian of a declaration from the person making such deposit waiving the benefits of the Foreign Investment Contract with respect to the deposited Series B shares.

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

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

As of April 19, 2001, Chapter XXVI of Title I of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile was eliminated and new investments in ADSs by non-residents of Chile, are now governed by Chapter XIV of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile. This was made with the purpose of simplifying and facilitating the flow of capital to and from Chile. According to the new regulations, such investments must be carried out through Chile's Formal Exchange Market and only reported to the Central Bank of Chile. Foreign investments may still be registered with the Foreign Investment Committee under Decree Law 600 of 1974, as amended, and obtain the benefits of the contract executed under Decree Law 600. Effective January 1, 2016, Decree Law No. 600 was repealed by Article 9 of the 2014 Tax Reform. Therefore, foreign investments made on or after January 1, 2016 cannot be registered with the Foreign Investment Committee. According to the Tax Reform, a new law, replacing Decree Law No. 600, must be enacted prior to December 31, 2015. If such new law has not been enacted by December 31, 2015. Given that such new law was not enacted by December 31, 2015, the repeal of Decree Law No. 600 will be postponed until such new law has been enacted.

The Central Bank is also responsible for controlling incurrence of loan obligations to be paid from Chile and by a Chilean borrower to banks and certain other financial institutions outside Chile. Chapter XIV

establishes what type of loans, investments, capital increases and foreign currency transactions are subject to the current Chapter XIV framework. Foreign currency transactions related to foreign loans must be performed through the Formal Exchange Market, and such transactions and the subsequent modifications of original loans must be properly informed to the Central Bank. Transactions prior to April 19, 2001, will continue to be regulated by the previous legal framework, except in cases where an express request has been presented to the Central Bank resigning previous rights to be regulated by the provisions of Chapter XIV. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIV.

As of December 31, 2016, we had bonds issued in the international markets under Rule 144A/Regulation S of US\$250 million, US\$250 million and US\$300 million. Additionally, we had outstanding bilateral loans through wholly owned subsidiaries in the amount of US\$40 million, which were fully guaranteed by us. Also we had US\$60 million in bilateral loans through SQM S.A.

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

10.E. Taxation

Chilean Tax Considerations

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

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

Cash Dividends and Other Distributions

System in Effect Through 2016

The following taxation of cash dividends and property distributions applies through 2016.

Cash dividends paid by the Company with respect to the shares, including shares represented by ADSs held by a U.S. holder will be subject to a 35% Chilean withholding tax, which is withheld and paid by the Company, the “Withholding Tax.” If the Company has paid corporate income tax, the “First Category Tax,” on the income from which the dividend is paid, a credit for the full amount of 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 withholding tax rates of the three dividends distributed by the Company during 2016 are as follows:

| <u>Month</u> | <u>Withholding Tax Rate</u> |
|------------------------------|-----------------------------|
| May 2016 (<i>Eventual</i>) | 18.75000% |
| May 2016 (Final) | 20.37340% |
| December 2016 | 18.74328% |

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

New System in Effect Starting in 2017

On September 29, 2014, the Tax Reform was published, introducing significant changes to the Chilean taxation system and strengthening the powers of the SII to control and prevent tax avoidance. Subsequently, on February 8, 2016, Law No. 20,899 that simplifies the income tax system and modifies other legal tax provisions was published. As a result of these reforms, open stock corporations like SQM are subject to the partially integrated shareholder tax regime (*sistema parcialmente integrado*). The corporate tax rate applicable to us increased to 24% in 2016. It will increase to 25.5% in 2017 and increase to a maximum rate of 27% in 2018.

Under the partially integrated shareholder taxation regime, shareholders bear the tax on dividends upon payment, but they will only be permitted to credit against such shareholder taxes a portion of the Chilean corporate tax paid by us on our earnings, unless the shareholder is resident in a country with a tax treaty in force with Chile or signed with Chile prior to January 1, 2017, whether or not in force. In that case, 100% of the Chilean corporate tax paid by us may be credited against the final taxes at the shareholder level.

As a result, foreign shareholders, resident in a non-treaty jurisdiction will be subject to a higher effective tax rate than residents of treaty jurisdictions. There is a temporary rule in effect from January 1, 2017 through December 31, 2019 that treaty jurisdictions for this purpose will include jurisdictions with tax treaties signed with Chile prior to January 1, 2017, whether or not such treaties are in force. This is currently the status of the treaty signed between Chile and United States.

Capital Gains

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

The tax basis of the shares received in exchange for ADSs (repatriation) will be the acquisition value of the shares. The Series B shares exchanged for ADSs are valued at the highest price at which they trade on the Chilean Stock Exchange on the date of the exchange or on either of the two business days preceding the exchange. Consequently, the conversion of ADSs into the shares and the immediate sale of such shares at a price equal to or less than the highest price for Series B shares on the Chilean Stock Exchange on such dates will not generate a gain subject to Chilean taxation.

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

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

Starting January 1, 2017, capital gains obtained in the sales of shares owned by foreign holders are subject to First Category Tax and Withholding Tax, and the First Category Tax serves as a credit in Chile to reduce the Withholding Tax. 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 depositor’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.

Cash Dividends and Other Distributions

The following discussion is based on the current regime for taxation of cash dividends and distributions applicable in Chile until 2016. For 2017 and later, we are subject to the partially integrated shareholder tax regime, which is very similar to the regime in effect until December 31, 2016. See “Item 10.E. Taxation—Chilean Tax Considerations—Cash Dividends and Other Distributions—New System in Effect Starting in 2017” above.

The following discussion of cash dividends and other distributions is subject to the discussion below under “Passive Foreign Investment Company Considerations.” The gross amount of a distribution with respect to shares or ADSs generally will be treated as a taxable dividend to the extent of the Company’s current and accumulated earnings and profits, computed in accordance with U.S. federal income tax principles. A dividend distribution will be so included in gross income when received by (or otherwise made available to) (i) the U.S. Holder in the case of the shares or (ii) the depository 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 depository 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.

The U.S. Treasury Department has expressed concern that depositories 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.

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 2016. The Company's status in future years will depend on its assets and activities in those years. If the Company were a PFIC for 2016 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

We are subject to the information requirements of the Exchange Act, except that as a foreign issuer, we are not subject to the SEC proxy rules (other than general anti-fraud rules) or the short-swing profit disclosure rules of the Exchange Act. In accordance with these statutory requirements, we file or furnish reports and other information with the SEC. Reports and other information filed or furnished with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 100 F Street, N.E., Washington, D.C. 20549. In addition, the SEC maintains a website that contains electronically filed information, which can be accessed at <http://www.sec.gov>.

10.I. Subsidiary Information

See "Item 4.C. Organizational Structure."

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As explained elsewhere in this Annual Report, we transact our businesses in more than 110 countries, thereby rendering our market risk dependent upon the fluctuations of foreign currencies and local and international interest rates. These fluctuations may generate losses in the value of financial instruments taken in the normal course of business.

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

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

Interest Rate Risk. As of December 31, 2016, we had approximately 2% 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 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, 2016, our total financial debt is primarily long-term, with 12% 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, 2016, 2015 and 2014. Figures do not include our financial hedging positions for year-end:

| | 2016 | 2015 | 2014 |
|-------------------------|------------------|----------------|----------------|
| | Th US\$ | Th US\$ | Th US\$ |
| Chilean pesos | (240,563) | (78,824) | 15,787 |
| Brazilian real | 183 | 101 | (377) |
| Euro | 15,621 | 42,674 | 37,433 |
| Japanese yen | 1,892 | 1,456 | 1,497 |
| Mexican pesos | 1,166 | 2,283 | 1,111 |
| South African rand | 25,542 | 22,822 | 25,444 |
| Dirhams | 21,297 | 23,369 | 19,838 |
| Other currencies | 24,367 | 21,507 | 27,356 |
| Total, net | (150,495) | 35,388 | 128,089 |

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\$51.2 million (Ch\$34,263 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.

ITEM 12.D. AMERICAN DEPOSITARY RECEIPTS

Depository Fees and Charges

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

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

Depository Payments Fiscal Year 2016

The Depository has agreed to reimburse certain expenses related to the Company's ADS program and incurred by the Company in connection with the program. In 2016, the Depository reimbursed expenses related to investor relations for a total amount of US\$131,890.90.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Control and Procedures

SQM management, with the participation of the Company's current Chief Executive Officer and Chief Financial Officer and other members of the Company's executive management, evaluated the effectiveness of our disclosure controls and procedures, pursuant to Rule 13a-15(e) promulgated under the Exchange Act, as of the end of the period covered by this Annual Report. Based upon that evaluation, our current Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were 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 as of December 31, 2016.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. However, through the same design and evaluation period of the disclosure controls and procedures, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, recognized that there are inherent limitations to the effectiveness of any control system regardless of how well designed and operated. In such a way they can provide only reasonable assurance of achieving the desired control objectives, and no evaluation can provide absolute assurance that all control issues or instances of fraud, if any, within the Company have been detected.

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

SQM management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

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

Management assessed the effectiveness of its internal control over financial reporting as of December 31, 2016. The assessment was based on criteria established in the framework "Internal Controls — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, SQM management has concluded that as of December 31, 2016, the Company's internal control over financial reporting was effective.

(c) Attestation Report of the Registered Public Accounting Firm

For the report of PricewaterhouseCoopers Consultores Auditores SpA, independent registered public accounting firm, dated April 26, 2017, on the effectiveness of our internal control over financial reporting as of December 31, 2016, see page F-2 of our Audited Consolidated Financial Statements.

(d) Changes in Internal Control Over Financial Reporting

There has been no change in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 16. [Reserved]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

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

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

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

ITEM 16B. CODE OF ETHICS

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

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

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

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

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The table shows the amount of fees billed to SQM by our independent auditors, PwC for the 2016 and 2015 fiscal years, in relation to audit and tax services provided to us (in thousands of US\$) (excluding amounts related to the pre-approved non-audit services referred to below):

| | <u>2016</u> | <u>2015</u> |
|-------------------------|--------------|--------------|
| Audit fees | 1,488 | 1,929 |
| Tax fees | 176 | 10 |
| Total fees | <u>1,664</u> | <u>1,939</u> |

Audit and tax fees in the above table are the aggregate fees approved by the Directors' Committee for PwC in 2016 and 2015, in connection with the audit of our annual Consolidated Financial Statements, as well as the review of other statutory filings excluding the non-audit related fees described in the below paragraph.

In addition to the amount disclosed above, in 2016, non-audit related fees approved by the SQM Directors' Committee for PwC were US\$1.1 million. Non-audit related fees are related to services such as transfer pricing and others.

All of the fees disclosed in the table above were pre-approved by the Directors' Committee pre-approval policies and procedures.

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

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

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

ITEM 16H. MINE SAFETY AND DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See “Item 18. Financial Statements.”

ITEM 18. FINANCIAL STATEMENTS

For a list of all financial statements filed as part of this Form 20-F Annual Report, see “Item 19. Exhibits.”

ITEM 19. EXHIBITS

(a) Index to Financial Statements

| | |
|---|------|
| Reports of Independent Registered Public Accounting Firms | F-1 |
| Consolidated Financial Statements: | |
| Audited Consolidated Statements of Financial Position as of December 31, 2016 and 2015..... | F-3 |
| Audited Consolidated Statements of Income for each of the three years in the period ended December 31, 2016..... | F-5 |
| Audited Consolidated Statement of Comprehensive Income for the three years in the period ended December 31, 2016..... | F-7 |
| Audited Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2016..... | F-8 |
| Audited Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2016..... | F-10 |
| Notes to the Audited Consolidated Financial Statements | F-13 |
| Supplementary Schedules* | |

*All other schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

(b) Exhibits

| <u>Exhibit No.</u> | <u>Exhibit</u> |
|---------------------------|---|
| 1.1 | By-laws (Estatutos) of the Company** |
| 8.1 | Significant subsidiaries of the Company |
| 12.1 | Section 302 Chief Executive Officer Certification |
| 12.2 | Section 302 Chief Financial Officer Certification |
| 13.1 | Section 906 Chief Executive Officer Certification |
| 13.2 | Section 906 Chief Financial Officer Certification |
| 23.1 | Consent of Sergio Alarcón |
| 23.2 | Consent of Orlando Rojas |

- 23.3 Consent of Álvaro Henríquez
- 99.1 Certificate of qualified competency issued by Chilean Mining Commission
- 99.2 Certificate of qualified competency issued by Chilean Mining Commission
- 99.3 Certificate of qualified competency issued by Chilean Mining Commission
- 99.4 Corporate Governance Agreement

**Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2010 filed with the Securities and Exchange Commission on June 30, 2011.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

(CHEMICAL AND MINING COMPANY OF CHILE INC.)

/s/ Ricardo Ramos

**Ricardo Ramos R.
Chief Financial Officer and
Business Development Senior Vice President**

Date: April 26, 2017



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

Index to Consolidated Financial Statements

Contents

Report of Independent Registered Public Accounting Firm.....F-1

Consolidated Financial Statements

| | |
|---|------|
| Audited Consolidated Statements of Financial Position as of December 31, 2016 and 2015 | F-3 |
| Audited Consolidated Statements of Income for each of the three years in the period ended December 31, 2016..... | F-5 |
| Audited Consolidated Statement of Other Comprehensive Income for each of the three years in the period ended December 31, 2016 | F-7 |
| Audited Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2016 | F-8 |
| Audited Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2016 | F-10 |
| Notes to the Audited Consolidated Financial Statements | F-13 |

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Sociedad Química y Minera de Chile S.A.

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, other comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Sociedad Química y Minera de Chile S.A. and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 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, 2016, based on criteria established in Internal Control - Integrated Framework (2013) 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(b) of this Annual Report on Form 20F. 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.

Report of Independent Registered Public Accounting Firm
Sociedad Química y Minera de Chile S.A.

2

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 26, 2017



Consolidated Classified Statements of Financial Position

| Assets | Note | As of December 31, 2016 ThUS\$ | As of December 31, 2015 ThUS\$ |
|---|-----------|---|--------------------------------------|
| Current assets | | | |
| Cash and cash equivalents | 7.1 | 514,669 | 527,259 |
| Other current financial assets | 10.1 | 289,189 | 636,325 |
| Other current non-financial assets | 25 | 30,273 | 62,006 |
| Trade and other receivables, current | 10.2 | 368,761 | 302,225 |
| Trade receivables due from related parties, current | 9.5 | 82,259 | 99,907 |
| Current inventories | 8 | 993,072 | 1,003,846 |
| Current tax assets | 27.1 | 54,787 | 65,277 |
| Current assets other than assets classified as held-for-sale or disposal | | 2,333,010 | 2,696,845 |
| Non-current assets or asset groups for disposal classified as held-for-sale | | 2,056 | - |
| Total current assets | | 2,335,066 | 2,696,845 |
| Non-current assets | | | |
| Other non-current financial assets | 10.1 | 14,099 | 486 |
| Other non-current non-financial assets | 23 | 24,690 | 33,526 |
| Trade receivables, non-current | 10.2 | 1,840 | 1,050 |
| Investments classified using the equity method of accounting | 11.1-12.3 | 133,140 | 79,302 |
| Intangible assets other than goodwill | 13.1 | 109,439 | 110,428 |
| Goodwill | 13.1 | 37,972 | 38,388 |
| Property, plant and equipment | 14.1 | 1,532,710 | 1,683,576 |
| Tax assets, non-current | | 29,024 | - |
| Deferred tax assets | 27.4 | 664 | 161 |
| Total non-current assets | | 1,883,578 | 1,946,917 |
| Total assets | | 4,218,644 | 4,643,762 |

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



Consolidated Classified Statements of Financial Position, (continued)

| Liabilities and Equity | Note | As of December 31, 2016 ThUS\$ | As of December 31, 2015 ThUS\$ |
|--|-------------|---|---|
| Current liabilities | | | |
| Other current financial liabilities | 10.4 | 179,144 | 402,030 |
| Trade and other payables, current | 10.5 | 200,496 | 136,840 |
| Trade payables due to related parties, current | 9.6 | 7 | 435 |
| Other current provisions | 18.1 | 41,912 | 28,141 |
| Current tax liabilities | 27.2 | 75,872 | 52,070 |
| Provisions for employee benefits, current | 15.1 | 20,998 | 13,445 |
| Other current liabilities | 18.3 | 61,920 | 69,966 |
| Total current liabilities | | 580,349 | 702,927 |
| Non-current liabilities | | | |
| Other non-current financial liabilities | 10.4 | 1,093,438 | 1,290,203 |
| Other non-current provisions | 18.1 | 8,934 | 8,890 |
| Deferred tax liabilities | 27.4 | 206,119 | 219,391 |
| Provisions for employee benefits, non-current | 15.1 | 22,532 | 21,995 |
| Total non-current liabilities | | 1,331,023 | 1,540,479 |
| Total liabilities | | 1,911,372 | 2,243,406 |
| Equity | | | |
| | 17 | | |
| Share capital | | 477,386 | 477,386 |
| Retained earnings | | 1,781,576 | 1,882,196 |
| Other reserves | | (12,888) | (19,797) |
| Equity attributable to owners of the Parent | | 2,246,074 | 2,339,785 |
| Non-controlling interests | | 61,198 | 60,571 |
| Total equity | | 2,307,272 | 2,400,356 |
| Total liabilities and equity | | 4,218,644 | 4,643,762 |

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



Consolidated Statements of Income by Function

| | | January to December | | |
|--|---------|---------------------|----------------|----------------|
| | Note | 2016 ThUS\$ | 2015 ThUS\$ | 2014 ThUS\$ |
| Revenue | 20 | 1,939,322 | 1,728,332 | 2,014,214 |
| Cost of sales | 26.1 | (1,328,285) | (1,185,583) | (1,431,242) |
| Gross profit | | 611,037 | 542,749 | 582,972 |
| Other income | 26.2 | 14,781 | 15,343 | 24,055 |
| Administrative expenses | 26.3 | (88,436) | (86,830) | (96,532) |
| Other expenses by function | 26.4 | (89,731) | (106,415) | (64,295) |
| Other gains (losses) | 26.5 | 679 | 3,760 | 4,424 |
| Profit from operating activities | | 448,330 | 368,607 | 450,624 |
| Finance income | | 10,550 | 11,570 | 16,142 |
| Finance costs | 22-26.8 | (57,498) | (69,853) | (63,373) |
| Share of profit of associates and joint ventures accounted for using the equity method | 11-12 | 13,047 | 10,326 | 18,116 |
| Foreign currency translation differences | 23 | 460 | (12,364) | (16,545) |
| Profit before taxes | | 414,889 | 308,286 | 404,964 |
| Income tax expense, continuing operations | 27.4 | (132,965) | (83,766) | (160,686) |
| Profit for the year | | 281,924 | 224,520 | 244,278 |
| Profit attributable to | | | | |
| Owners of the Parent | | 278,290 | 220,356 | 236,889 |
| Non-controlling interests | | 3,634 | 4,164 | 7,389 |
| Profit for the year | | 281,924 | 224,520 | 244,278 |

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



Consolidated Statements of Income by Function, (continued)

| | Note | January to December 2016 US\$ | 2015 US\$ | 2014 US\$ |
|---|-------------|--|----------------------|----------------------|
| Earnings per share | | | | |
| Common shares | | | | |
| Basic earnings per share (US\$ per share) | 21 | 1.0573 | 0.84 | 0.90 |
| Diluted common shares | | | | |
| Diluted earnings per share (US\$ per share) | 21 | 1.0573 | 0.84 | 0.90 |

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



Consolidated Statements of Comprehensive Income

| Statement of comprehensive income | January to December | | 2014 ThUS\$ |
|---|---------------------|----------------|----------------|
| | 2016 ThUS\$ | 2015 ThUS\$ | |
| Profit (loss) for the year | 281,924 | 224,520 | 244,278 |
| Other comprehensive income | | | |
| Other comprehensive income that will not be reclassified to profit for the year, before taxes | | | |
| Other comprehensive income, before taxes, gains (losses) from remeasurements of defined benefit plans | (3,397) | (221) | (672) |
| Total other comprehensive income that will not be reclassified to profit for the year, before taxes | (3,397) | (221) | (672) |
| Other comprehensive income that will be reclassified to profit for the year, before taxes | | | |
| Foreign currency exchange gains I(losses) before taxes | (2,252) | (6,499) | (4,016) |
| Gains (losses) from cash flow hedges | 2,233 | 87 | 2,196 |
| Gains (losses) in financial assets measured at fair value through other comprehensive income | 4,813 | - | - |
| Total other comprehensive income to be reclassified to income for the year | 4,794 | (6,412) | (1,820) |
| Total Other items of other comprehensive income before taxes | 1,397 | (6,633) | (2,492) |
| Income taxes related to items of other comprehensive income that will not be reclassified to profit for the year | | | |
| Income taxes related to remeasurements of defined benefit plans in other comprehensive income | 921 | (309) | - |
| Accumulated income taxes related to items of other comprehensive income that will not be reclassified to profit for the year | 921 | (309) | - |
| Income taxes related to items of other comprehensive income that will be reclassified to profit for the year | | | |
| Income taxes related to cash flow hedges in other comprehensive income | (470) | 95 | (311) |
| Income tax relating to financial assets measured at fair value through changes in other comprehensive income | (1,300) | - | - |
| Accumulated income taxes related to items of other comprehensive income that will be reclassified to profit for the year | (1,770) | 95 | (311) |
| Total other comprehensive income | 548 | (6,847) | (2,803) |
| Total comprehensive income | 282,472 | 217,673 | 241,475 |
| Comprehensive income attributable to | | | |
| Owners of the Parent | 278,831 | 213,721 | 234,218 |
| Non-controlling interests | 3,641 | 3,952 | 7,257 |
| Total comprehensive income | 282,472 | 217,673 | 241,475 |

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



Consolidated Statements of Cash Flows

| Consolidated Statements of cash flows | Note | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|--|-------------|------------------------------|------------------------------|------------------------------|
| Cash flows from operating activities | | | | |
| Cash receipts from sales of goods and rendering of services | | 1,874,202 | 1,713,549 | 1,944,072 |
| Cash receipts from premiums and benefits, annuities and other benefits from insurance recoveries | | 5,071 | - | - |
| Cash payments to suppliers for the provision of goods and services | | (803,418) | (1,082,704) | (1,179,413) |
| Cash payments to and on behalf of employees | | (253,163) | (44,916) | (42,218) |
| Other payments related to operating activities | | (32,185) | (70,991) | (9,770) |
| Dividends received | | 4,345 | 7,515 | 11,817 |
| Interest paid | | (55,217) | (44,225) | (83,592) |
| Interest received | | 10,550 | 11,570 | 16,142 |
| Income taxes paid | | (113,991) | (72,579) | (76,810) |
| Other incomes (outflows) of cash | | (2,532) | 10,098 | 10,816 |
| Net cash generated from (used in) operating activities | | 633,662 | 427,317 | 591,044 |
| Cash flows from (used in) investing activities | | | | |
| Cash flows from the loss of control of subsidiaries or other businesses | | - | - | 5,000 |
| Payments made to acquire interest in joint ventures | | (45,000) | (59) | - |
| Income from capital increase in subsidiaries | | - | - | 4,223 |
| Proceeds from the sale of property, plant and equipment | | 4,347 | 388 | 156 |
| Acquisition of property, plant and equipment | | (131,251) | (111,315) | (112,143) |
| Proceeds from sales of intangible assets | | 3,435 | 4,586 | 15,431 |
| Purchases of intangible assets | | (2,090) | - | - |
| Cash advances and loans granted to third parties | | (163) | - | (2,470) |
| Proceeds from the repayment of advances and loans granted to third parties | | - | 420 | - |
| Other inflows (outflows) of cash (*) | | 333,108 | 36,175 | (221,561) |
| Net cash generated from (used in) investing activities | | 162,386 | (69,805) | (311,364) |

(*) Includes other cash receipts (payments), investments and redemptions of time deposits and other financial instruments, which do not qualify as cash and cash equivalents in accordance with IAS 7.7 as they record a maturity date from their date of origin greater than 90 days.

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



Consolidated Statements of Cash Flows, (continued)

| | Note | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|---|------|----------------------|----------------------|----------------------|
| Cash flows used in financing activities | | | | |
| Proceeds from long-term borrowings | | - | - | 250.000 |
| Proceeds from short-term borrowings | | 100,000 | 137,000 | 180.000 |
| Repayment of borrowings | | (517,000) | (190,000) | (438,991) |
| Dividends paid | | (399,410) | (127,343) | (379.044) |
| Net cash generated used in financing activities | | (816,410) | (180,343) | (388.035) |
| Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate | | (20,362) | 177,169 | (108.355) |
| Effects of exchange rate fluctuations on cash held | | 7,772 | (4,476) | (13.701) |
| Net (decrease) increase in cash and cash equivalents | | (12,590) | 172,693 | (122.056) |
| Cash and cash equivalents at beginning of period | | 527,259 | 354,566 | 476.622 |
| Cash and cash equivalents at end of period | | 514,669 | 527,259 | 354.566 |

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



Consolidated Statements of Changes in Equity

| 2016 | Share capital | Foreign currency translation difference reserves | Cash flow hedge reserves | Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income | Actuarial gains (losses) from defined benefit plans | Other miscellaneous reserves | Other reserves | Retained earnings | Equity attributable to owners of the Parent | Non-controlling interests | Total |
|--|----------------|--|--------------------------|--|---|------------------------------|-----------------|-------------------|---|---------------------------|------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Equity at beginning of the year | 477,386 | (14,035) | (1,699) | | (2,386) | (1,677) | (19,797) | 1,882,196 | 2,339,785 | 60,571 | 2,400,356 |
| Profit for the year | - | - | - | | - | - | - | 278,290 | 278,290 | 3,634 | 281,924 |
| Other comprehensive income | - | (2,287) | 1,763 | 3,513 | (2,448) | - | 541 | - | 541 | 7 | 548 |
| Comprehensive income | - | (2,287) | 1,763 | 3,513 | (2,448) | - | 541 | 278,290 | 278,831 | 3,641 | 282,472 |
| Dividends | - | - | - | - | - | - | - | (375,000) | (375,000) | (3,014) | (378,014) |
| Increase (decrease) due to transfers and other changes | | (3,141) | - | - | - | 9,509 | 6,368 | (3,910) | 2,458 | - | 2,458 |
| Increase (decrease) in equity | - | (5,428) | 1,763 | 3,513 | (2,448) | 9,509 | 6,909 | (100,620) | (93,711) | 627 | (93,084) |
| Equity as of December 31, 2016 | 477,386 | (19,463) | 64 | 3,513 | (4,834) | 7,832 | (12,888) | 1,781,576 | 2,246,074 | 61,198 | 2,307,272 |

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



Consolidated Statements of Changes in Equity

| 2015 | 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 | (7,701) | (1,881) | (1,903) | (1,677) | (13,162) | 1,768,424 | 2,232,648 | 59,867 | 2,292,515 |
| Profit for the year | - | - | - | - | - | - | 220,356 | 220,356 | 4,164 | 224,520 |
| Other comprehensive income | - | (6,334) | 182 | (483) | - | (6,635) | - | (6,635) | (212) | (6,847) |
| Comprehensive income | - | (6,334) | 182 | (483) | - | (6,635) | 220,356 | 213,721 | 3,952 | 217,673 |
| Dividends | - | - | - | - | - | - | (106,584) | (106,584) | (3,248) | (109,832) |
| Increase (decrease) in equity | - | (6,334) | 182 | (483) | - | (6,635) | 113,772 | 107,137 | 704 | 107,841 |
| Equity as of December 31, 2015 | 477,386 | (14,035) | (1,699) | (2,386) | (1,677) | (19,797) | 1,882,196 | 2,339,785 | 60,571 | 2,400,356 |

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



Consolidated Statements of Changes in Equity

| 2014 | 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 | (3,817) | (3,766) | (1,231) | (1,677) | (10,491) | 1,909,725 | 2,376,620 | 55,621 | 2,432,241 |
| Profit for the year | - | - | - | - | - | - | 236,889 | 236,889 | 7,389 | 244,278 |
| Other comprehensive income | - | (3,884) | 1,885 | (672) | - | (2,671) | - | (2,671) | (132) | (2,803) |
| Comprehensive income | - | (3,884) | 1,885 | (672) | - | (2,671) | 236,889 | 234,218 | 7,257 | 241,475 |
| Dividends | - | - | - | - | - | - | (378,190) | (378,190) | (5,280) | (383,470) |
| Increase (decrease) due to changes in interests in subsidiaries | - | - | - | - | - | - | - | - | 2,269 | 2,269 |
| Increase (decrease) in equity | - | (3,884) | 1,885 | (672) | - | (2,671) | (141,301) | (143,972) | 4,246 | (139,726) |
| Equity as of December 31, 2014 | 477,386 | (7,701) | (1,881) | (1,903) | (1,677) | (13,162) | 1,768,424 | 2,232,648 | 59,867 | 2,292,515 |

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

Note 1 Identification and activities of the Company and Subsidiaries

1.1 Historical background

Sociedad Química y Minera de Chile S.A. "SQM" is an open stock corporation organized under the laws of the Republic of Chile, Tax Identification No.93.007.000-9.

The Company was incorporated through a public deed dated June 17, 1968 by the notary public of Santiago MR. Sergio Rodríguez Garcés. Its existence was approved by Decree No. 1,164 of June 22, 1968 of the Ministry of Finance, and it was registered on June 29, 1968 in the Registry of Commerce of Santiago, on page 4,537 No. 1,992. SQM's headquarters are located at El Trovador 4285, Fl. 6, Las Condes, Santiago, Chile. The Company's telephone number is +56 2 24252000.

The Company is registered with the Securities Registry of the Chilean Superintendence of Securities and Insurance (SVS) under No. 0184 dated March 18, 1983 and is subject to the inspection of the SVS.

1.2 Main domicile where the Company performs its production activities

The Company's main domiciles are: Calle Dos Sur plot No. 5 - Antofagasta; Arturo Prat 1060 - Tocopilla; Administración Building w/n - Maria Elena; Administración Building w/n Pedro de Valdivia - María Elena, Anibal Pinto 3228 - Antofagasta, Kilometer 1378 Ruta 5 Norte Highway - Antofagasta, Coya Sur Plant w/n - Maria Elena, kilometer 1760 Ruta 5 Norte Highway - Pozo Almonte, Salar de Atacama (Atacama Saltpeter deposit) potassium chloride plant s/n - San Pedro de Atacama, potassium sulfate plant at Salar de Atacama s/n - San Pedro de Atacama, Minsal Mining Camp s/n CL Plant CL, Potassium - San Pedro de Atacama, formerly the Iris Saltpeter office S/N, Commune of Pozo Almonte, Iquique.

1.3 Codes of main activities

The codes of the main activities as established by the Chilean Superintendence of Securities and Insurance are as follows:

- 1700 (Mining)
- 2200 (Chemical products)
- 1300 (Investment)

1.4 Description of the nature of operations and main activities

Our products are mainly derived from mineral deposits found in northern Chile. We mine and process caliche ore and brine deposits. The ore deposit in northern Chile contains nitrate and iodine deposits. The brine deposits of the Salar de Atacama, in northern Chile, contain high concentrations of lithium and potassium as well as significant concentrations of sulfate.



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

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

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

We sell our products in over 100 countries worldwide through our global distribution network and generate our revenue mainly from abroad.

Our products are divided into six categories: specialty plant nutrition, iodine and its derivatives, lithium and its derivatives, industrial chemicals, potassium and other products and services, described as follows:

Specialty plant nutrition: SQM produces and sells four types of specialty plant nutrition in this line of business: potassium nitrate, sodium nitrate, sodium potassium nitrate, and specialty blends. This business is characterized by being closely related to its customers, having specialized staff who provide expert advisory in best practices for fertilization, according to each type of crop, soil and climate. Within this type of business, potassium derivative products and specialty potassium nitrate have a leading role given the contribution they make to develop crops, insuring an improvement in post-crop life in addition to improving quality, flavor and fruit color. The potassium nitrate, which is sold in multiple formats and as a part of other specialty blends, is complemented by sodium nitrate, potassium sodium nitrate, and more than 200 other fertilizer blends.

Iodine: The Company is a major producer of iodine at worldwide level. Iodine is widely used in the pharmaceutical industry, technology and nutrition. Additionally, iodine is used as X ray contrast media and polarizing film for LCD displays.

Lithium: The Company's lithium is mainly used for manufacturing rechargeable batteries for cell phones, cameras and notebooks. Through the manufacturing of lithium-based products, SQM provides significant materials to face great challenges such as the efficient use of energy and raw materials. Lithium is mainly used for rechargeable batteries for small electrical appliances such as mobile phones, tablets and laptops. It is also used in industrial applications such as the manufacturing of glass, ceramics and lubricating greases. Other uses include the pharmaceutical and chemical industries.



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

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

Industrial Chemicals: Industrial chemicals are products used as supplies for a number of production processes. SQM participates in this line of business producing sodium nitrate, potassium nitrate and potassium chloride. Industrial nitrates have increased their importance over the last few years due to their use as storage means for thermal energy at solar energy plants, which are widely used by such countries as Spain and the United States in their search for decreasing CO₂ emissions.

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

Other products and services: This business line includes revenue from commodities, services, interests, royalties and dividends.

1.5 Other background

Staff

As of December 31, 2016 and December 31, 2015, personnel was detailed as follows:

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



Note 1 Identification and Activities of the Company and subsidiaries (continued)

1.5 Other background, continued

Main shareholders

Information about shareholders that own more than 5% of SQM's outstanding Series A or Series B shares as of December 31, 2016 and December 31, 2015, according to information provided by the Central Securities Depository (Depósito Central de Valores or "DCV"), is set forth in the table below:

| Shareholder as of December 31, 2016 | No. of Series A with ownership | % of Series A shares | No. of Series B with ownership | % of Series B shares | % of total shares |
|--|--------------------------------|----------------------|--------------------------------|----------------------|-------------------|
| The Bank of New York Mellon, ADRs | - | - | 59,373,011 | 49.32% | 22.56% |
| Sociedad de Inversiones Pampa Calichera S.A. (*) | 44,894,152 | 31.43% | 7,007,688 | 5.82% | 19.72% |
| Inversiones El Bordo Limitada | 29,330,326 | 20.54% | 16,363,546 | 13.59% | 17.36% |
| Inversiones RAC Chile Limitada | 19,200,242 | 13.44% | 2,202,773 | 1.83% | 8.13% |
| Potasios de Chile S.A. (*) | 18,179,147 | 12.73% | - | - | 6.91% |
| Inversiones PCS Chile Limitada | 15,526,000 | 10.87% | 1,600,000 | 1.33 | 6.51% |
| Banco de Chile on behalf of non-resident third parties | - | - | 8,962,355 | 7.45% | 3.41% |
| Inversiones Global Mining (Chile) Limitada (*) | 8,798,539 | 6.16% | - | - | 3.34% |
| Banco Itaú on behalf of investors | 20,950 | 0.01% | 6,502,217 | 5.40% | 2.48% |
| Inversiones La Esperanza Limitada | 3,711,598 | 2.60% | 46,500 | 0.04% | 1.43% |

(*) Total Pampa Group 29.97%

| Shareholder as of December 31, 2015 | No. of Series A with ownership | % of Series A shares | No. of Series B with ownership | % of Series B shares | % of total shares |
|--|--------------------------------|----------------------|--------------------------------|----------------------|-------------------|
| The Bank of New York Mellon, ADRs | - | - | 59,079,533 | 49.08% | 22.45% |
| Sociedad de Inversiones Pampa Calichera S.A. (*) | 44,880,793 | 31.43% | 7,007,688 | 5.82% | 19.72% |
| Inversiones El Bordo Limitada | 29,330,326 | 20.54% | 17,963,546 | 14.92% | 17.97% |
| Inversiones RAC Chile Limitada | 19,200,242 | 13.44% | 2,202,773 | 1.83% | 8.13% |
| Potasios de Chile S.A. (*) | 18,179,147 | 12.73% | - | - | 6.91% |
| Inversiones PCS Chile Limitada | 15,526,000 | 10.87% | - | - | 5.90% |
| Banco de Chile on behalf of non-resident third parties | - | - | 9,055,272 | 7.52% | 3.44% |
| Inversiones Global Mining (Chile) Limitada (*) | 8,798,539 | 6.16% | - | - | 3.34% |
| Banco Itaú on behalf of investors | 20,950 | 0.01% | 5,679,753 | 4.72% | 2.17% |
| Inversiones La Esperanza Limitada | 3,711,598 | 2.60% | 46,500 | 0.04 | 1.43% |

(*) Total Pampa Group 29.97%

On December 31, 2016 the total number of shareholders was 1,187.

Note 2 Basis of presentation for the consolidated financial statements

2.1 Accounting period

These consolidated financial statements cover the following periods:

- Consolidated Statements of Financial Position as of December 31, 2016 and 2015.
- Consolidated Statements of Changes in Equity for the three years ended December 31, 2016.
- Consolidated Statements of Comprehensive Income for the three years ended December 31, 2016.
- Statements of Cash Flows for the three years ended December 31, 2016.

2.2 Financial statements

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

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

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

The accounting policies used in the preparation of these consolidated annual accounts comply with each IFRS in force at their date of presentation.



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

2.2 Financial statements, continued

There is a difference in net income for the period ended December 31, 2015 in these financial statements and the Company’s statutory consolidated financial statements filed with the SVS. In March 2015, the Company made payments to the Chilean Internal Revenue Service (*Servicio de Impuestos Internos* or “SII”) for expenses that may not have qualified as tax expenses under the Chilean tax code. See Note 30. Provisions of approximately US\$7 million corresponding to such payments were included in net income for the period ended December 31, 2014 in these financial statements. However, since such payments were made after March 3, 2015, the date on which the Company filed its statutory consolidated financial statements for the period ended December 31, 2015, with the SVS, such provisions were included in net income for the period ended December 31, 2015 for purposes of the Company’s statutory consolidated financial statements.

As of December 31, 2016, there are no differences in the financial statements reported to the SVS.

A reconciliation of such differences is presented as follows.

As of December 31, 2015

| Equity | Consolidated Financial Statements for SVS ThUS\$ | Consolidated Financial Statements for SEC ThUS\$ | Diferencia ThUS\$ |
|--------------------------------------|--|--|----------------------|
| Parent’s ownership | 2,339,785 | 2,339,785 | - |
| Share capital | 477,386 | 477,386 | - |
| Other reserves | (19,797) | (19,797) | - |
| Retained earnings | 1,882,196 | 1,882,196 | - |
| Retained earning for the last period | 1,669,028 | 1,661,840 | 7,188 |
| Net Income (loss) for the period | 213,168 | 220,356 | (7,188) |
| Total Retained earnings | 1,882,196 | 1,882,196 | - |
| Non-controlling | 60,571 | 60,571 | - |
| Retained earnings | | | |
| Retained earning for the last period | 59,867 | 59,867 | - |
| Net Income (loss) for the period | 4,164 | 4,164 | - |
| Other comprehensive income | (212) | (212) | - |
| Dividends | (3,248) | (3,248) | - |
| Total Retained earnings | 60,571 | 60,571 | - |
| Total Equity | 2,400,356 | 2,400,356 | - |



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

2.2 Financial statements, continued

Dividends paid and the mandatory minimum dividend provision were determined in accordance with the standards set by the SVS.

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

2.3 Basis of measurement

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

- Inventories are recorded at the lower of cost and net realizable value.
- Financial derivatives at fair value; and
- Staff severance indemnities and pension commitments at actuarial value
- Certain financial investments classified as available for sale measured at fair value with a counterparty in other comprehensive income.
- Other current and non-current asset and financial liabilities at amortized cost.

2.4 Accounting pronouncements

New accounting pronouncements

a) The following standards, interpretations and amendments are mandatory for the first time for annual periods beginning on January 1, 2016:

| <i>Amendments and improvements</i> | Mandatory for annual periods beginning on |
|--|---|
| Amendment to <i>IFRS 11 "Joint Arrangements"</i> – on the acquisition of interest in a joint operation – Issued in May 2014. This amendment includes guidance related to the method for accounting for an acquisition of an interest in a joint operation in which the activity constitutes a business, specifying the proper treatment for such acquisitions. | 01/01/2016 |
| Amendment to <i>IAS 16 "Property, Plant and Equipment"</i> and <i>IAS 38 "Intangible Assets"</i> on depreciation and amortization – Issued in May 2014. The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate because revenue generated by such an activity in general reflects other factors other than the use of the economic benefits embedded in the asset or item of property, plant and equipment. Accordingly, a rebuttable presumption exists that a revenue-based depreciation or amortization method is inappropriate. | 01/01/2016 |
| Amendment to <i>IAS 27 "Separate Financial Statements"</i> on the equity method – Issued in August 2014. This amendment allows entities to use the equity method of accounting for the recognition of investments in subsidiaries, joint ventures and associates in their separate financial statements. | 01/01/2016 |
| Amendment to <i>IFRS 10 "Consolidated Financial Statements"</i> and <i>IAS 28 "Investments in Associates and Joint Ventures"</i> . Issued in September 2014. This amendment addresses an inconsistency between the requirements of IFRS 10 and IAS 28 for the treatment of a sale or contribution of assets between an investor and its associate or joint venture. The main consequence of this amendment is the recognition of a full gain or loss when the transaction involves a business (whether or not in a subsidiary) and a partial gain or loss when the transaction involves assets that are not a business, even if such assets are in a subsidiary. | 01/01/2016 |

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

2.4 Accounting Pronouncements, continued

Amendments and improvements

Mandatory for annual periods beginning on

Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures.” Issued in December 2014. The amendment clarifies the application of the exception from consolidation for investment entities and their subsidiaries. The amendment to IFRS 10 clarifies on the exception on consolidation available for entities in group structures that include investment entities. The amendment to IAS 28 allows an entity that is not an investment entity, but has an interest in an associated or joint venture that is an investment entity, an option of accounting policy in the application of the equity method. The entity may opt for maintaining measurement at fair value applied by the associate or joint venture that is an investment entity or, consolidating at investment entity level (associate or joint venture).

01/01/2016

Amendment to IAS 1 “Presentation of Financial Statements.” Issued in December 2014. This amendment clarifies the application guidance of IAS 1 on materiality and aggregation, presentation of subtotals, structure of the financial statements and disclosure of accounting policies. The amendments are part of the IASB’s Initiative on Disclosures.

01/01/2016

Improvements to International Financial Reporting Standards (2014) issued in September 2014

Mandatory for annual periods beginning on

IFRS 5, “Non-current Assets Held for Sale and Discounted Operations.” This amendment clarifies that when an asset (or disposal group) is reclassified from being “held for sale” to “held for distribution” or vice versa, this is not an amendment of a plan of sale or a plan of distribution and should not be accounted for as such. This means that the asset (or disposal group) is not to be reinstated in the financial statements as if it had never been classified as “held for sale” or “held for distribution,” simply because disposal conditions have changed. The amendment also rectifies an omission in the standard explaining that guidance on changes in a sale plan has to be applied to an asset (or disposal group) that is no longer held for distribution, but is not reclassified as “held for sale.”

01/01/2016

IFRS 7 “Financial Instruments: Disclosures” It establishes two amendments to IFRS 7: (1) Service contracts: if a Company transfers a financial asset to a third party under conditions that allow the assigner to dispose of the asset, IFRS 7 requires the disclosure of any type of continued involvement that the entity may still have on transferred assets. IFRS 7 provides guidance on what is understood as continued involvement within this context. The amendment is prospective with the option of applying it retrospectively. This also affects IFRS 1 to provide the same option to the first-time adopters of IFRS 1; (2) Interim Financial Statements: The amendment clarifies that the additional disclosure required by amendments to IFRS 7 “Offsetting Financial Assets and Financial Liabilities” is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

01/01/2016

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

2.4 Accounting Pronouncements, continued

| <i>Improvements to International Financial Reporting Standards (2014) issued in September 2014</i> | Mandatory for annual periods beginning on |
|--|---|
| <i>IAS 19, "Employee Benefits"</i> – This amendment clarifies that in order to determine the discount rate for post-employment benefit obligations, the important aspect is the currency in which liabilities are denominated, not the country where they generate. The evaluation of whether a deep market exists for high-quality corporate bonds is based on corporate bonds in such currency, not in corporate bonds of a particular country. Likewise, where there is no deep market for high-quality corporate bonuses in such currency, government bonds in the related currency have to be used. Such amendment is retrospective but limited at the beginning of the first period presented. | 01/01/2016 |
| <i>IAS 34, "Interim Financial Reporting"</i> – This amendment clarifies the meaning of disclosure of information ‘elsewhere in the interim financial report’ and amends IAS 34 to require the inclusion of a cross-reference from the interim financial statements to the location of the information. This amendment is retrospective. | 01/01/2016 |

The adoption of the standards, amendments and interpretations indicated above has no significant impact on the Company’s consolidated financial statements.

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

| <i>Standards and Interpretations</i> | Mandatory for annual periods beginning on |
|--|---|
| <i>IFRS 9 "Financial Instruments"</i> – Issued in July 2014. The IASB has issued the full version of IFRS 9, which supersedes the application guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and financial liabilities and an expected credit losses model that replaces the incurred loss impairment model used today. The final hedging accounting part of IFRS 9 was issued in November 2013. Early adoption is permitted. | 01/01/2018 |
| <i>IFRS 15 "Revenue from Contracts with Customers"</i> – Issued in May 2014. This standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. For such purposes, the basic principle is that an entity will recognize revenue representing the transfer of goods or services to customers in an amount that reflects the consideration that the entity expects to receive in exchange for such goods or services. The application of this standard will replace IAS 11 Construction Contracts and IAS 18 Revenue, as well as IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. Early application is permitted. | 01/01/2018 |

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

2.4 Accounting Pronouncements, continued

| <i>Improvements to International Financial Reporting Standards (2014) issued in September 2014</i> | Mandatory for annual periods beginning on |
|---|---|
| IFRS 16 “Leases” – issued in January 2016 establishes the principle for the recognition, measurement, presentation and disclosure of leases. IFRS 16 supersedes the current IAS 17 and introduces a single model for accounting recognition for lessees and requires a lessee to recognize the assets and liabilities of all lease contracts over a term of more than 12 months, unless the underlying asset has a low value. The objective is ensuring that lessees and lessors provide relevant information that fairly represents transactions conducted. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, early adoption is permitted for entities applying IFRS 15 or prior to the date of initial application of IFRS 16. | 01/01/2019 |
| <i>IFRIC 22 “Foreign Currency Transactions and Advance Consideration.” Issued in December 2016. This Interpretation is applied to a foreign currency transaction (o a portion thereof) when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income (or related part thereof). The interpretation provides guidance for when an entity mas a single payment/receipt, as well as for situations where multiple payments/receipts are made. It is intended to reduce the diversity in the practice.</i> | 01/01/2018 |
| <i>Amendments and improvements</i> | Mandatory for annual periods beginning on |
| Amendment to IAS 7 “Statement of Cash Flows.” – Issued in February 2016. This amendment introduces additional disclosures allowing users of financial statements to assess changes in obligations from financing activities. | 01/01/2017 |
| Amendment to IAS 12 “Income Taxes.” - Issued in February 2016. This amendment clarifies how to account for deferred tax assets related to debt securities measured at fair value. | 01/01/2017 |
| Amendment to IFRS 15 “Revenue from Contracts with Customers” issued in April 2016. This amendment provides clarification for the guidance for the identification of performance obligations in contracts with customers, the accounting for intellectual property license and the assessment of principal versus agent (gross presentation vs. net presentation of revenue). It includes new and amended illustrative examples, as well as practical examples related to the transition to the new revenue standard. | 01/01/2018 |
| Amendment to IFRS 12 “Disclosure of Interest in Other Entities.” Issued in December 2016. This amendment clarifies the scope of this standard. These amendments must be applied retrospectively to annual periods beginning on or after January 1, 2017. | 01/01/2017 |
| Amendment to IAS 28 “Investments in Associates and Joint Ventures” related to the measurement of the associate or joint venture at fair value. Issued in December 2016. | 01/01/2018 |

As of December 31, 2016, the company is in the process of evaluating the impact of adopting the IFRS 9, IFRS 15 and IFRS 16. These standards will not be early adopted. For the rest of the standards mentioned in the table above, the Company does not expect a material impact on the consolidated financial statements upon initial application.



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

2.5 Basis of consolidation

(a) Subsidiaries

Relate to all the entities on which Sociedad Química y Minera de Chile S.A. has control when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those variable returns through its power over the entity. Subsidiaries apply the same accounting policies of their Parent.

To account for the acquisition, the Company uses the acquisition method. Under this method the acquisition cost is the fair value of assets delivered, equity securities issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingencies assumed in a business combination are measured initially at fair value at the acquisition date. For each business combination, the Company will measure non-controlling interest of the acquiree either at fair value or as proportional share of net identifiable assets of the acquiree.

Companies included in consolidation:

| TAX ID No. | Foreign subsidiaries | Country of origin | Functional currency | Ownership interest | | | |
|------------|--|-------------------|---------------------|--------------------|----------|------------|------------|
| | | | | Direct | Indirect | 12/31/2016 | 12/31/2015 |
| Foreign | Nitratos Naturais Do Chile Ltda. | Brazil | US\$ | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Nitrate Corporation Of Chile Ltd. | United Kingdom | US\$ | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | SQM North America Corp. | USA | US\$ | 40.0000 | 60.0000 | 100.0000 | 100.0000 |
| Foreign | SQM Europe N.V. | Belgium | US\$ | 0.5800 | 99.4200 | 100.0000 | 100.0000 |
| Foreign | Soquimich S.R.L. Argentina | Argentina | US\$ | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Soquimich European Holding B.V. | Netherlands | US\$ | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | SQM Corporation N.V. | Netherlands | US\$ | 0.0002 | 99.9998 | 100.0000 | 100.0000 |
| Foreign | SQI Corporation N.V. | Netherlands | US\$ | 0.0159 | 99.9841 | 100.0000 | 100.0000 |
| Foreign | SQM Comercial De México S.A. de C.V. | Mexico | US\$ | 0.0100 | 99.9900 | 100.0000 | 100.0000 |
| Foreign | North American Trading Company | USA | US\$ | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Administración y Servicios Santiago S.A. de C.V. | Mexico | US\$ | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | SQM Peru S.A. | Peru | US\$ | 0.9800 | 99.0200 | 100.0000 | 100.0000 |
| Foreign | SQM Ecuador S.A. | Ecuador | US\$ | 0.0040 | 99.9960 | 100.0000 | 100.0000 |
| Foreign | SQM Nitratos Mexico S.A. de C.V. | Mexico | US\$ | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | SQMC Holding Corporation L.L.P. | USA. | US\$ | 0.1000 | 99.9000 | 100.0000 | 100.0000 |
| Foreign | SQM Investment Corporation N.V. | Netherlands | US\$ | 1.0000 | 99.0000 | 100.0000 | 100.0000 |
| Foreign | SQM Brasil Limitada | Brazil | US\$ | 1.0900 | 98.9100 | 100.0000 | 100.0000 |
| Foreign | SQM France S.A. | France | US\$ | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | SQM Japan Co. Ltd. | Japan | US\$ | 0.5376 | 99.4624 | 100.0000 | 100.0000 |
| Foreign | Royal Seed Trading Corporation A.V.V. | Aruba | US\$ | 1.6700 | 98.3300 | 100.0000 | 100.0000 |
| Foreign | SQM Oceania Pty Limited | Australia | US\$ | 0.0000 | 100.0000 | 100.0000 | 100.0000 |



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

2.5 Basis of consolidation, continued

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

| TAX ID No. | Domestic subsidiaries | Country of origin | Functional currency | Ownership interest | | | |
|--------------|---|-------------------|---------------------|--------------------|----------|------------|------------|
| | | | | | | 12/31/2016 | 12/31/2015 |
| | | | | 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 | Chile | US\$ | 51.0000 | - | 51.0000 | 51.0000 |
| 76.360.575-2 | Orcoma SPA | Chile | US\$ | 100.0000 | - | 100.0000 | 100.0000 |

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

Subsidiaries are consolidated using the line-by-line method, adding the items that represent assets, liabilities, revenues, and expenses of similar content, and eliminating those related to intragroup transactions.



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

2.5 Basis of consolidation, continued

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

Non-controlling interest represents the equity of a subsidiary not directly or indirectly attributable to the Parent.

Note 3 Significant accounting policies

3.1 Classification of balances as current and non-current

In the attached consolidated statement of financial position, balances are classified in consideration of their remaining recovery (maturity) dates; i.e., those maturing on a date equal to or lower than twelve months are classified as current and those with maturity dates exceeding the aforementioned period are classified as non-current.

The exception to the foregoing relates to deferred taxes, which are classified as non-current, regardless of the maturity they have.

3.2 Functional and presentation currency

The Company's consolidated financial statements are presented in United States dollars ("U.S. dollars" or "US\$"), which is the Company's functional and presentation currency and is the currency of the main economic environment in which it operates.

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

The consolidated financial statements are presented in thousands of United States dollars without decimals.

3.3 Foreign currency translation

(a) Group entities:

The revenue, expenses, assets and liabilities of all entities that have a functional currency other than the presentation currency are converted to the presentation currency as follows:

- Assets and liabilities are converted at the closing exchange rate prevailing on the reporting date.
- Revenues and expenses of each profit or loss account are converted at monthly average exchange rates.
- All resulting foreign currency translation gains and losses are recognized as a separate component in translation reserves.

In consolidation, foreign currency differences arising from the translation of a net investment in foreign entities are recorded in equity (other reserves). At the date of disposal, such foreign currency translation differences are recognized in the statement of income as part of the gain or loss from the sale.

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

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

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

(b) Transactions and balances

Non-monetary transactions in currencies other than the functional currency (U.S. dollar) foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. All differences are recorded in the statement of income except for all monetary item that provide effective hedge for a net investment in a foreign operation. These items are recognized in other comprehensive income on the disposal of the investment; at the time they are recognized in the statement of income. Charges and credits attributable to foreign currency translation differences on those hedge monetary item are also recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are retranslated to the functional currency at the historical exchange rate of the transaction. Non-monetary items that are measured based on fair value in a foreign currency are translated using the exchange rate at the date on which the fair value is determined.

Note 3 Significant accounting policies (continued)

3.4 Subsidiaries

SQM S.A. establishes, as basis, the control exercised in subsidiaries, to determine their share in the consolidated financial statements. Control consists of the Company's ability to exercise power in the subsidiary, exposure, or right, to variable performance from its share in the investee and the ability to use its power on the investee to have an influence on the amount of the investor's performance.

The Company prepares the consolidated financial statements using consistent accounting policies for the entire Group, the consolidation of a subsidiary commences when the Company has control over the subsidiary and stops when control ceases.

3.5 Consolidated statement of cash flows

Cash equivalents correspond to highly-liquid short-term investments that are easily convertible in known amounts of cash. They are subject to insignificant risk of changes in their value and mature in less than three months from the date of acquisition of the instrument.

For purposes of the statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above.

The statement of cash flows includes movements in cash performed during the year, determined using the direct method.

3.6 Financial assets

Management determines the classification of its financial assets at the time of initial recognition, on the basis of the business model for the management of financial assets and the characteristics of contractual cash flows from the financial assets. In accordance with IAS 39, financial assets are measured initially at fair value plus transaction costs that may have been incurred and are directly attributable to the acquisition of the financial asset. Subsequently, financial assets are measured at amortized cost or fair value.

The Company assesses, at each reporting date, whether there is objective evidence that an asset or group of assets is impaired. An asset or group of financial assets is impaired if and only if there is evidence of impairment as a result of one or more events occurring after the initial recognition of the asset or group of assets. For the recognition of impairment, the loss event has to have an impact on the estimate of future cash flows from the asset or groups of financial assets.

Note 3 Significant accounting policies (continued)

3.7 Financial liabilities

Management determines the classification of its financial liabilities at the time of initial recognition. As established in IAS 39, financial liabilities at the time of initial recognition are measured at fair value, less transaction costs that may have been incurred and are directly attributable to the issue of the financial liability. Subsequently, these are measured at amortized cost using the effective interest method. For financial liabilities that have been initially recognized at fair value through profit or loss, these will be measured subsequently at fair value.

3.8 Financial instruments at fair value through profit or loss

Management will irrevocably determine, at the time of initial recognition, the designation of a financial instrument at fair value through profit or loss. By doing so, this eliminates and/or significantly reduces measurement or recognition inconsistency that would otherwise have arisen from the measurement of assets or liabilities or from the recognition of gains and losses from them on different bases.

3.9 Financial instrument offsetting

The Company offsets an asset and liability if and only if it presently has a legally enforceable right of setting off the amounts recognized and has the intent of settling for the net amount of realizing the asset and settling the liability simultaneously.

3.10 Reclassification of financial instruments

At the time when the Company changes its business model for managing financial assets, it will reclassify the financial assets affected by the new business model.

For financial liabilities these could not be reclassified.

3.11 Derivative and hedging financial instruments

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

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

At the beginning of the transaction, the Company documents the relationship existing between hedging instruments and those items hedged, as well as their objectives for risk management purposes and the strategy to conduct different hedging operations.

Note 3 Significant accounting policies (continued)

3.11 Derivative and hedging financial instruments, continued

The Company also documents its evaluation both at the beginning and at the end of each period if derivatives used in hedging transactions are highly effective to offset changes in the fair value or in cash flows of hedged items.

The fair value of derivative instruments used for hedging purposes is shown in Note 10.3 (hedging assets and liabilities). Changes in the cash flow hedge reserve are classified as a non-current asset or liability if the remaining expiration period of the hedged item is higher than 12 months, and as a current asset or liability if the remaining expiration period of the entry is lower than 12 months.

Derivatives that are not designated or do not qualify as hedging derivatives are classified as current assets or liabilities, and changes in the fair value are directly recognized through profit or loss.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(b) Cash flow hedges

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

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, as when the hedged interest income or expense is recognized when a projected sale occurs. When the hedged entry is the cost of a non-financial asset or liability, amounts taken to other reserves are transferred to the initial carrying value of the non-financial asset or liability.

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

Note 3 Significant accounting policies (continued)

3.12 Available for sale financial assets

Available for sale financial assets are non-derivative financial assets, which have been designated as available for sale and are not classified in any of the previous categories of financial instruments. Available for sale financial instruments are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are recognized at fair value and changes other than impairment losses are recognized in other comprehensive income and presented in equity in the fair value reserve. If an investment is derecognized, the accumulated gain or loss is reclassified to profit or loss.

3.13 Derecognition of financial instruments

In accordance with IAS 39, the Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred; and the control of the financial assets has not been retained.

The Company derecognizes a financial liability when its contractual obligations or a part of these are discharged, paid to the creditor or legally extinguished.

3.14 Derivative financial instruments not considered as hedge

The Company maintains derivative financial instruments to hedge its exposure to foreign currencies. Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized when incurred. Subsequent to initial recognition, changes in fair value of such derivatives are recognized in profit or loss as part of gains and losses.

The Company permanently assesses the existence of embedded derivatives, both in its contracts and financial instruments. As of December 31, 2016 and December 31, 2015, there are no embedded derivatives.

3.15 Fair value initial measurements

From the initial recognition, the Company measures its assets and liabilities at fair value plus or minus transaction costs incurred that are directly attributable to the acquisition of a financial asset or issuance of a financial liability.



Note 3 Significant accounting policies (continued)

3.16 Leases

(a) Lease - Finance lease

Leases are classified as finance leases when the Company holds substantially all the risks and rewards derived from the ownership of the asset. Finance leases are capitalized at the beginning of the lease, at the lower of the fair value of the leased asset or the present value of minimum lease payments.

Each lease payment is distributed between the liability and the interest expenses to obtain ongoing interest on the pending balance of debt. The respective lease obligations, net of interest expense, are included in other non-current liabilities. The interest element of finance cost is debited in the consolidated statement of income during the lease period so that a regular ongoing interest rate is obtained on the remaining balance of the liability for each year.

(b) Lease – Operating lease

Leases in which the lessor maintains a significant part of the risks and rewards derived from the ownership are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are debited to the statement of income or capitalized (as applicable) on a straight-line basis over the lease period.

3.17 Deferred acquisition costs from insurance contracts

Acquisition costs from insurance contracts are classified as prepayments and correspond to insurance contracts in force, recognized using the straight-line method and on an accrual basis, and are recognized under other non-financial assets.

3.18 Trade and other receivables

Trade and other receivables relate to non-derivative financial assets with fixed and determinable payments and are not quoted in any active market. These arise from sales operations involving the products and/or services, of which the Company commercializes directly to its customers.

These assets are initially recognized at their fair value and subsequently at amortized cost according to the effective interest rate method, less a provision for impairment loss. An allowance for impairment loss is established for trade receivables when there is objective evidence that the Company will not be able to collect all the amounts which are owed to it, according to the original terms of receivables.

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

Note 3 Significant accounting policies (continued)

3.19 Inventory measurement

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

Commercial discounts, rebates obtained, and other similar entries are deducted in the determination of the acquisition price.

The net realizable value represents the estimate of the sales price, less all finishing estimated costs and costs which will be incurred in commercialization, sales, and distribution processes.

The Company conducts an evaluation of the net realizable value of inventories at the end of each year, recording an estimate with a charge to income when these are overstated. When a situation arises whereby the circumstances, which previously caused the rebate to cease to exist, or when there is clear evidence of an increase in the net realizable value due to a change in the economic circumstances or prices of main raw materials, the estimate made previously is modified.

The valuation of obsolete, impaired or slow-moving products relates to their net estimated, net realizable value.

Provisions on the Company's inventories have been made based on a technical study which covers the different variables which affect products in stock (density and humidity, among others).

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



Note 3 Significant accounting policies (continued)

3.20 Investments in associates and joint ventures

Interests in companies on which joint control is exercised (joint venture) or where an entity has significant influence (associates) are recognized using the equity method of accounting. Significant influence is presumed to exist when interest greater than 20% is held in the capital of an investee.

Under this method, the investment is recognized in the statement of financial position at cost plus changes, subsequent to the acquisition, and considering the proportional share in the equity of the associate. For such purposes, the interest percentage in the ownership of the associate is used. The associated goodwill acquired is included in the carrying amount of the investee and is not amortized. The debit or credit to profit or loss reflects the proportional share in the profit or loss of the associate.

Unrealized gains for transactions with affiliates or associates are eliminated considering the interest percentage the Company has on such entities. Unrealized losses are also eliminated, except if the transaction provides evidence of impairment loss of the transferred asset.

Changes in the equity of associates are recognized considering the proportional amounts with a charge or credit to "Other reserves" and classified considering their origin.

Reporting dates of the associate, the Company and related policies are similar for equivalent transactions and events under similar circumstances.

In the event that the significant influence is lost or the investment is sold or is held as available for sale, the equity method is discontinued, suspending the recognition of proportional share of profit or loss.

If the resulting amount according to the equity method is negative, the share of profit or loss is reflected at zero value in the consolidated financial statements, unless a commitment exists by the Company to reinstate the Company's equity position, in which case the related provision for risks and expenses is recorded.

Dividends received by these companies are recorded by reducing the equity value, and the proportional share of profit or loss recognized in conformity with the share of equity are included in the consolidated profit or loss accounts in the caption "Equity share of profit (loss) of associates and joint ventures that are accounted for using the equity method of accounting".

3.21 Transactions with non-controlling interests

Non-controlling interests are recorded in the consolidated statement of financial position within equity separate from equity attributable to the owners of the Parent.

3.22 Related party transactions

Transactions between the Company and its subsidiaries are part of the Company's normal operations within its scope of business activities. Conditions for such transactions are those normally effective for those types of operations with regard to terms and market prices. Also, these transactions have been eliminated in consolidation. Expiration conditions for each case vary according to the originating transaction.

Note 3 Significant accounting policies (continued)

3.23 Property, plant and equipment

Tangible property, plant and equipment assets are stated at acquisition cost, net of the related accumulated depreciation, amortization and impairment losses that they might have experienced.

In addition to the price paid for the acquisition of tangible property, plant and equipment, the Company has considered the following concepts as part of the acquisition cost, as applicable:

1. Accrued interest expenses during the construction period which are directly attributable to the acquisition, construction or production of qualifying assets, which are those that require a substantial period prior to being ready for use. The interest rate used is that related to the project's specific financing or, should this not exist, the average financing rate of the investor company.
2. The future costs that the Company will have to experience, related to the closure of its facilities at the end of their useful life, are included at the present value of disbursements expected to be required to settle the obligation.

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

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

The replacement of full assets, which increase the asset's useful life or its economic capacity, are recorded as a higher value of property, plant and equipment with the related derecognition of replaced or renewed elements.

Gains or losses which are generated from the sale or disposal of property, plant and equipment are recognized as income (or loss) in the period, and calculated as the difference between the asset's sales value and its net carrying value.

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



Note 3 Significant accounting policies (continued)

3.24 Depreciation of property, plant and equipment

Property, plant and equipment are depreciated through the straight-line distribution of cost over the estimated technical useful life of the asset which is the period in which the Company expects to use the asset. When components of one item of property, plant and equipment have different useful lives, they are recorded as separate assets. Useful lives are reviewed on an annual basis.

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

The useful lives used for the depreciation and amortization of assets included in property, plant and equipment in years are presented below.

| Types of property, plant and equipment | Minimum life or rate | Maximum life or rate |
|---|---------------------------------|---------------------------------|
| Buildings | 3 | 40 |
| Machinery | 2 | 25 |
| Transport equipment | 3 | 30 |
| Furniture and fixtures | 2 | 18 |
| Office equipment | 2 | 20 |
| Production plants | 1 | 25 |
| Mining assets | 3 | 20 |
| Other property, plant and equipment | 1 | 30 |

3.25 Goodwill

Goodwill acquired represents the excess in acquisition cost on the fair value of the Company's ownership of the net identifiable assets of the subsidiary on the acquisition date. Goodwill acquired related to the acquisition of subsidiaries is included in goodwill, which is subject to impairment tests annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is stated at cost less accumulated impairment losses. Gains and losses related to the sale of an entity include the carrying value of goodwill related to the entity sold.

This intangible asset is assigned to cash-generating units with the purpose of testing impairment losses. It is allocated based on cash-generating units expected to obtain benefits from the business combination from which the aforementioned goodwill acquired arose.



Note 3 Significant accounting policies (continued)

3.26 Intangible assets other than goodwill

Intangible assets mainly relate to water rights, rights of way for electric lines expenses and software license and development expenses.

(a) Water rights

Water rights acquired by the Company relate to water from natural sources and are recorded at acquisition cost. Given that these assets represent legal rights granted in perpetuity to the Company, they are not amortized, but are subject to annual impairment tests.

(b) Right of way for electric lines

As required for the operation of industrial plants, the Company has paid rights of way in order to install wires for the different electric lines in third party land. These rights are presented under intangible assets. Amounts paid are capitalized at the date of the agreement and charged to the statement of income, according to the life of the right of way.

(c) Computer software

Licenses for IT programs acquired are capitalized based on costs that have been incurred to acquire them and prepare them to use the specific program. These costs are amortized over their estimated useful lives.

Expenses related to the development or maintenance of IT programs are recognized as an expense as and when incurred. Costs directly related to the production of unique and identifiable IT programs controlled by the Group, and which will probably generate economic benefits that are higher than costs during more than a year, are recognized as intangible assets. Direct costs include expenses of employees that develop information technology software and general expenses in accordance with corporate charges received.

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

(d) Mining property and concession rights

The Company holds mining property and concession rights from the Chilean Government. Property rights are usually obtained with no initial cost (other than the payment of mining patents and minor recording expenses) and upon obtaining rights on these concessions, these are retained by the Company while annual patents are paid. Such patents, which are paid annually, are recorded as prepaid assets and amortized over the following twelve months. Amounts attributable to mining concessions acquired from third parties that are not from the Chilean Government are recorded at acquisition cost within intangible assets.

No impairment of intangible assets exists as of December 31, 2016 and December 31, 2015.

Note 3 Significant accounting policies (continued)

3.27 Research and development expenses

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

3.28 Prospecting expenses

The Company has mining property and concession rights from the Chilean Government and acquired from third parties other than the Chilean Government, destined to the exploitation of caliche ore and saltpeter deposits and also the exploration of this type of deposits.

Upon obtaining these rights, the Company initially records disbursements directly associated with the exploration and evaluation of deposits (associated with small deposits with trading feasibility) as asset at cost. Such disbursements include the following concepts:

- Disbursements for geological reconnaissance evaluation
- Disbursements for drilling
- Disbursements for drilling work and sampling
- Disbursements for activities related to technical assessment and trading feasibility of drilling work
- And any disbursement directly related to specific projects where its objective is finding mining resources.

Subsequently, the Company distinguishes exploration and evaluation projects according to the economic feasibility of the mineral extracted in the area or exploration, among those that finally will deliver future benefits to the Company (profitable projects) and those projects for which it is not probable that economic benefit will flow to the Company in the future (i.e., when the mine site has low ore grade and its exploitation is not economically profitable).

If technical studies determine that the ore grade is not economically suitable for exploitation, the asset is directly expensed. Otherwise, it is held in the caption "other non-current assets", reclassifying the portion related to the area to be exploited in the year in the caption inventories and such amount is amortized as production cost on the basis of estimated tons to be extracted.

The technical reasons for this classification correspond to the fact that this is an identifiable non-monetary asset that is owned to be used in the production of our processes as a main raw material.

For this reason and because our disbursements correspond to proven reserves with a trading feasibility and used as main raw material in our production processes, these are presented as inventories that will be exploited within the commercial year and the remainder as development expenses for small deposits and prospecting expenses in the caption "other non-current assets".



Note 3 Significant accounting policies (continued)

3.29 Impairment of non-financial assets

Assets subject to depreciation and amortization are subject to impairment testing, provided that an event or change in the circumstances indicates that the amounts in the accounting records may not be recoverable. An impairment loss is recognized for the excess of the book value of the asset over its recoverable amount.

The recoverable amount of an asset is the higher between the fair value of an asset or cash generating unit (“CGU”) less costs of sales and its value in use, and is determined for an individual asset unless the asset does not generate any cash inflows that are clearly independent from other assets or groups of assets.

When the carrying value of an asset exceeds its recoverable amount, the asset is considered an impaired asset and is reduced to its net recoverable amount.

In evaluating value in use, estimated future cash flows are discounted using a discount rate before taxes which reflects current market evaluation on the time value of money and specific asset risks.

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

Impairment losses from continuing operations are recognized with a debit to profit or loss in the categories of expenses associated with the impaired asset function, except for properties reevaluated previously where the revaluation was taken to equity.

For assets other than acquired goodwill, an annual evaluation is conducted of whether there are impairment loss indicators recognized previously that might have already decreased or ceased to exist. The recoverable amount is estimated if such indicators exist. An impairment loss previously recognized is reversed only if there have been changes in estimates used to determine the asset’s recoverable amount from the last time in which an impairment loss was recognized. If this is the case, the carrying value of the asset is increased to its recoverable amount. This increased amount cannot exceed the carrying value that would have been determined net of depreciation if an asset impairment loss would have not been recognized in prior years. This reversal is recognized with a credit to profit or loss.

3.30 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, except when the Company records unabsorbed losses from prior years. However, the Company defines as policy the distribution of 50% of its profit for the year, unless decided otherwise by the unanimous vote by the shareholders at the General Shareholders’ meeting held each year.



Note 3 Significant accounting policies (continued)

3.31 Earnings per share

The basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the year.

The Company has not conducted any type of operation of potential dilutive effect that implies the disclosure of diluted earnings per share.

3.32 Trade and other payables

Trade and other payables are measured at fair value plus all costs associated with the transaction. Subsequently, these are carried at amortized cost using the effective interest rate method.

3.33 Interest-bearing borrowings

At initial recognition, interest-bearing borrowings are measured at fair value net of transaction costs incurred. Subsequently, they are measured at amortized cost using the effective interest rate method. Amortized cost is calculated considering any premium or discount from the acquisition and includes costs of transactions which are an integral part of the effective interest rate.

These are recorded as non-current when their expiration period exceeds twelve months and as current when the term is lower than such term. Interest expense is calculated in the year in which they are accrued following a financial criterion.

3.34 Other provisions

Provisions are recognized when:

- The Company has a present obligation or constructive obligation as the result of a past event.
- It is more likely than not that certain resources must be used, including benefits, to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

In the event that the provision or a portion of it is reimbursed, the reimbursement is recognized as a separate asset solely if there is certainty of income.

In the consolidated statement of income, the expense for any provision is presented net of any reimbursement.

Should the effect of the time value of money be significant, provisions are discounted using a discount rate before tax that reflects the liability's specific risks. When a discount rate is used, the increase in the provision over time is recognized as a finance cost.



Note 3 Significant accounting policies (continued)

3.34 Other provisions, continued

The Company's policy is maintaining provisions to cover risks and expenses based on a better estimate to deal with possible or certain and quantifiable responsibilities from current litigation, compensations or obligations, pending expenses for which the amount has not yet been determined, collaterals and other similar guarantees for which the Company is responsible. These are recorded at the time the responsibility or the obligation that determines the compensation or payment is generated.

3.35 Obligations related to employee termination benefits and pension commitments

Obligations with the Company's employees are in accordance with that established in the collective bargaining agreements in force, formalized through collective employment agreements and individual employment contracts, except for the United States that is regulated in accordance with employment plans in force up to 2002. (See more details in Note 15.4)

These obligations are valued using actuarial calculations, according to the projected unit credit method which considers such assumptions as the mortality rate, employee turnover, interest rates, retirement dates, effects related to increases in employees' salaries, as well as the effects on variations in services derived from variations in the inflation rate. This, considering criteria in force contained in the revised IAS 19.

Actuarial gains and losses that may be generated by variations in defined, pre-established obligations are directly recorded in other comprehensive income.

Actuarial losses and gains have their origin in departures between the estimate and the actual behavior of actuarial assumptions or in the reformulation of established actuarial assumptions.

The discount rate used by the Company for calculating the obligation was 4.52% and 4.89% for the periods ended December 31, 2016 and December 31, 2015, respectively.

The Company's subsidiary SQM North America has established pension plans for its retired employees that are calculated by measuring the projected obligation using a net salary progressive rate net of adjustments for inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 4.5% interest rate for 2016 and 5.5% for 2015. The net balance of this obligation is presented under the non-current provisions for employee benefits (refer to Note 15.4)

3.36 Compensation plans

Compensation plans implemented through benefits in share-based payments settled in cash, which have been provided, are recognized in the financial statements at their fair value, in accordance with International Financial Reporting Standards No. 2 "Share-based Payments." Changes in the fair value of options granted are recognized with a charge to payroll on a straight-line basis during the period between the date on which these options are granted and the payment date (see Note 16).



Note 3 Significant accounting policies (continued)

3.37 Revenue recognition

Revenue includes the fair value of considerations received or receivable for the sale of goods and services during performance of the Company's activities. Revenue is presented net of value added tax, estimated returns, rebates and discounts and after the elimination of sales among subsidiaries.

Revenue is recognized when its amount can be stated reliably. It is possible that the future economic rewards will flow to the entity and the specific conditions for each type of activity related revenue are complied with, as follows:

(a) Sale of goods

The sale of goods is recognized when the Company has delivered products to the customer, and there is no obligation pending compliance that could affect the acceptance of products by the customer. The delivery does not occur until products have been shipped to the customer or confirmed as received by customers. When the related risks of obsolescence and loss have been transferred to the customer and the customer has accepted products in accordance with the conditions established in the sale, when the acceptance period has ended, or when there is objective evidence that those criteria required for acceptance have been met.

Sales are recognized in consideration of the price set in the sales agreement, net of volume discounts and estimated returns at the date of the sale. Volume discounts are evaluated in consideration of annual foreseen purchases and in accordance with the criteria defined in agreements.

(b) Sale of services

Revenue associated with the rendering of services is recognized considering the degree of completion of the service as of the date of presentation of the consolidated classified statement of financial position, provided that the result from the transaction can be estimated reliably.

(c) Interest income

Interest income is recognized when interest is accrued in consideration of the principal pending payment using the effective interest rate method.

(d) Income from dividends

Income from dividends is recognized when the right to receive the payment is established.

3.38 Finance income and finance costs

Finance income is mainly composed of interest income in financial instruments such as term deposits and mutual fund deposits. Interest income is recognized in profit or loss at amortized cost, using the effective interest rate method.

Finance costs are mainly composed of interest on bank borrowing expenses, interest on bonds issued and interest capitalized for borrowing costs for the acquisition, construction or production or qualifying assets.

Borrowing costs and bonds issued are recognized in profit or loss using the effective interest rate method.

Note 3 Significant accounting policies (continued)

3.38 Finance income and finance costs, continued

For finance costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets, the effective interest rate related to the project's specific financing is used. If none exist, the average financing rate of the subsidiary that makes the investment is utilized. Borrowing and financing costs that are directly attributable to the acquisition, construction or production of an asset are capitalized as part of that asset's cost.

3.39 Income tax and deferred taxes

Corporate income tax for the year is determined as the sum of current taxes from the different consolidated companies.

Current taxes are based on the application of the various types of taxes attributable to taxable income for the year.

Differences between the book value of assets and liabilities and their tax basis generate the balance of deferred tax assets or liabilities, which are calculated using the tax rates expected to be applicable when the assets and liabilities are realized.

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

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

At each reporting period, the carrying amount of deferred tax assets has been reviewed and reduced to the extent there will not be sufficient taxable income to allow the recovery of all or a portion of the deferred tax assets. Likewise, as of the date of the consolidated financial statements, deferred tax assets that are not recognized were evaluated and not recognized as it was more likely than not that future taxable income will allow for recovery of the deferred tax asset.

With respect to deductible temporary differences associated with investments in subsidiaries, associated companies and interest in joint ventures, deferred tax assets are recognized solely provided that it is more likely than not that the temporary differences will be reversed in the near future and that there will be taxable income with which they may be used.

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

Note 3 Significant accounting policies (continued)

3.39 Income tax and deferred taxes, continued

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

3.40 Segment reporting

IFRS 8 requires that companies adopt a “management approach” to disclose information on the operations generated by its operating segments. In general, this is the information that management uses internally for the evaluation of segment performance and making the decision on how to allocate resources for this purpose.

An operating segment is a group of assets and operations responsible for providing products or services subject to risks and performance different from those of other business segments. A geographical segment is responsible for providing products or services in a given economic environment subject to risks and performance different from those of other segments that operate in other economic environments.

For assets and liabilities, the allocation to each segment is not possible given that these are associated with more than one segment, except for depreciation, amortization and impairment of assets, which are directly allocated to the applicable segments, in accordance with the criteria established in the costing process for product inventories.

The following operating segments have been identified by the Company:

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

Note 3 Significant accounting policies (continued)

3.41 Environment

In general, the Company follows the criteria of considering amounts used in environmental protection and improvement as environmental expenses. However, the cost of facilities, machinery and equipment used for the same purpose are considered property, plant and equipment, as the case may be.

3.42 Significant accounting judgments, estimates and assumptions

Management of Sociedad Química y Minera de Chile S.A. and its subsidiaries is responsible for the information contained in these consolidated financial statements, which expressly indicate that all the principles and criteria included in IFRSs, as issued by the International Accounting Standards Board (IASB), have been applied in full.

In preparing the consolidated financial statements of Sociedad Química y Minera de Chile S.A. and its subsidiaries, Management has made judgments and estimates to quantify certain assets, liabilities, revenues, expenses and commitments included therein. Basically, these estimates refer to:

- The useful lives of property, plant and equipment, and intangible assets and their residual value -Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations. See notes 3.24, 13 and 14.
- Impairment losses of certain assets - Assets, including property, plant and equipment, exploration assets, goodwill and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. If an impairment assessment is required, the assessment of fair value often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management. See notes 13 and 14
- Assumptions used in calculating the actuarial amount of pension-related and severance indemnity payment benefit commitments- See Note 15;
- Contingencies – The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements. See note 18 and 19
- Provisions on the basis of technical studies that cover the different variables affecting products in stock (density and moist, among others), and related allowance - Inventory valuation requires judgment to determine obsolescence and estimates of provisions for obsolescence to ensure that the carrying value of inventory is not in excess of net realizable value. See note 8.

Despite the fact that these estimates have been made on the basis of the best information available on the date of preparation of these consolidated financial statements, certain events may occur in the future and oblige their amendment (upwards or downwards) over the next few years, which would be made prospectively, recognizing the effects of the change in estimates in the related future consolidated financial statements.

Note 4 Financial risk management

4.1 Financial risk management policy

The Company's financial risk management policy is focused on safeguarding the stability and sustainability of Sociedad Química y Minera de Chile S.A. and its subsidiaries with regard to all such relevant financial uncertainty components.

The Company's operations are subject to certain financial risk factors that may affect its financial position or results. The most significant risk exposures are market risk, liquidity risk, currency risk, doubtful accounts risk, and interest rate risk, among others.

Potentially, additional known or unknown risks may exist, of which we currently deem not to be significant, which could also affect the Company's business operations, its business, financial position, or profit or loss.

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

4.2 Risk factors

4.2.1 Market risk

Market risk refers to the uncertainty associated with fluctuations in market variables affecting the Company's assets and liabilities, including:

- a) Price risk: The Company's product prices are affected by the fluctuations in international prices of fertilizers and chemicals, as well as changes in productive capacities or market demand, all of which might affect the Company's business, financial position and results of operations.
- b) Commodity price risk: The Company is exposed to changes in commodity prices and energy which may have an impact on its production costs that may cause unstable results.

As of to-date, the SQM Group incurs an annual expenditure of approximately US\$95 million associated with fuel, gas, energy and equivalents from which US\$60 million related to direct electrical supply consumption. A change of 10% in the prices of energy required for the Company's operations may involve costs of approximately US\$9.5 million in short-term movements.

The markets in which the Company operates are unpredictable, exposed to significant fluctuations in supply and demand, and price high volatility. Additionally, the supply of certain fertilizers or chemicals, including certain products which the Company trades, vary mainly depending on the production of top producers and their related business strategies. Accordingly, the Company cannot forecast with certainty changes in demand, responses from competitors or fluctuations in the final price of its products. These factors can lead to significant impacts on the Company's product sales volumes, financial position and share price.

- c) Quality standards: In the markets in which we operate, customers might impose quality standards on our products and/or governments could enact more stringent standards for the distribution and/or use of our products. Consequently, we might not be able to sell our products if we are not able to meet those new standards. In addition, our production costs might increase to meet such new standards. Not being able to sell our products in one or more markets or to key customers might significantly affect our business, financial position or the results of our operations.

Note 4 Financial risk management (continued)

4.2.2 Credit risk

A contraction of the global economy and the potentially adverse effects in the financial position of our customers may extend the receivables recovery period for SQM, increasing its exposure to doubtful account risk. While measures have been taken to minimize such risk, the global economic situation may result in losses that might have a material adverse effect on the Company's business, financial position or results of operations.

To mitigate these risks, SQM actively controls debt collection and has established certain safeguards which include loan insurance, letters of credit, and prepayments for a portion of receivables.

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

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| Financial Institution | Financial Asset | Rating Institution | | | 12/31/2016 |
|--|----------------------------|--------------------|------|-------|----------------|
| | | Moody's | S&P | Fitch | ThUS\$ |
| Banco BBVA Chile | Fixed term deposit | A3 | BBB+ | AA | 3,501 |
| Banco Crédito e Inversiones | Fixed term deposit | A1 | A | - | 25,804 |
| Banco de Chile | Fixed term deposit | Aa3 | A+ | AAA | 5,904 |
| Banco Santander - Santiago | Fixed term deposit | A3 | A- | - | 32,905 |
| BBVA Banco Francés | Fixed term deposit | - | - | B | 199 |
| Citibank New York | Fixed term deposit | A1 | A+ | A+ | 1,742 |
| Corpbanca | Fixed term deposit | A3 | BB+ | - | 7,150 |
| JP Morgan US dollar Liquidity Fund Institutional | Fixed term deposit | Aaa | - | - | 158,950 |
| Legg Mason - Western Asset Institutional Cash | | | | | |
| Reserves | investment liquidity funds | - | AAA | AAA | 178,446 |
| Nedbank | investment liquidity funds | - | BBB- | AA | 2,752 |
| Scotiabank Sud Americano | | - | - | AAA | 15,716 |
| Total | | | | | 433,069 |

| Financial Institution | Financial Asset | Rating Institution | | | 12/31/2016 |
|-----------------------------|-------------------|--------------------|------|-------|----------------|
| | | Moody's | S&P | Fitch | ThUS\$ |
| Banco Crédito e Inversiones | 90 days to 1 year | A1 | A | - | 40,627 |
| Banco Itau Chile | 90 days to 1 year | A3 | BB+ | - | 44,722 |
| Banco Santander - Santiago | 90 days to 1 year | A3 | A- | - | 54,364 |
| Banco Security | 90 days to 1 year | - | BBB- | AA- | 15,007 |
| Corpbanca | 90 days to 1 year | A3 | BB+ | - | 19,247 |
| Morgan Stanley | 90 days to 1 year | A3 | BBB- | A | 3,150 |
| Scotiabank Sud Americano | 90 days to 1 year | - | - | AAA | 107,043 |
| Total | | | | | 284,160 |

Note 4 Financial risk management (continued)

4.2.3 Currency risk

As a result of its influence on price level determination as well as its relationship with cost of sales, and since a significant portion of the Company's business transactions are performed in that foreign currency, the functional currency of SQM is the United States dollar. However, the global business activities of the Company expose it to the foreign exchange fluctuations of several currencies with respect to the value of the U.S. dollar. Accordingly, SQM has entered into hedge contracts to mitigate the exposure generated by its main mismatches (assets, net of liabilities) in currencies other than the U.S. dollar against the foreign exchange fluctuation. These contracts are periodically updated depending on the mismatch amount to be hedged in such currencies. Occasionally, and subject to the Board of Directors' approval, in the short-term the Company insures cash flows from certain specific items in currencies other than the U.S. dollar.

A significant portion of the Company's costs, particularly payroll, is denominated in Chilean pesos. Accordingly, an increase or decrease in the exchange rate against the U.S. dollar would affect the Company's profit for the period. Approximately US\$317 million of the Company's costs are denominated in Chilean pesos. A significant portion of the effect of such obligations on the statement of financial position is hedged by derivative instrument transactions on the balance mismatch in such currency.

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

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

4.2.4 Interest rate risk

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

The Company has current and non-current debts valued at LIBOR, plus a spread. The Company is partially exposed to fluctuations in such rate, as SQM currently holds hedging derivative instruments to hedge a portion of its liabilities subject to the LIBOR rate fluctuations.

As of December 31, 2016, approximately 2% of the Company's financial liabilities are measured at LIBOR. Accordingly, any significant increase in this rate may have an impact on the Company's financial position. A 100 basic point variation in this rate may trigger variations in financial expenses of close to US\$0.03 million. However, this effect is significantly counterbalanced by the returns of the Company's investments that are also strongly related to LIBOR.

In addition, as of December 31, 2016, the Company's financial liabilities are mainly concentrated in the long-term and approximately 12% have maturities of less than 12 months, decreasing in the process the exposure to changes in interest rates.



Note 4 Financial risk management (continued)

4.2.5 Liquidity risk

Liquidity risk relates to the funds needed to comply with payment obligations. The Company's objective is to maintain financial flexibility through a comfortable balance between fund requirements and cash flows from regular business operations, bank borrowings, bonds, short term investments, and marketable securities, among others.

The Company has an important capital expense program which is subject to change over time.

On the other hand, world financial markets go through periods of contraction and expansion that are unforeseeable in the long-term and may affect SQM's access to financial resources. Such factors may have a material adverse impact on the Company's business, financial position and results of operations.

SQM constantly monitors the matching of its obligations with its investments, taking due care of maturities of both, from a conservative perspective, as part of this financial risk management strategy. As of December 31, 2016, the Company had unused, available revolving credit facilities with banks, for a total of approximately US\$267 million.

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

Note 4 Financial risk management (continued)

4.2.5 Liquidity risk, continued

| As of December 31, 2016 | Maturity of undiscounted cash flows | | | | |
|--|-------------------------------------|------------------|-----------------------|-------------------|-----------------|
| | Book Value | Less than 1 year | Between 1 and 5 years | More than 5 years | Total |
| (in millions of US\$) | | | | | |
| Other non-derivate financial liabilities | | | | | |
| Bank loans | 101.27 | 102.08 | - | - | 102.08 |
| Unsecured obligations | 1,130.22 | 94.76 | 479.54 | 873.91 | 1,448.21 |
| Subtotal | 1,231.49 | 196.84 | 479.54 | 873.91 | 1,550.29 |
| Other derivate financial liabilities | | | | | |
| Hedging liabilities | 42.62 | 17.20 | 40.33 | (23.58) | 33.95 |
| Derivate financial instruments | (2.175) | (2.18) | - | - | (2.18) |
| Subtotal | 40.45 | 15.03 | 40.33 | (23.58) | 31.77 |
| Total | 1,271.93 | 211.87 | 519.87 | 850.33 | 1,582.07 |

| As of December 31, 2015 | Maturity of undiscounted cash flows | | | | |
|--|-------------------------------------|------------------|-----------------------|-------------------|-----------------|
| | Book Value | Less than 1 year | Between 1 and 5 years | More than 5 years | Total |
| (in millions of US\$) | | | | | |
| Other non-derivate financial liabilities | | | | | |
| Bank loans | 318.34 | 182.16 | 144.36 | - | 326.52 |
| Unsecured obligations | 1,311.65 | 260.90 | 510.46 | 901.92 | 1,673.28 |
| Subtotal | 1,629.99 | 443.06 | 654.82 | 901.92 | 1,999.80 |
| Other derivate financial liabilities | | | | | |
| Hedging liabilities | 74.81 | 2.46 | 75.31 | 0.05 | 77.82 |
| Derivate financial instruments | (18.08) | (18.08) | - | - | (18.08) |
| Subtotal | 56.73 | (15.62) | 75.31 | 0.05 | 59.74 |
| Total | 1,686.72 | 427.44 | 730.13 | 901.97 | 2,059.54 |

4.3 Risk measurement

The Company has methods to measure the effectiveness and efficiency of financial risk hedging strategies, both prospectively and retrospectively. These methods are consistent with the risk management profile of the Group.



Note 5 Changes in accounting estimates and policies (consistent presentation)

5.1 Changes in accounting estimates

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

5.2 Changes in accounting policies

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

The consolidated statements of financial position as of December 31, 2016 and 2015 and the statements of comprehensive income, changes in equity and cash flows for the periods ended December 31, 2016, 2015 and 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS). The accounting principles and criteria have been applied consistently.



Note 6 Background of companies included in consolidation

6.1 Parent’s stand-alone assets and liabilities

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

6.2 Parent entity

As provided in the Company’s by-laws, no shareholder can concentrate more than 32% of the Company’s voting right shares and therefore there is no controlling entity.

6.3 Joint arrangements of controlling interest

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A., and Inversiones Global Mining (Chile) Limitada, collectively the Pampa Group, are the owners of a number of shares that are equivalent to 29.97% as of December 31, 2016 of the current total amount of shares issued, subscribed and fully-paid of the Company. In addition, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation, collectively the Kowa Group, are the owners of a number of shares equivalent to 2.12% of the total amount of issued, subscribed and fully-paid shares of SQM S.A.

The Pampa Group and the Kowa Group have informed SQM S.A., the Chilean SVS and the relevant stock exchanges in Chile and abroad that they are not and have never been related parties between them. In addition, this is regardless of the fact that both Groups on December 21, 2006 have entered into a Joint Action Agreement (JAA) related to those shares. Consequently, the Pampa Group, by itself, does not concentrate more than 32% of the voting right capital of SQM S.A., and the Kowa Group does not concentrate by itself more than 32% of the voting right capital of SQM S.A.

Likewise, the Joint Action Agreement has not transformed the Pampa and Kowa Groups into related parties between them. The Joint Action Agreement has only transformed the current controller of SQM S.A., composed of the Pampa Group, and the Kowa Group into related parties of SQM S.A.

Detail of effective concentration

| Tax ID No. | Name | Ownership interest % |
|--------------------------|--|-------------------------|
| 96.511.530-7 | Sociedad de Inversiones Pampa Calichera S.A. | 19.72 |
| 76.165.311-5 | Potasios de Chile S.A. | 6.91 |
| 96.863.960-9 | Inversiones Global Mining (Chile) Limitada | 3.34 |
| Total Pampa Group | | <u>29.97</u> |
| 79.798.650-k | Inversiones la Esperanza (Chile) Ltda. | 1.43 |
| 59.046.730-8 | Kowa Co Ltd. | 0.30 |
| 96.518.570-4 | Kochi S.A. | 0.30 |
| 59.023.690-k | La Esperanza Delaware Corporation | 0.09 |
| Total Kowa Group | | <u>2.12</u> |



Note 6 Background of companies included in consolidation (continued)

6.4 General information on consolidated subsidiaries

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

| Subsidiary | Tax ID | Address | Country of incorporation | Functional currency | Ownership interest | | Total |
|---|--------------|--|--------------------------|---------------------|--------------------|----------|----------|
| | | | | | Direct | Indirect | |
| SQM Nitratos S.A. | 96.592.190-7 | El Trovador 4285 Las Condes | Chile | US\$ | 99.9999 | 0.0001 | 100.0000 |
| Proinsa Ltda. | 78.053.910-0 | El Trovador 4285 Las Condes | Chile | Ch\$ | - | 60.5800 | 60.5800 |
| SQMC Internacional Ltda. | 86.630.200-6 | El Trovador 4285 Las Condes | Chile | Ch\$ | - | 60.6381 | 60.6381 |
| SQM Potasio S.A. | 96.651.060-9 | El Trovador 4285 Las Condes | Chile | US\$ | 99.9999 | - | 99.9999 |
| Serv. Integrales de Tránsito y Transf. S.A. | 79.770.780-5 | Arturo Prat 1060, Tocopilla | Chile | US\$ | 0.0003 | 99.9997 | 100.0000 |
| Isapre Norte Grande Ltda. | 79.906.120-1 | Anibal Pinto 3228, Antofagasta | Chile | Ch\$ | 1.0000 | 99.0000 | 100.0000 |
| Ajay SQM Chile S.A. | 96.592.180-K | Av. Pdte. Eduardo Frei 4900, Santiago | Chile | US\$ | 51.0000 | - | 51.0000 |
| Almacenes y Depósitos Ltda. | 79.876.080-7 | El Trovador 4285 Las Condes | Chile | Ch\$ | 1.0000 | 99.0000 | 100.0000 |
| SQM Salar S.A. | 79.626.800-K | El Trovador 4285 Las Condes | Chile | US\$ | 18.1800 | 81.8200 | 100.0000 |
| SQM Industrial S.A. | 79.947.100-0 | El Trovador 4285 Las Condes | Chile | US\$ | 99.0470 | 0.9530 | 100.0000 |
| Exploraciones Mineras S.A. | 76.425.380-9 | El Trovador 4285 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. (*) | 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\$ | 51.0000 | - | 51.0000 |
| Orcoma SPA | 76.360.575-2 | Apoquindo 3721 Of.131 Las Condes | Chile | US\$ | 100.0000 | - | 100.0000 |
| SQM North America Corp. | Foreign | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA | United States | US\$ | 40.0000 | 60.0000 | 100.0000 |
| RS Agro Chemical Trading Corporation A.V.V. | Foreign | Caya Ernesto O. Petronia 17, Oranjestad | Aruba | US\$ | 98.3333 | 1.6667 | 100.0000 |
| Nitratos Naturais do Chile Ltda. | Foreign | Al. Tocantis 75, 6° Andar, Conunto 608 Edif. West Gate, Alphaville Barueri, CEP 06455-020, Sao Paulo | Brazil | US\$ | - | 100.0000 | 100.0000 |
| Nitrate Corporation of Chile Ltd. | Foreign | 1 More London Place London SE1 2AF | United Kingdom | US\$ | - | 100.0000 | 100.0000 |
| SQM Corporation N.V. | Foreign | Pietermaai 123, P.O. Box 897, Willemstad, Curacao | Netherlands | US\$ | 0.0002 | 99.9998 | 100.0000 |
| SQM Peru S.A. | Foreign | Avenida Camino Real N° 348 of. 702, San Isidro, Lima | Peru | US\$ | 0.9800 | 99.0200 | 100.0000 |
| SQM Ecuador S.A. | Foreign | Av. José Orrantia y Av. Juan Tanca Marengo Edificio Executive Center Piso 2 Oficina 211 | Ecuador | US\$ | 0.0040 | 99.9960 | 100.0000 |
| SQM Brasil Ltda. | Foreign | Al. Tocantis 75, 6° Andar, Conunto 608 Edif. West Gate, Alphaville Barueri, CEP 06455-020, Sao Paulo | Brazil | US\$ | 1.0900 | 98.9100 | 100.0000 |

(*) SQM controls Soquimich Comercial, which in turn controls Comercial Agrorama Ltda. SQM has control of the administration of Comercial Agrorama Ltda.



Note 6 Background of companies included in consolidation (continued)

6.4 General information on consolidated subsidiaries, continued

| Subsidiary | Tax ID | Address | Country of incorporation | Functional currency | Direct | Ownership interest | | Total |
|--|---------|---|--------------------------|---------------------|--------|--------------------|--|----------|
| | | | | | | Indirect | | |
| SQI Corporation N.V. | Foreign | Pietermaai 123, P.O. Box 897, Willemstad, Curacao | Netherlands | US\$ | 0.0159 | 99.9841 | | 100.0000 |
| SQMC Holding Corporation L.L.P. | Foreign | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta | United States | US\$ | 0.1000 | 99.9000 | | 100.0000 |
| SQM Japan Co. Ltd. | Foreign | From 1 st Bldg 207, 5-3-10 Minami-Aoyama, Minato-ku, Tokyo | Japan | US\$ | 0.5376 | 99.4624 | | 100.0000 |
| SQM Europe N.V. | Foreign | Houtdok-Noordkaai 25a B-2030 Antwerp, Belgium | Belgium | US\$ | 0.5800 | 99.4200 | | 100.0000 |
| SQM Italia SRL | Foreign | Via A. Meucci, 5 500 15 Grassina Firenze | Italy | US\$ | - | 100.0000 | | 100.0000 |
| SQM Indonesia S.A. | Foreign | Perumahan Bumi Dirgantara Permai, Jl Suryadarma Blok Aw No 15 Rt 01/09 17436 Jatisari Pondok Gede | Indonesia | US\$ | - | 80.0000 | | 80.0000 |
| North American Trading Company | Foreign | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA | United States | US\$ | - | 100.0000 | | 100.0000 |
| SQM Virginia LLC | Foreign | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA | United States | US\$ | - | 100.0000 | | 100.0000 |
| SQM Comercial de México S.A. de C.V. | Foreign | Av. Moctezuma 144-4 Ciudad del Sol. CP 45050, Zapopan, Jalisco México | Mexico | US\$ | 0.0010 | 99.9900 | | 100.0000 |
| SQM Investment Corporation N.V. | Foreign | Pietermaai 123, P.O. Box 897, Willemstad, Curacao | Netherlands | US\$ | 1.0000 | 99.0000 | | 100.0000 |
| Royal Seed Trading Corporation A.V.V. | Foreign | Caya Ernesto O. Petronia 17, 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 | Foreign | Espejo 65 Oficina 6 – 5500 Mendoza | Argentina | US\$ | - | 100.0000 | | 100.0000 |
| Comercial Caimán Internacional S.A. | Foreign | Edificio Plaza Bancomer Calle 50 | Panama | US\$ | - | 100.0000 | | 100.0000 |
| SQM France S.A. | Foreign | ZAC des Pommiers 27930 FAUVILLE | France | US\$ | - | 100.0000 | | 100.0000 |
| Administración y Servicios Santiago S.A. de C.V. | Foreign | Av. Moctezuma 144-4 Ciudad del Sol. CP 45050, Zapopan, Jalisco México | Mexico | US\$ | - | 100.0000 | | 100.0000 |
| SQM Nitratos México S.A. de C.V. | Foreign | Av. Moctezuma 144-4 Ciudad del Sol. CP 45050, Zapopan, Jalisco México | Mexico | US\$ | - | 100.0000 | | 100.0000 |



Note 6 Background of companies included in consolidation (continued)

6.4 General information on consolidated subsidiaries, continued

| Subsidiary | Tax ID | Address | Country of incorporation | Functional currency | Direct | Ownership interest | | Total |
|---------------------------------|---------|---|--------------------------|---------------------|--------|--------------------|--|----------|
| | | | | | | Indirect | | |
| Soquimich European Holding B.V. | Foreign | Loacalellikade 1 Parnassustoren 1076 AZ Amsterdam | Netherlands | US\$ | - | 100.0000 | | 100.0000 |
| SQM Iberian S.A | Foreign | Provenza 251 Principal 1a CP 08008, Barcelona | Spain | US\$ | - | 100.0000 | | 100.0000 |
| SQM Africa Pty Ltd. | Foreign | Tramore House, 3 Wterford Office Park, Waterford Drive, 2191 Fourways, Johannesburg | South Africa | US\$ | - | 100.0000 | | 100.0000 |
| SQM Oceania Pty Ltd. | Foreign | Level 9, 50 Park Street, Sydney NSW 2000, Sydney | Australia | US\$ | - | 100.0000 | | 100.0000 |
| SQM Agro India Pvt. Ltd. | Foreign | C 30 Chiragh Enclave New Delhi, 110048 | India | US\$ | - | 100.0000 | | 100.0000 |
| SQM Beijing Commercial Co. Ltd. | Foreign | Room 1001C, CBD International Mansion N 16 Yong An Dong Li, Jian Wai Ave Beijing 100022, P.R. | China | US\$ | - | 100.0000 | | 100.0000 |
| SQM Thailand Limited | Foreign | Unit 2962, Level 29, N° 388, Exchange Tower Sukhumvit Road, Klongtoey Bangkok | Thailand | US\$ | - | 99.996 | | 99.996 |
| SQM Vitas Spain | Foreign | C/Manuel Echeverria Manzana 2 Muelle de la Cab (Puerto Real) | Spain | Euro | - | 100.0000 | | 100.0000 |



Note 6 Background of companies included in consolidation (continued)

6.5 Information attributable to non-controlling interests

| Subsidiary | % of interests in the ownership held by non-controlling interests. | Profit (loss) attributable to non-controlling interests | | Equity, non-controlling interests | | Dividends paid to non-controlling interests | |
|--------------------------|--|---|--------------|-----------------------------------|---------------|---|--------------|
| | | 12/31/2016 | 12/31/2015 | 12/31/2016 | 12/31/2015 | 12/31/2016 | 12/31/2015 |
| | | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Proinsa Ltda. | 0.1% | - | - | - | - | - | - |
| SQM Potasio S.A. | 0.0000001% | - | - | - | - | - | - |
| Ajay SQM Chile S.A. | 49% | 1,360 | 1,551 | 8,303 | 8,107 | 1,163 | 1,946 |
| SQM Indonesia S.A. | 20% | - | - | 1 | 1 | - | - |
| Soquimich Comercial S.A. | 39.3616784% | 2,378 | 2,605 | 50,416 | 49,897 | 1,851 | 1,303 |
| Comercial Agrorama Ltda. | 30% | (106) | 3 | 201 | 292 | - | - |
| Agrorama S.A. | 0.001% | - | - | - | - | - | - |
| Orcoma Estudios SPA | 49% | 2 | 5 | 2,277 | 2,274 | - | - |
| SQM (Thailand) Limited. | 0.004% | - | - | - | - | - | - |
| Total | | 3,634 | 4,164 | 61,198 | 60,571 | 3,014 | 3,249 |



Note 6 Background of companies included in consolidation (continued)

6.6 Information on consolidated subsidiaries

| Subsidiary | Assets | | Liabilities | | Revenue | Profit (loss) | Comprehensive income (loss) |
|---|-----------|-------------|-------------|-------------|---------|---------------|-----------------------------|
| | Current | Non-current | Current | Non-current | | | |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | | | |
| SQM Nitratos S.A. | 656,221 | 54,180 | 644,610 | 5,990 | 96,235 | 12,178 | 12,164 |
| Proinsa Ltda. | 56 | 1 | - | - | - | (4) | (4) |
| SQMC Internacional Ltda. | 204 | - | - | - | - | (3) | (3) |
| SQM Potasio S.A. | 176,976 | 722,965 | 37,167 | 26,933 | 5,902 | 253,322 | 252,435 |
| Serv. Integrales de Tránsito y Transf. S.A. | 75,296 | 36,407 | 107,567 | 224 | 30,315 | (18,192) | (18,362) |
| Isapre Norte Grande Ltda. | 664 | 746 | 714 | 131 | 3,053 | 23 | 23 |
| Ajay SQM Chile S.A. | 17,240 | 1,069 | 975 | 388 | 28,035 | 2,776 | 2,776 |
| Almacenes y Depósitos Ltda. | 278 | 45 | 1 | - | - | (10) | 105 |
| SQM Salar S.A. | 785,127 | 828,606 | 751,857 | 195,369 | 975,326 | 316,182 | 316,024 |
| SQM Industrial S.A. | 1,212,960 | 658,277 | 882,593 | 97,714 | 600,075 | 17,262 | 21,790 |
| Exploraciones Mineras S.A. | 510 | 31,598 | 6,027 | - | - | (286) | (284) |
| Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | 337 | 632 | 614 | 291 | 2,265 | 85 | - |
| Soquimich Comercial S.A. | 153,068 | 14,663 | 38,533 | 1,115 | 134,501 | 6,041 | 6,020 |
| Comercial Agororama Ltda. | 10,759 | 1,589 | 11,644 | 35 | 15,185 | (356) | (341) |
| Comercial Hydro S.A. | 5,242 | 56 | 115 | 15 | 47 | 350 | 350 |
| Agororama S.A. | 12,348 | 842 | 14,078 | 37 | 16,462 | (582) | (584) |
| Orcoma SpA | - | 2,360 | 14 | - | - | (1) | (1) |
| Orcoma Estudio SpA | 671 | 4,135 | 159 | - | - | 4 | 4 |
| SQM North America Corp. | 175,834 | 15,621 | 204,201 | 485 | 228,229 | (27,821) | (29,082) |
| RS Agro Chemical Trading Corporation A.V.V. | 5,179 | - | 8 | - | - | (23) | (23) |
| Nitratos Naturais do Chile Ltda. | 6 | 251 | 3,456 | - | - | (175) | (175) |
| Nitrate Corporation of Chile Ltd. | 5,076 | - | - | - | - | - | - |
| SQM Corporation N.V. | 668 | 116,267 | 3,568 | - | - | 2,479 | 5,819 |
| SQM Peru S.A. | 249 | 1 | 1,170 | - | 8 | (165) | (165) |
| SQM Ecuador S.A. | 18,870 | 121 | 17,538 | 41 | 24,161 | 471 | 471 |
| SQM Brasil Ltda. | 200 | 1 | 714 | 2,266 | 296 | (173) | (173) |
| SQI Corporation N.V. | - | 23 | 55 | - | - | (17) | (17) |
| SQMC Holding Corporation L.L.P. | 23,135 | 13,936 | 1,000 | - | - | 1,977 | 1,977 |
| SQM Japan Co. Ltd. | 2,868 | 276 | 6,708 | 561 | 3,013 | (7,615) | (7,615) |



Note 6 Background of companies included in consolidation (continued)

6.6 Information on consolidated subsidiaries, continued

| Subsidiary | Assets | | Liabilities | | Revenue | Profit (loss) | Comprehensive income (loss) |
|--|------------------|------------------|------------------|----------------|------------------|----------------|-----------------------------|
| | Current | Non-current | Current | Non-current | | | |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | | | |
| SQM Europe N.V. | 365,805 | 2,510 | 317,147 | - | 723,192 | 6,118 | 8,075 |
| SQM Italia SRL | 1,086 | - | 14 | - | - | - | - |
| SQM Indonesia S.A. | 3 | - | 1 | - | - | - | - |
| North American Trading Company | 158 | 145 | 39 | - | - | - | - |
| SQM Virginia LLC | 14,811 | 14,357 | 14,811 | - | - | (3) | (3) |
| SQM Comercial de México S.A. de C.V. | 73,791 | 2,200 | 49,048 | - | 186,769 | (1,757) | (1,757) |
| SQM Investment Corporation N.V. | 53,037 | 117 | 6,191 | 863 | - | (5,441) | (5,441) |
| Royal Seed Trading Corporation A.V.V. | 28,662 | - | 49,788 | - | - | (914) | (719) |
| SQM Lithium Specialties LLP | 15,763 | 3 | 1,264 | - | - | (3) | (3) |
| Soquimich SRL Argentina | 209 | - | 177 | - | - | (12) | (12) |
| Comercial Caimán Internacional S.A. | 259 | - | 1,122 | - | - | (2) | (2) |
| SQM France S.A. | 345 | 6 | 114 | - | - | - | - |
| Administración y Servicios Santiago S.A. de C.V. | 148 | 24 | 504 | 55 | 2,687 | 268 | 268 |
| SQM Nitratos México S.A. de C.V. | 41 | 1 | 24 | 6 | 266 | (2) | (2) |
| Soquimich European Holding B.V. | 55,198 | 115,761 | 65,005 | 3,142 | - | 1,025 | 5,581 |
| SQM Iberian S.A. | 81,119 | 1,709 | 73,198 | - | 146,677 | 3,501 | 9,464 |
| SQM Africa Pty Ltd. | 89,627 | 1,399 | 84,292 | - | 92,122 | (7,627) | (7,627) |
| SQM Oceania Pty Ltd. | 2,387 | - | 570 | - | 2,383 | (99) | (99) |
| SQM Agro India Pvt. Ltd. | 1 | - | 1 | - | - | (3) | (3) |
| SQM Beijing Commercial Co. Ltd. | 2,285 | 30 | 171 | - | 5,106 | (34) | (34) |
| SQM Thailand Limited | 10,228 | 5 | 7,288 | - | 5,579 | 319 | 319 |
| SQM Vitas Spain S.A. | 2,287 | 686 | 1,583 | - | 13,673 | 157 | 253 |
| Total | 4,137,292 | 2,643,621 | 3,407,438 | 335,661 | 3,341,562 | 553,218 | 571,387 |



Note 6 Background of companies included in consolidation (continued)

6.6 Information on consolidated subsidiaries, continued

| Subsidiary | 12/31/2015 | | | | | | Revenue ThUS\$ | Profit (loss) ThUS\$ | Comprehensive income (loss) ThUS\$ |
|---|-------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|-------------------------|--|
| | Assets | | Liabilities | | Current ThUS\$ | Non-current ThUS\$ | | | |
| | Current ThUS\$ | Non-current ThUS\$ | Current ThUS\$ | Non-current ThUS\$ | | | | | |
| SQM Nitratos S.A. | 521,948 | 69,159 | 531,903 | 7,913 | 146,731 | (715) | (739) | | |
| Proinsa Ltda. | 149 | - | - | - | - | - | - | | |
| SQMC Internacional Ltda. | 195 | - | - | - | - | (1) | (1) | | |
| SQM Potasio S.A. | 90,230 | 843,842 | 7,748 | 23,438 | 10,785 | 184,315 | 184,533 | | |
| Serv. Integrales de Tránsito y Transf. S.A. | 46,646 | 63,973 | 81,703 | 6,642 | 44,045 | (12,450) | (12,316) | | |
| Isapre Norte Grande Ltda. | 791 | 540 | 664 | 143 | 3,883 | - | 6 | | |
| Ajay SQM Chile S.A. | 17,044 | 942 | 879 | 563 | 38,414 | 3,165 | 3,165 | | |
| Almacenes y Depósitos Ltda. | 264 | 41 | - | - | - | (12) | (77) | | |
| SQM Salar S.A. | 625,239 | 885,904 | 474,225 | 201,581 | 762,058 | 193,367 | 193,300 | | |
| SQM Industrial S.A. | 1,030,937 | 702,192 | 741,820 | 83,751 | 685,634 | 19,144 | 11,224 | | |
| Exploraciones Mineras S.A. | 482 | 31,443 | 5,560 | - | - | (666) | (666) | | |
| Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | 296 | 550 | 423 | 364 | 2,299 | (130) | 12 | | |
| Soquimich Comercial S.A. | 138,413 | 22,447 | 33,058 | 1,037 | 162,582 | 6,618 | 6,301 | | |
| Comercial Agrorama Ltda. | 10,231 | 1,554 | 10,796 | 16 | 13,806 | 11 | 12 | | |
| Comercial Hydro S.A. | 9,014 | 87 | 122 | - | 50 | 460 | 460 | | |
| Agrorama S.A. | 12,848 | 595 | 13,759 | 16 | 15,131 | (380) | (380) | | |
| Orcoma SpA | - | 2,356 | 9 | - | - | (8) | (8) | | |
| Orcoma Estudio SpA | 2,059 | 2,931 | 347 | - | - | 9 | 9 | | |
| SQM North America Corp. | 200,156 | 16,348 | 201,343 | - | 255,455 | (12,774) | (12,774) | | |
| RS Agro Chemical Trading Corporation A.V.V. | 5,194 | - | - | - | - | (7) | (7) | | |
| Nitratos Naturais do Chile Ltda. | 2 | 229 | 3,255 | - | - | 618 | 618 | | |
| Nitrate Corporation of Chile Ltd. | 5,076 | - | - | - | - | - | - | | |
| SQM Corporation N.V. | 668 | 115,720 | 3,539 | - | - | 4,882 | 303 | | |
| SQM Peru S.A. | 421 | 1 | 1,176 | - | 22 | (104) | (104) | | |
| SQM Ecuador S.A. | 19,660 | 147 | 18,883 | 35 | 16,778 | 447 | 447 | | |
| SQM Brasil Ltda. | 121 | 1 | 585 | 2,142 | 375 | (2,694) | (2,694) | | |
| SQI Corporation N.V. | - | 23 | 38 | - | - | 53 | 52 | | |
| SQMC Holding Corporation L.L.P. | 21,296 | 13,873 | 1,000 | - | - | 2,044 | 2,044 | | |
| SQM Japan Co. Ltd. | 2,327 | 211 | 239 | 495 | 2,861 | 159 | 159 | | |



Note 6 Background of companies included in consolidation (continued)

6.6 Information on consolidated subsidiaries, continued

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



Note 6 Background of companies included in consolidation (continued)

6.7 Detail of transactions between consolidated companies

a) Transactions conducted in 2016

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

b) Transactions conducted in 2015

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



Note 7 Cash and cash equivalents

7.1 Types of cash and cash equivalents

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

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

7.2 Short-term investments, classified as cash equivalents

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

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

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

**Note 7 Cash and cash equivalents (continued)****7.3 Information on cash and cash equivalents by currency**

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

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

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

7.4 Amount of restricted (unavailable) cash balances

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

As of December 31, 2016 and December 31, 2015, restricted cash balances are presented in Note 10.9.



Note 7 Cash and cash equivalents (continued)

7.5 Short-term deposits, classified as cash equivalents

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

| 2016 Receiver of the deposit | Type of deposit | Original Currency | Interest rate | Placement date | Expiration date | Principal ThUS\$ | Interest accrued to-date ThUS\$ | 12/31/2016 ThUS\$ |
|---------------------------------|-----------------|-------------------|---------------|----------------|-----------------|---------------------|---------------------------------------|----------------------|
| Banco Santander | Fixed term | US\$ | 1.28 | 12/29/2016 | 1/31/2017 | 9,900 | 1 | 9,901 |
| Banco Crédito e Inversiones | Fixed term | US\$ | 0.90 | 12/30/2016 | 1/9/2017 | 15,000 | 1 | 15,001 |
| Banco Santander | Fixed term | US\$ | 0.90 | 12/30/2016 | 1/10/2017 | 10,000 | - | 10,000 |
| Scotiabank Sud Americano | Fixed term | US\$ | 0.93 | 10/11/2016 | 1/30/2017 | 13,000 | 27 | 13,027 |
| Banco de Chile | Fixed term | US\$ | 0.75 | 10/11/2016 | 1/30/2017 | 2,000 | 3 | 2,003 |
| Corpbanca | Fixed term | US\$ | 1.21 | 12/1/2016 | 1/3/2017 | 3,500 | 4 | 3,504 |
| Banco Santander - Santiago | Fixed term | US\$ | 0.76 | 12/7/2016 | 1/6/2017 | 3,900 | 2 | 3,902 |
| Banco Crédito e Inversiones | Fixed term | US\$ | 0.90 | 12/12/2016 | 1/12/2017 | 5,000 | 2 | 5,002 |
| Corpbanca | Fixed term | US\$ | 1.30 | 12/12/2016 | 1/12/2017 | 1,700 | 1 | 1,701 |
| Banco Crédito e Inversiones | Fixed term | US\$ | 0.88 | 12/14/2016 | 1/17/2017 | 2,000 | 1 | 2,001 |
| Banco Santander - Santiago | Fixed term | US\$ | 1.28 | 12/20/2016 | 2/21/2017 | 800 | - | 800 |
| Banco Santander - Santiago | Fixed term | US\$ | 1.28 | 12/20/2016 | 2/21/2017 | 5,000 | 2 | 5,002 |
| Banco BBVA Chile | Fixed term | US\$ | 0.75 | 12/22/2016 | 1/23/2017 | 3,500 | 1 | 3,501 |
| Banco de Chile | Fixed term | US\$ | 1.25 | 12/28/2016 | 2/9/2017 | 3,900 | 1 | 3,901 |
| Banco Santander - Santiago | Fixed term | US\$ | 1.31 | 12/28/2016 | 2/9/2017 | 3,300 | - | 3,300 |
| Banco Crédito e Inversiones | Fixed term | US\$ | 1.00 | 12/29/2016 | 1/30/2017 | 3,800 | - | 3,800 |
| Corpbanca | Fixed term | Ch\$ | 0.31 | 12/16/2016 | 1/2/2017 | 1,942 | 3 | 1,945 |
| Scotiabank Sud Americano | Fixed term | Ch\$ | 0.32 | 12/29/2016 | 1/9/2017 | 597 | 1 | 598 |
| Scotiabank Sud Americano | Fixed term | Ch\$ | 0.33 | 12/30/2016 | 1/9/2017 | 2,091 | - | 2,091 |
| Citibank New York | Overnight | US\$ | 0.01 | 12/31/2016 | 1/1/2017 | 1,742 | - | 1,742 |
| BBVA Banco Francés | Fixed term | US\$ | 0.21 | 24/10/2016 | 1/31/2017 | 199 | - | 199 |
| Nedbank | On demand | US\$ | - | 12/1/2016 | 1/31/2017 | 2,752 | - | 2,752 |
| Total | | | | | | 95,623 | 50 | 95,673 |

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



Note 8 Inventories

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

| Type of inventory | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|----------------------------------|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Raw material reserves | 7,536 | 4,844 | 9,540 |
| Supplies for production reserves | 23,610 | 29,353 | 30,398 |
| Products-in-progress reserves | 482,261 | 478,627 | 453,816 |
| Finished product reserves | 479,665 | 491,022 | 425,849 |
| Total | 993,072 | 1,003,846 | 919,603 |

As of December 31, 2016, the Company had inventories of caliche ore available for processing for ThUS\$43,400 (ThUS\$32,203 as of December 31, 2015 and ThUS\$38,265 as of December 31, 2014).

The sum registered as cost of sale related to inventory in the statement of income amounts to ThUS\$1,116,057 as of December 31, 2016, ThUS\$1,070,387 as of December 31, 2015 and ThUS\$1,259,983 as of December 31, 2014.

Inventory reserves recognized as of December 31, 2016 amount to ThUS\$81,295, and ThUS\$80,369 as of December 31, 2015 and ThUS\$97,248 as of December 31, 2014. Inventory reserves have been made based on a technical study that covers the different variables affecting products in stock (density and humidity, among others). Additionally, reserves are recognized if goods are sold cheaper than the related cost, and for differences that arise from inventory counts.

The breakdown of inventory reserves is detailed as follows:

| Type of inventory | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|----------------------------------|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Raw material reserves | 93 | 93 | 93 |
| Supplies for production reserves | 920 | 920 | 500 |
| Products-in-progress reserves | 52,843 | 53,187 | 55,994 |
| Finished product reserves | 27,439 | 26,169 | 26,379 |
| Total | 81,295 | 80,369 | 82,966 |

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



Note 8 Inventories (continued)

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

| Reconciliation | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|--|----------------------|----------------------|----------------------|
| Opening balance | <u>80,369</u> | <u>82,966</u> | <u>97,248</u> |
| Changes | | | |
| Additional provisions | 33,118 | 18,461 | 33,748 |
| Increase (decrease) in existing provisions | (32,192) | (21,058) | (48,030) |
| Total changes | <u>926</u> | <u>(2,597)</u> | <u>(14,282)</u> |
| Final Balance | <u>81,295</u> | <u>80,369</u> | <u>(82,966)</u> |

Note 9 Related party disclosures

9.1 Related party disclosures

Balances pending at period-end are not guaranteed, accrue no interest and are settled in cash. No guarantees have been delivered or received for trade and other receivables due from related parties or trade and other payables due to related parties. For the period ended December 31, 2016, the Company has not recorded any impairment in accounts receivable related to amounts owed by related parties. This evaluation is conducted every year through an examination of the financial position of the related party in the market in which it operates.

9.2 Relationships between the parent and the entity

According to the Company's by-laws, no shareholder can own more than 32% of the Company's voting right shares.

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A., and Inversiones Global Mining (Chile) Ltda., collectively the Pampa Group, are the owners of a number of shares that are equivalent to 29.97% as of December 31, 2016 of the current total amount of shares issued, subscribed and fully-paid of the Company. In addition, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation, collectively the Kowa Group, are the owners of a number of shares equivalent to 2.12% of the total amount of shares of SQM S.A. issued, subscribed and fully-paid.

The Pampa Group and the Kowa Group have informed SQM S.A., the Chilean SVS and the relevant stock exchanges in Chile and abroad that they are not and have never been related parties between them. In addition, this is regardless of the fact that both Groups on December 21, 2006 have entered into a Joint Action Agreement (JAA) related to those shares. Consequently, the Pampa Group, by itself, does not concentrate more than 32% of the voting right capital of SQM S.A., and the Kowa Group does not concentrate by itself more than 32% of the voting right capital of SQM S.A.

Likewise, the Joint Action Agreement has not transformed the Pampa and Kowa Groups into related parties between them. The Joint Action Agreement has only transformed the current controller of SQM S.A., composed of the Pampa Group, and the Kowa Group into related parties of SQM S.A.



Note 9 Related party disclosures (continued)

9.3 Relationships between the parent and the entity, continued

Detail of effective concentration

| Tax ID No. | Name | Ownership interest % |
|-------------------|--|-----------------------------|
| 96.511.530-7 | Sociedad de Inversiones Pampa Calichera S.A. | 19.72 |
| 76.165.311-5 | Potasios de Chile S.A. | 6.91 |
| 96.863.960-9 | Inversiones Global Mining (Chile) Ltda. | 3.34 |
| | Total Pampa Group | 29.97 |
| 79.798.650-k | Inversiones la Esperanza (Chile) Ltda. | 1.43 |
| 59.046.730-8 | Kowa Co Ltd. | 0.30 |
| 96.518.570-4 | Kochi S.A. | 0.30 |
| 59.023.690-k | La Esperanza Delaware Corporation | 0.09 |
| | Total Kowa Group | 2.12 |

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

As of December 31, 2016 and December 31, 2015, the detail of entities that are related parties of the SQM S.A. Group is as follows:

| 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. | The Netherlands | US\$ | Subsidiary |
| Foreign | SQI Corporation N.V. | The Netherlands | US\$ | Subsidiary |
| Foreign | SQM Comercial De México S.A. de C.V. | Mexico | US\$ | Subsidiary |
| Foreign | North American Trading Company | United States | US\$ | Subsidiary |
| Foreign | Administración y Servicios Santiago S.A. de C.V. | Mexico | US\$ | Subsidiary |
| Foreign | SQM Peru S.A. | Peru | US\$ | Subsidiary |
| Foreign | SQM Ecuador S.A. | Ecuador | US\$ | Subsidiary |
| Foreign | SQM Nitratos Mexico S.A. de C.V. | Mexico | US\$ | Subsidiary |
| Foreign | SQMC Holding Corporation L.L.P. | United States | US\$ | Subsidiary |
| Foreign | SQM Investment Corporation N.V. | The Netherlands | US\$ | Subsidiary |
| Foreign | SQM Brasil Limitada | Brazil | US\$ | Subsidiary |
| Foreign | SQM France S.A. | France | US\$ | Subsidiary |
| Foreign | SQM Japan Co. Ltd. | Japan | US\$ | Subsidiary |
| Foreign | Royal Seed Trading Corporation A.V.V. | Aruba | US\$ | Subsidiary |
| Foreign | SQM Oceania Pty Limited | Australia | US\$ | Subsidiary |
| Foreign | Rs Agro-Chemical Trading Corporation A.V.V. | Aruba | US\$ | Subsidiary |
| Foreign | SQM Indonesia S.A. | Indonesia | US\$ | Subsidiary |
| Foreign | SQM Virginia L.L.C. | United States | US\$ | Subsidiary |
| Foreign | SQM Italia SRL | Italy | US\$ | Subsidiary |
| Foreign | Comercial Caiman Internacional S.A. | Panamá | US\$ | Subsidiary |
| Foreign | SQM Africa Pty. Ltd. | South Africa | US\$ | Subsidiary |
| Foreign | SQM Lithium Specialties LLC | United States | US\$ | Subsidiary |
| Foreign | SQM Iberian S.A. | Spain | US\$ | Subsidiary |
| Foreign | SQM Agro India Pvt. Ltd. | India | US\$ | Subsidiary |
| Foreign | SQM Beijing Commercial Co. Ltd. | China | US\$ | Subsidiary |
| Foreign | SQM Thailand Limited | Thailand | US\$ | Subsidiary |
| Foreign | SQM Vitas Spain | Spain | US\$ | Subsidiary |
| 96.801.610-5 | Comercial Hydro S.A. | Chile | Chilean peso | Subsidiary |
| 96.651.060-9 | SQM Potasio S.A. | Chile | US\$ | Subsidiary |
| 96.592.190-7 | SQM Nitratos S.A. | Chile | US\$ | Subsidiary |
| 96.592.180-K | Ajay SQM Chile S.A. | Chile | US\$ | Subsidiary |

Note 9 Related party disclosures (continued)

9.4 Detailed identification of the link between the Parent and subsidiary, continued

As of December 31, 2016 and December 31, 2015, the detail of entities that are a related parties of the SQM S.A: Group is as follows:

| Tax ID No. | Name | Country of origin | Functional currency | Nature |
|--------------|---|-------------------|----------------------|--|
| 86.630.200-6 | SQMC Internacional Ltda. | Chile | Chilean peso | Subsidiary |
| 79.947.100-0 | SQM Industrial S.A. | Chile | US\$ | Subsidiary |
| 79.906.120-1 | Isapre Norte Grande Ltda. | Chile | Chilean peso | Subsidiary |
| 79.876.080-7 | Almacenes y Depósitos Ltda. | Chile | Chilean peso | Subsidiary |
| 79.770.780-5 | Servicios Integrales de Tránsitos y Transferencias S.A. | Chile | US\$ | Subsidiary |
| 79.768.170-9 | Soquimich Comercial S.A. | Chile | US\$ | Subsidiary |
| 79.626.800-K | SQM Salar S.A. | Chile | US\$ | Subsidiary |
| 78.053.910-0 | Proinsa Ltda. | Chile | Chilean peso | Subsidiary |
| 76.534.490-5 | Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | Chile | Chilean peso | Subsidiary |
| 76.425.380-9 | Exploraciones Mineras S.A. | Chile | US\$ | Subsidiary |
| 76.064.419-6 | Comercial Agrorama Ltda. | Chile | Chilean peso | Subsidiary |
| 76.145.229-0 | Agrorama S.A. | Chile | Chilean peso | Subsidiary |
| 76.359.919-1 | Orcoma Estudios SPA | Chile | US\$ | Subsidiary |
| 76.360.575-2 | Orcoma SPA | Chile | US\$ | Subsidiary |
| 77.557.430-5 | Sales de Magnesio Ltda. | Chile | Chilean peso | Associate |
| Foreign | Abu Dhabi Fertilizer Industries WWL | Arab Emirates | Arab Emirates dirham | Associate |
| Foreign | Doktor Tarsa Tarim Sanayi AS | Turkey | Turkish lira | Associate |
| Foreign | Ajay North America | United States | US\$ | Associate |
| Foreign | Ajay Europe SARL | France | Euro | Associate |
| Foreign | SQM Eastmed Turkey | Turkey | Euro | Associate |
| Foreign | Charlee SQM Thailand Co. Ltd. | Thailand | Thai baht | Associate |
| Foreign | Sichuan SQM Migao Chemical Fertilizers Co Ltda. | China | US\$ | Joint venture |
| Foreign | Coromandel SQM India | India | Indian rupee | Joint venture |
| Foreign | SQM Vitas Fzco. | Arab Emirates | Arab Emirates dirham | Joint venture |
| Foreign | SQM Star Qingdao Corp Nutrition Co., Ltd. | China | US\$ | Joint venture |
| Foreign | SQM Vitas Holland B.V. | Dutch Antilles | Euro | Joint venture |
| Foreign | Kowa Company Ltd. | Japan | US\$ | Shareholder |
| 96.511.530-7 | Sociedad de Inversiones Pampa Calichera | Chile | US\$ | Significant shareholder |
| 96.529.340-k | Norte Grande S.A. | Chile | Chilean peso | Parent Company of significant share holder |
| 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 Brazil Agroindustria | Brazil | US\$ | Joint venture |
| Foreign | SQM Vitas Peru S.A.C. | Peru | US\$ | Joint venture |
| Foreign | SQM Vitas Plantacote B.V. | Dutch Antilles | Euro | Joint venture |
| Foreign | Minera Exar S.A. | Argentina | US\$ | Joint venture |
| Foreign | SQM Vitas Southern Africa Pty. | South Africa | US\$ | Joint venture |

- (1) During December 2016, SQM Salar S.A. sold the interest it had in Sales de Magnesio Ltda. to Rockwood Lito Ltda. This transaction generated a gain of ThUS\$7,636.

Note 9 Related party disclosures (continued)

9.4 Detail of related parties and related party transactions

Transactions between the Parent and its subsidiaries, associates, joint ventures and other related parties 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 according to the transaction giving rise to them.

As of December 31, 2016 and December 31, 2015, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

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

| Tax ID No. | Company | Nature | Country of origin | Transaction | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|--------------|---|--|-------------------|--------------------|----------------------|----------------------|----------------------|
| Foreign | Doktor Tarsa Tarim Sanayi As | Associate | Turkey | Sale of products | 11,619 | 17,842 | 26,806 |
| Foreign | Ajay Europe S.A.R.L. | Associate | France | Sale of products | 17,977 | 23,545 | 28,566 |
| Foreign | Ajay Europe S.A.R.L. | Associate | France | Dividends | 1,338 | 1,748 | 2,728 |
| Foreign | Ajay North America LLC. | Associate | United States | Sale of products | 12,865 | 15,618 | 23,533 |
| Foreign | Ajay North America LLC. | Associate | United States | Dividends | 2,605 | 5,185 | 7,139 |
| Foreign | Ajay North America LLC. | Associate | United States | Sale of services | - | - | 90 |
| | | | United Arab | | | | |
| Foreign | Abu Dhabi Fertilizer Industries WWL | Associate | Emirates | Sale of products | 8,312 | 7,902 | 8,535 |
| Foreign | Charlee SQM Thailand Co. Ltd. | Associate | Thailand | Sale of products | 3,798 | 5,557 | 6,852 |
| Foreign | Charlee SQM Thailand Co. Ltd. | Associate | Thailand | Dividends | - | 296 | - |
| 77.557.430-5 | Sales de Magnesio Ltda. | Associate | Chile | Sale of products | - | 1,187 | 1,112 |
| 77.557.430-5 | Sales de Magnesio Ltda. | Associate | Chile | Dividends | - | 286 | 1,245 |
| 77.557.430-5 | Sales de Magnesio Ltda. | Associate | Chile | Sale of services | - | 34 | 35 |
| | | Other related parties | | | | | |
| 79.049.778-9 | Callegari Agrícola S.A. | Holding | Chile | Other transactions | - | - | 47 |
| Foreign | Kowa Company Ltd. | Company | Japan | Sale of products | 91,678 | 62,543 | 76,714 |
| Foreign | Kowa Company Ltd. | Shareholder | Japan | Services received | - | (933) | (1,546) |
| Foreign | SQM Vitas Brasil Agroindustria | Joint venture | Brazil | Sale of products | 17,686 | 32,019 | 51,841 |
| | | Joint control or significant influence | | | | | |
| Foreign | SQM Vitas Peru S.A.C. | Joint control or significant influence | Peru | Sale of products | 22,090 | 34,586 | 30,978 |
| | | Joint control or significant influence | | | | | |
| Foreign | SQM Vitas Southern Africa Pty. | | South Africa | Sale of products | - | 2,187 | 13,975 |
| | | | United Arab | | | | |
| Foreign | SQM Vitas Fzco. | Joint venture | Emirates | Sale of products | 965 | 1,060 | 1,681 |
| Foreign | Sichuan SQM Migao Chemical Fertilizers Co Ltda. | Joint venture | China | Sale of products | 9,950 | 22,624 | 53,763 |
| Foreign | Sichuan SQM Migao Chemical Fertilizers Co Ltda. | Joint venture | China | Sale of services | 257 | - | - |
| Foreign | Coromandel SQM India | Joint venture | India | Sale of products | 4,630 | 4,012 | 4,930 |
| Foreign | SQM Vitas Spain | Joint venture | Spain | Sale of products | 5,528 | 8,587 | 7,700 |
| Foreign | SQM Vitas Plantacote B.V. | Joint venture | Netherlands | Sale of products | 49 | 27 | 4 |
| | | | | | 166 | | |
| Foreign | SQM Star Qingdao Corp Nutrition Co., Ltd. | Joint venture | China | Sale of products | - | - | - |
| Foreign | SQM Vitas Holland B.V. | Joint venture | Netherlands | Sale of products | 634 | - | - |



Note 9 Related party disclosures (continued)

Trade receivable and payable between the Parent and its subsidiaries, associates, joint ventures and other related parties 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.

9.5 Trade receivables due from related parties, current:

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

9.6 Trade payables due to related parties, current:

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

Note 9 Related party disclosures (continued)

9.7 Board of Directors and Senior Management

1) Board of directors

SQM S.A. is managed by a Board of Directors which is composed of 8 regular directors, 2 of which are independent directors, who are elected for a three-year period. The present Board of Directors was elected by the shareholders at the Ordinary Shareholders' Meeting of April 26, 2016.

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

- Directors' Committee: composed of Hans Dieter Linneberg A. and Edward J. Waitzer, Julio Rebolledo D. Such Committee performs the duties contained in Article 50 bis of Law No. 18.046, the Chilean "Securities Act".
- Audit Committee: composed of Hans Dieter Linneberg A. and Edward J. Waitzer, Julio Rebolledo D.
- Health, Safety and Environmental Matters Committee: composed of Mrs. Joanne L. Boyes, Gonzalo Guerrero Y. and Arnfinn F. Prugger.
- Corporate Governance Committee: composed of Edward J. Waitzer, Robert A. Kirkpatrick, and Hans Dieter Linneberg A.

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

1.1 Shearman & Sterling and Ad-Hoc Committee

At its Extraordinary Meeting of February 26, 2015, the Board of Directors formed an Ad-Hoc Committee, which is currently composed of the Directors Robert A. Kirkpatrick, Wolf von Appen B. and the Chairman Edward J. Waitzer. The Board of Directors delegated in the Committee the authority required to perform its duties and empowered it so that at its discretion engages all legal and accounting advisory required and other independent external advisory services as it deems appropriate and that upon performing its duties reports to the Board of Directors on its conclusions and possible recommendations for courses of action. The Committee engaged the legal Advisory of the law firms Shearman & Sterling and Vial / Serrano, and the forensic services provided by FTI.

Note 9 Related party disclosures (continued)

9.7 Board of Directors and Senior Management, continued

2) Directors' Compensation

Directors' compensation is detailed as follows:

- a) The payment of a fixed, gross and monthly amount of three hundred Unidades de Fomento (inflation-adjusted units) in favor the Chairman of the Board of Directors of SQM S.A. and of two hundred Unidades de Fomento in favor of each of the remaining seven directors of SQM S.A. regardless of the number of Meetings held or not held during the related month and for the periods between May 1, 2016 and April 30, 2017.
- b) A payment in domestic currency in favor of the Chairman of the Company's Board of Directors consisting of a variable and gross amount equivalent to 0.135% of profit for the period effectively earned by the Company during fiscal year 2016.
- c) A payment in domestic currency in favor of each Company's directors excluding the Chairman of the Board, consisting of a variable and gross amount equivalent to 0.06% of profit for the period effectively earned by the Company during fiscal years 2016.
- d) The fixed and variable amounts indicated above will not be subject to any challenge between them and those expressed in percentages will be paid after the related General Shareholders' Meeting of SQM S.A. approves the Balance Sheet, Financial Statements, Annual Report, the Account Inspectors' Report and Independent Auditor's Report of SQM S.A. for the commercial year ended December 31, 2016.
- e) The amounts expressed in UF will be paid in accordance with the value determined by the Chilean Superintendence of Banks and Financial Institutions (SBIF), the Central Bank of Chile (Banco Central de Chile) or another relevant institution replacing them during the last day of the calendar year applicable. The amounts reflected in or referred to in U.S. dollars will be converted to Chilean pesos and paid in Chilean pesos in accordance with the exchange rate with which the dividend declared for the commercial year 2016 is paid.
- f) Therefore, the remunerations and profit sharing paid to members of the Board of Directors and Audit Committee during 2016 amount to ThUS\$2,292 (ThUS\$2,769 as of December 31, 2015).

3) Audit Committee

The remuneration of Directors Committee is composed of:

- a) The payment of a fixed, gross and monthly amount of three seventy-five Unidades de Fomento (inflation-adjusted units) in favor the three Directors that are members of the Director's Committee regardless of the number of Meetings held or not held during the related month and for the periods between May 1, 2016 and April 30, 2017.
- b) A payment in domestic currency in favor of each of the three Directors consisting of a variable and gross amount equivalent to 0.02% of profit for the period effectively earned by the Company during fiscal year 2016 resulting after deducting the relevant amount for the concept of the amortization of gain from bargain purchase and regardless of the number of Meetings held or not held by the Directors' Committee during such year.

Note 9 Related party disclosures (continued)

9.7 Board of Directors and Senior Management, continued

- c) The fixed and variable amounts indicated above will not be subject to any challenge between them and those expressed in percentages will be paid after the related General Shareholders' Meeting of SQM S.A. approves the Balance Sheet, Financial Statements, Annual Report, the Account Inspectors' Report and Independent Auditor's Report of SQM S.A. for the commercial year ended December 31, 2016.
- d) The amounts expressed in UF will be paid in accordance with the value determined by the Chilean Superintendence of Banks and Financial Institutions (SBIF), the Central Bank of Chile (Banco Central de Chile) or another relevant institution replacing them during the last day of the calendar year applicable. The amounts reflected in or referred to in U.S. dollars will be converted to Chilean pesos and paid in Chilean pesos in accordance with the exchange rate with which the dividend declared for the commercial year 2016 is paid.

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

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

- 5) No guarantees have been constituted in favor of the directors.
- 6) Senior management compensation:
 - a) As of December 31, 2016, the global compensation paid to the 105 main executives amounts to ThUS\$20,439 and the global compensation paid to the 103 main executives as of December 31, 2015 amounted to ThUS\$19,355. This includes monthly fixed salary and variable performance bonuses.
 - b) The Company provides its executives with an annual and a long-term bonus plan payable in the first quarter of 2021 or the date of the employee's resignation, taking into account achievement of targets and individual contribution to the Company's operating results.
- 7) Additionally, the Company has retention bonuses for the Company's executives. The amount of these bonuses is linked to the price of the Company's share and is payable in 2021 (see Note 16).
- 8) No guarantees have been constituted in favor of the Company's management.
- 9) The Company's Managers and Directors do not receive or have not received any benefit during the period ended December 31, 2016 and the year ended December 31, 2015 or compensation for the concept of pensions, life insurance, paid time off, profit sharing, incentives, or benefits due to disability other than those mentioned in the preceding points.



Note 9 Related party disclosures (continued)

9.7 Board of Directors and Senior Management, continued

- 10) In accordance with IAS 24, we should report that the Company's Director Mr. Wolf Von Appen B. is also a member of the Ultramar Group. As of December 31, 2015, the amount of transactions with this Group is approximately ThUS\$7,854 (ThUS\$12,287 as of December 31, 2014).

9.8 Key management personnel compensation

| | 12/31/2016 | 12/31/2015 |
|---|-------------------|-------------------|
| | ThUS\$ | ThUS\$ |
| Key management personnel compensation (1) | 20,439 | 19,355 |

(1) Corresponds to a number of executives (see Note 9.7 6) b).

Note 10 Financial instruments

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

10.1 Types of other financial assets

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

(1) Relates to term deposits with maturities exceeding 90 days and less than 360 days from the investment date.

(2) Relate to forwards and options that were not classified as hedging instruments (see detail in Note 10.3).

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

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

Detail of other current financial assets

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



Note 10 Financial instruments, (continued)

10.2 Trade and other receivables

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

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



Note 10 Financial instruments, (continued)

10.2 Trade and other receivables, continued

Portfolio stratification, continued

The Company's policy is to require guarantees (such as letters of credit, guarantee clauses and others) and/or maintaining insurance policies for certain accounts as deemed necessary by management.

Unsecuritized portfolio

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

| | 12/31/2016 | | | | | | | | | | Total ThUS\$ |
|--|--------------------------|--------------------------|---------------------------|---------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------|
| | Not overdue ThUS\$ | 1 - 30 days ThUS\$ | 31 - 60 days ThUS\$ | 61 - 90 days ThUS\$ | 91 - 120 days ThUS\$ | 121 - 150 days ThUS\$ | 151 - 180 days ThUS\$ | 181 - 210 days ThUS\$ | 211 - 250 days ThUS\$ | Over 250 days ThUS\$ | |
| Number of customers, portfolio under no renegotiated terms | 1,943 | 2,502 | 1,666 | 1,324 | 1,473 | 372 | 290 | 227 | 221 | 1,903 | 11,921 |
| Portfolio under no renegotiated terms | 298,872 | 18,511 | 5,097 | 2,951 | 3,441 | 1,010 | 643 | 522 | 309 | 25,849 | 357,205 |
| Number of customers under renegotiated terms portfolio | 22 | 333 | 155 | 30 | 17 | 9 | 3 | 19 | 5 | 218 | 811 |
| Portfolio under renegotiated terms, gross | 947 | 602 | 83 | 62 | 118 | 5 | 8 | 33 | 33 | 2,560 | 4,451 |
| Total gross portfolio | 299,819 | 19,113 | 5,180 | 3,013 | 3,559 | 1,015 | 651 | 555 | 342 | 28,409 | 361,656 |

| | 12/31/2015 | | | | | | | | | | Total ThUS\$ |
|--|--------------------------|--------------------------|---------------------------|---------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------|
| | Not overdue ThUS\$ | 1 - 30 days ThUS\$ | 31 - 60 days ThUS\$ | 61 - 90 days ThUS\$ | 91 - 120 days ThUS\$ | 121 - 150 days ThUS\$ | 151 - 180 days ThUS\$ | 181 - 210 days ThUS\$ | 211 - 250 days ThUS\$ | Over 250 days ThUS\$ | |
| Number of customers, portfolio under no renegotiated terms | 3,653 | 698 | 388 | 2,617 | 565 | 241 | 253 | 667 | 311 | 1,836 | 11,229 |
| Portfolio under no renegotiated terms | 249,892 | 13,268 | 1,484 | 9,572 | 2,720 | 19 | 264 | 6,159 | 1,067 | 6,340 | 290,785 |
| Number of customers under renegotiated terms portfolio | 17 | 1 | 551 | 38 | 8 | 1 | 3 | 7 | 6 | 235 | 867 |
| Portfolio under renegotiated terms, gross | 540 | 10 | 625 | 13 | 170 | 15 | 259 | 35 | 293 | 1,780 | 3,740 |
| Total gross portfolio | 250,432 | 13,278 | 2,109 | 9,585 | 2,890 | 34 | 523 | 6,194 | 1,360 | 8,120 | 294,525 |

Note 10 Financial instruments, (continued)

10.2 Trade and other receivables, continued

The detail of allowances is as follows:

| Provision and write-offs | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|---|----------------------|----------------------|----------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Allowance for portfolio under no renegotiated terms | 19,428 | 18,980 | 16,585 |
| Allowance for portfolio with renegotiated terms | 2,193 | 2,356 | 3,717 |
| Write-offs for the period | (5) | (1,605) | (474) |
| Total | <u>21,616</u> | <u>19,731</u> | <u>19,828</u> |

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

| Reconciliation | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | <u>19,731</u> | <u>19,828</u> | <u>20,650</u> |
| Additional provisions | 10,632 | 2,836 | 1,097 |
| Increase (decrease) in existing provisions | (8,747) | (2,933) | (1,919) |
| Final Balance | <u>21,616</u> | <u>19,731</u> | <u>(19,828)</u> |

Credit risk concentration

Credit risk concentration with respect to trade receivables is reduced due to the great number of entities included in the Company's client database and their distribution throughout the world.



Note 10 Financial instruments, (continued)

10.3 Hedging assets and liabilities

The balance represents derivative instruments measured at fair value which have been classified as hedges from exchange and interest rate risks related to the total obligations associated with bonds of the Company in Chilean pesos and UF (and the exchange risk in Chilean pesos of the Company's investment plans). As of December 31, 2016, the notional amount of cash flows in Cross Currency Swap contracts agreed upon in US dollars amounted to ThUS\$320,155 and as of December 31, 2015 such contracts amounted to ThUS\$331,853 and as of December 31, 2014 such contracts amounted to ThUS\$343,519.

| Hedging assets with underlying debt | Derivative instruments (Fwds) | Effect on profit or loss for the period | Hedging reserve in gross equity | Deferred tax hedging reserve in equity | Hedging reserve in equity |
|---|--------------------------------------|--|--|---|----------------------------------|
| | ThUS\$ | Derivative instruments | ThUS\$ | ThUS\$ | ThUS\$ |
| | | Effect on profit or loss for the period | | | |
| | | Derivative instruments | | | |
| | | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| December 31, 2016 | 830 | 789 | 41 | (9) | 32 |
| Hedging liabilities with underlying debt | Derivative instruments (CCS) | Effect on profit or loss for the period | Hedging reserve in gross equity | Deferred tax hedging reserve in equity | Hedging reserve in equity |
| | ThUS\$ | Derivative instruments | ThUS\$ | ThUS\$ | ThUS\$ |
| | | Effect on profit or loss for the period | | | |
| | | Derivative instruments | | | |
| | | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| December 31, 2016 | 43,235 | 28,108 | (29) | 5 | (24) |

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

| Hedging liabilities with underlying investments | Derivative instruments (CCS) | Effect on profit or loss for the period | Hedging reserve in gross equity | Deferred tax hedging reserve in equity | Hedging reserve in equity |
|--|-------------------------------------|--|--|---|----------------------------------|
| | ThUS\$ | Derivative instruments ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| December 31, 2016 | 218 | (294) | 76 | (19) | 57 |
| Hedging liabilities | Derivative instruments (CCS) | Effect on profit or loss for the period | Hedging reserve in gross equity | Deferred tax hedging reserve in equity | Hedging reserve in equity |
| | ThUS\$ | Derivative instruments ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| December 31, 2015 | 74,786 | (29,245) | 86 | 96 | 182 |
| December 31, 2014 | 37,034 | (43,236) | 1,638 | (311) | 1,327 |

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

Derivative contract maturities are detailed as follows:

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

The Company uses cross currency swap derivative instruments to hedge the possible financial risk associated with the volatility of the exchange rate associated with Chilean pesos and UF. The objective is to hedge the exchange rate financial risks associated with bonds payable. Hedges are documented and tested to measure their effectiveness.

Based on a comparison of critical terms, hedging is highly effective, given that the hedged amount is consistent with obligations maintained for bonds denominated in Chilean pesos and UF. Likewise, hedging contracts are denominated in the same currencies and have the same expiration dates of bond principal and interest payments.

Hedge Accounting

The Company classifies derivative instruments as hedging that may include derivative or embedded derivatives either as fair value hedge derivative instruments, cash flow hedge derivative instruments, or hedge derivative instruments for net investment in a business abroad.

a) Fair value hedge

Changes in fair values of derivative instruments classified as fair value hedge derivative instruments are accounted for in gains and losses immediately along with any change in the fair value of the hedged item that is attributable to the risk being hedged.



Note 10 Financial instruments (continued)

10.3 Hedging assets and liabilities, continued

The Company documents the relationship between hedge instruments and the hedged item along with the objectives of its risk management and strategy to carry out different hedging transactions. In addition, upon commencement of the period hedged and then on a quarterly basis the Company documents whether hedge instruments have been efficient and met the objective of hedging market fluctuations for the purpose of which we use the effectiveness test. A hedge instrument is deemed effective if the effectiveness test result is between 80% and 125%.

The hedge instruments are classified as effective or not effective on the basis of the effectiveness test results. As of to date, hedges are classified as effective on the basis of the effectiveness tests. This note includes the detail of fair values of derivatives classified as hedging instruments.

b) Cash flow hedges

Cash flow hedges cover exposure to the cash flow variations attributable to a risk associated with a specific transaction that is very likely to be executed, that may have material effects on the results of the Company.

10.4 Financial liabilities

Other current and non-current financial liabilities

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

| | 12/31/2016 | | | 12/31/2015 | | |
|-------------------------------------|-------------------|-----------------------|------------------|-------------------|-----------------------|------------------|
| | Current ThUS\$ | Non-current ThUS\$ | Total ThUS\$ | Current ThUS\$ | Non-current ThUS\$ | Total ThUS\$ |
| Bank borrowings | 101,270 | - | 101,270 | 178,183 | 140,000 | 318,183 |
| Obligations with the public (bonds) | 58,973 | 1,059,706 | 1,118,679 | 221,092 | 1,077,172 | 1,298,264 |
| Derivatives | 1,920 | - | 1,920 | 981 | - | 981 |
| Hedging liabilities | 16,981 | 33,732 | 50,713 | 1,774 | 73,031 | 74,805 |
| Total | 179,144 | 1,093,438 | 1,272,582 | 402,030 | 1,290,203 | 1,692,233 |

Current and non-current bank borrowings

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

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



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

a) Bankborrowings, current:

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

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

| Debtor | Creditor | 12/31/2016 Nominal amounts | | | 12/31/2016 Current amounts | | | Borrowing costs ThUS\$ | Total ThUS\$ |
|---------------------|--------------------------|-------------------------------|--------------------------|----------------|-------------------------------|--------------------------|-----------------|------------------------|----------------|
| | | Up to 90 days ThUS\$ | 90 days to 1 year ThUS\$ | Total ThUS\$ | Up to 90 days ThUS\$ | 90 days to 1 year ThUS\$ | Subtotal ThUS\$ | | |
| Company | Financial institution | | | | | | | | |
| SQM.S.A. | Scotiabank Sud Americano | - | 20,000 | 20,000 | 30 | 20,000 | 20,030 | - | 20,030 |
| SQM.S.A. | Banco Estado | - | 20,412 | 20,412 | - | 20,919 | 20,919 | - | 20,919 |
| SQM.S.A. | Scotiabank Sud Americano | - | 17,000 | 17,000 | - | 17,057 | 17,057 | - | 17,057 |
| SQM.S.A. | Scotiabank Sud Americano | - | 3,000 | 3,000 | - | 3,010 | 3,010 | - | 3,010 |
| SQM Salar S.A. | Scotiabank Sud Americano | - | 20,000 | 20,000 | - | 20,042 | 20,042 | - | 20,042 |
| SQM Industrial S.A. | Banco Estado | 20,000 | - | 20,000 | 20,212 | - | 20,212 | - | 20,212 |
| Total | | 20,000 | 80,412 | 100,412 | 20,242 | 81,028 | 101,270 | - | 101,270 |



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

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

| Debtor | Creditor | 12/31/2015 Nominal amounts | | | 12/31/2015 Current amounts | | | Borrowing costs ThUS\$ | Total ThUS\$ |
|---------------------------------------|---|-------------------------------|-----------------------------|-----------------|-------------------------------|-----------------------------|--------------------|---------------------------|----------------|
| | | Up to 90 days ThUS\$ | 90 days to 1 year ThUS\$ | Total ThUS\$ | Up to 90 days ThUS\$ | 90 days to 1 year ThUS\$ | Subtotal ThUS\$ | | |
| Company | Financial institution | | | | | | | | |
| SQM.S.A. | Scotiabank Sud Americano | - | 20,000 | 20,000 | 13 | 20,000 | 20,013 | - | 20,013 |
| SQM.S.A. | Banco Estado | - | 20,000 | 20,000 | 9 | 20,000 | 20,009 | - | 20,009 |
| SQM.S.A. | Scotiabank Sud Americano | - | 17,000 | 17,000 | 8 | 17,000 | 17,008 | - | 17,008 |
| SQM S.A. | Banco Estado NY Branch | - | - | - | 1,067 | - | 1,067 | - | 1,067 |
| SQM Salar S.A. | Scotiabank Sud Americano | - | 20,000 | 20,000 | 16 | 20,000 | 20,016 | - | 20,016 |
| SQM Industrial S.A. | Banco Estado | 20,000 | - | 20,000 | 20,032 | - | 20,032 | - | 20,032 |
| Royal Seed Trading Corporation A.V.V. | Bank of America | - | 40,000 | 40,000 | - | 40,137 | 40,137 | (49) | 40,088 |
| Royal Seed Trading Corporation A.V.V. | The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York) | - | 20,000 | 20,000 | - | 20,052 | 20,052 | (54) | 19,998 |
| Royal Seed Trading Corporation A.V.V. | Export Development Canada | - | 20,000 | 20,000 | - | 20,010 | 20,010 | (58) | 19,952 |
| Total | | 20,000 | 157,000 | 177,000 | 21,145 | 157,199 | 178,344 | (161) | 178,183 |



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

b) Unsecured obligations, current:

As of December 31, 2016 and December 31, 2015, the detail of current unsecured interest-bearing obligations is composed of promissory notes and bonds, as follows:

Bonds

| Debtor | Number of registration or ID of the instrument | Series | Maturity date | Currency or adjustment index | Periodicity | Effective rate | Nominal rate | | | |
|-------------------|--|-------------|---------------|------------------------------|----------------------------|------------------|--------------|---------------|-------|-------|
| Tax ID No. | Company | País | | | Payment of interest | Repayment | | | | |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$250,000 | 10/21/2016 | US\$ | Semiannual | Upon maturity | 1.97% | 5.50% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$250,000 | 1/28/2017 | US\$ | Semiannual | Upon maturity | 3.61% | 4.38% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$300,000 | 10/3/2016 | US\$ | Semiannual | Upon maturity | 2.48% | 3.63% |
| 93.007.000-9 | SQM S.A. | Chile | 446 | C | 12/1/2016 | UF | Semiannual | Semiannual | 1.34% | 4.00% |
| 93.007.000-9 | SQM S.A. | Chile | 564 | H | 1/5/2017 | UF | Semiannual | Semiannual | 2.47% | 4.90% |
| 93.007.000-9 | SQM S.A. | Chile | 700 | M | 2/1/2017 | UF | Semiannual | Upon maturity | 0.69% | 3.30% |
| 93.007.000-9 | SQM S.A. | Chile | 699 | O | 2/1/2017 | UF | Semiannual | Upon maturity | 3.00% | 3.80% |

| Company | Country | Series | 12/31/2016 Nominal maturities | | | 12/31/2016 Current maturities | | | | Total |
|--------------|---------|---------------|----------------------------------|-------------------|---------------|----------------------------------|-------------------|---------------|---------------------|---------------|
| | | | Up to 90 days | 91 days to 1 year | Total | Up to 90 days | 91 days to 1 year | Subtotal | Bond issuance costs | |
| | | | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | |
| SQM S.A. | Chile | ThUS\$250,000 | - | - | - | - | 2,674 | 2,674 | (386) | 2,288 |
| SQM S.A. | Chile | ThUS\$250,000 | - | - | - | 4,649 | - | 4,649 | (433) | 4,216 |
| SQM S.A. | Chile | ThUS\$300,000 | - | - | - | - | 2,658 | 2,658 | (615) | 2,043 |
| SQM S.A. | Chile | C | - | 5,903 | 5,903 | - | 6,098 | 6,098 | - | 6,098 |
| SQM S.A. | Chile | H | - | - | - | 3,726 | - | 3,726 | (139) | 3,587 |
| SQM S.A. | Chile | M | 39,356 | - | 39,356 | 39,893 | - | 39,893 | (11) | 39,882 |
| SQM S.A. | Chile | O | - | - | - | 926 | - | 926 | (67) | 859 |
| Total | | | 39,356 | 5,903 | 45,259 | 49,194 | 11,430 | 60,624 | (1,651) | 58,973 |

Effective rates of bonds in Chilean pesos and UF are expressed and calculated in U.S. dollars based on the flows agreed in Cross Currency Swap Agreements.



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

| Debtor | | Number of registration or ID of the instrument | Series | Maturity date | Currency or adjustment index | Periodicity | Effective rate | Nominal rate | | |
|--------------|----------|--|--------|---------------|------------------------------|---------------------|----------------|---------------|-------|-------|
| Tax ID No. | Company | Pais | | | | Payment of interest | Repayment | | | |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$200,000 | 4/15/2016 | US\$ | Semiannual | Upon maturity | 9.19% | 6.13% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$250,000 | 4/21/2016 | US\$ | Semiannual | Upon maturity | 5.89% | 5.50% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$250,000 | 1/28/2016 | US\$ | Semiannual | Upon maturity | 4.61% | 4.38% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$300,000 | 4/3/2016 | US\$ | Semiannual | Upon maturity | 3.93% | 3.63% |
| 93.007.000-9 | SQM S.A. | Chile | 446 | C | 6/1/2016 | UF | Semiannual | Semiannual | 6.52% | 4.00% |
| 93.007.000-9 | SQM S.A. | Chile | 564 | H | 1/5/2016 | UF | Semiannual | Semiannual | 5.20% | 4.90% |
| 93.007.000-9 | SQM S.A. | Chile | 700 | M | 2/1/2016 | UF | Semiannual | Upon maturity | 4.32% | 3.30% |
| 93.007.000-9 | SQM S.A. | Chile | 699 | O | 2/1/2016 | UF | Semiannual | Upon maturity | 3.97% | 3.80% |

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

Effective rates of bonds in Chilean pesos and UF are expressed and calculated in U.S. dollars based on the flows agreed in Cross Currency Swap Agreements.



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

c) Types of interest-bearing borrowings, non-current

Non-current interest-bearing borrowings as of December 31, 2016 and December 31, 2015 are detailed as follows:

| Debtor | | | Creditor | | | Currency or adjustment index | Repayment | Effective rate | Nominal rate | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|------------------------|---|-------------------|------------------------|----------------|-----------------------------------|-------------------|-------------------|----------------|------------------|----------------|-----------------------|---|--|--|--|-----------------------------------|--|--|--|------------------|-------|-------------------|-------------------|-------------------|-------|-------------------|-------------------|-------------------|----------|--|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|------------------------|---------|---|---|---------|---------|---|---|---------|---|---------|--------------|--|----------------|----------|----------|----------------|----------------|----------|----------|----------------|----------|----------------|
| Tax ID No. | Company | Country | Tax ID No. | Financial institution | Country | | Upon maturity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 93.007.000-9 | SQM S.A. | Chile | Foreign | Banco Estado NY Branch | United States | US\$ | | 1.94% | 2.54% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th rowspan="2">Company</th> <th rowspan="2">Financial institution</th> <th colspan="4">Nominal non-current maturities 12/31/2015</th> <th colspan="4">Non-current maturities 12/31/2015</th> <th rowspan="2">Borrowings costs</th> <th rowspan="2">Total</th> </tr> <tr> <th>Over 1 years to 2</th> <th>Over 2 years to 3</th> <th>Over 3 years to 4</th> <th>Total</th> <th>Over 1 years to 2</th> <th>Over 2 years to 3</th> <th>Over 3 years to 4</th> <th>Subtotal</th> </tr> <tr> <th></th> <th></th> <th>ThUS\$</th> <th>ThUS\$</th> <th>ThUS\$</th> <th>ThUS\$</th> <th>ThUS\$</th> <th>ThUS\$</th> <th>ThUS\$</th> <th>ThUS\$</th> <th>ThUS\$</th> <th>ThUS\$</th> </tr> </thead> <tbody> <tr> <td>SQM S.A.</td> <td>Banco Estado NY Branch</td> <td>140,000</td> <td>-</td> <td>-</td> <td>140,000</td> <td>140,000</td> <td>-</td> <td>-</td> <td>140,000</td> <td>-</td> <td>140,000</td> </tr> <tr> <td>Total</td> <td></td> <td>140,000</td> <td>-</td> <td>-</td> <td>140,000</td> <td>140,000</td> <td>-</td> <td>-</td> <td>140,000</td> <td>-</td> <td>140,000</td> </tr> </tbody> </table> | | | | | | | | | | | Company | Financial institution | Nominal non-current maturities 12/31/2015 | | | | Non-current maturities 12/31/2015 | | | | Borrowings costs | Total | Over 1 years to 2 | Over 2 years to 3 | Over 3 years to 4 | Total | Over 1 years to 2 | Over 2 years to 3 | Over 3 years to 4 | Subtotal | | | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | SQM S.A. | Banco Estado NY Branch | 140,000 | - | - | 140,000 | 140,000 | - | - | 140,000 | - | 140,000 | Total | | 140,000 | - | - | 140,000 | 140,000 | - | - | 140,000 | - | 140,000 |
| Company | Financial institution | Nominal non-current maturities 12/31/2015 | | | | Non-current maturities 12/31/2015 | | | | Borrowings costs | | | Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Over 1 years to 2 | Over 2 years to 3 | Over 3 years to 4 | Total | Over 1 years to 2 | Over 2 years to 3 | Over 3 years to 4 | Subtotal | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SQM S.A. | Banco Estado NY Branch | 140,000 | - | - | 140,000 | 140,000 | - | - | 140,000 | - | 140,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | | 140,000 | - | - | 140,000 | 140,000 | - | - | 140,000 | - | 140,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

d) Non-current unsecured interest-bearing bonds

The breakdown of non-current unsecured interest-bearing bonds as of December 31, 2016 and December 31, 2015 is detailed as follows:

| Tax ID No. | Company | Country | Number of registration or ID of the instrument | Series | Maturity date | Currency or adjustment index | Periodicity | | Effective rate | Nominal rate |
|--------------|----------|---------|--|---------------|---------------|------------------------------|---------------------|---------------|----------------|--------------|
| | | | | | | | Payment of interest | Repayment | | |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$250,000 | 04/21/2020 | US\$ | Semiannual | Upon maturity | 5.94% | 5.50% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$250,000 | 01/28/2025 | US\$ | Semiannual | Upon maturity | 4.62% | 4.38% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$300,000 | 04/03/2023 | US\$ | Semiannual | Upon maturity | 3.95% | 3.63% |
| 93.007.000-9 | SQM S.A. | Chile | 446 | C | 12/01/2026 | UF | Semiannual | Semiannual | 5.57% | 4.00% |
| 93.007.000-9 | SQM S.A. | Chile | 564 | H | 01/05/2030 | UF | Semiannual | Semiannual | 5.22% | 4.90% |
| 93.007.000-9 | SQM S.A. | Chile | 699 | O | 02/01/2033 | UF | Semiannual | Upon maturity | 3.97% | 3.80% |

| Series | Nominal non-current maturities 12/31/2016 | | | | | Total | Non-current maturities 12/31/2016 | | | | | Subtotal | Bond issuance costs | Total |
|--------------|---|-------------------|-------------------|-------------------|----------------|------------------|-----------------------------------|-------------------|-------------------|-------------------|----------------|------------------|---------------------|------------------|
| | Over 1 year to 2 | Over 2 years to 3 | Over 3 Years to 4 | Over 4 Years to 5 | Over 5 years | | Over 1 year to 2 | Over 2 years to 3 | Over 3 Years to 4 | Over 4 Years to 5 | Over 5 years | | | |
| ThUS\$250 | ThUS\$ - | ThUS\$ 250,000 | ThUS\$ - | ThUS\$ - | ThUS\$ - | ThUS\$ 250,000 | ThUS\$ - | ThUS\$ 250,000 | ThUS\$ - | ThUS\$ - | ThUS\$ - | ThUS\$ 250,000 | ThUS\$ (904) | ThUS\$ 249,096 |
| ThUS\$250 | - | - | - | - | 250,000 | 250,000 | - | - | - | 250,000 | 250,000 | 250,000 | (3,069) | 246,931 |
| ThUS\$300 | - | - | - | - | 300,000 | 300,000 | - | - | - | 300,000 | 300,000 | 300,000 | (3,230) | 296,770 |
| C | 5,903 | 5,903 | 5,903 | 5,903 | 29,519 | 53,131 | 5,903 | 5,903 | 5,903 | 5,903 | 29,519 | 53,131 | - | 53,131 |
| H | - | - | - | - | 157,426 | 157,426 | - | - | - | - | 157,426 | 157,426 | (1,671) | 155,755 |
| O | - | - | - | - | 59,035 | 59,035 | - | - | - | - | 59,035 | 59,035 | (1,012) | 58,023 |
| Total | 5,903 | 255,903 | 5,903 | 5,903 | 795,980 | 1,069,592 | 5,903 | 255,903 | 5,903 | 5,903 | 795,980 | 1,069,592 | (9,886) | 1,059,706 |



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

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

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

| Tax ID No. | Company | Country | Number of registration or ID of the instrument | Series | Maturity date | Currency or adjustment index | Periodicity | | Effective rate | Nominal rate |
|--------------|----------|---------|--|---------------|---------------|------------------------------|---------------------|---------------|----------------|--------------|
| | | | | | | | Payment of interest | Repayment | | |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$200,000 | 04/15/2016 | US\$ | Semiannual | Upon maturity | 9.19% | 6.13% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$250,000 | 04/21/2020 | US\$ | Semiannual | Upon maturity | 5.89% | 5.50% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$250,000 | 01/28/2025 | US\$ | Semiannual | Upon maturity | 4.61% | 4.38% |
| 93.007.000-9 | SQM S.A. | Chile | - | ThUS\$300,000 | 04/03/2023 | US\$ | Semiannual | Upon maturity | 3.93% | 3.63% |
| 93.007.000-9 | SQM S.A. | Chile | 446 | C | 12/01/2026 | UF | Semiannual | Semiannual | 6.53% | 4.00% |
| 93.007.000-9 | SQM S.A. | Chile | 564 | H | 01/05/2030 | UF | Semiannual | Semiannual | 5.20% | 4.90% |
| 93.007.000-9 | SQM S.A. | Chile | 700 | M | 02/01/2017 | UF | Semiannual | Upon maturity | 4.32% | 3.30% |
| 93.007.000-9 | SQM S.A. | Chile | 699 | O | 02/01/2033 | UF | Semiannual | Upon maturity | 3.97% | 3.80% |

| Series | Nominal non-current maturities 12/31/2015 | | | | | Total | Non-current maturities 12/31/2015 | | | | | Subtotal | Bond issuance costs | Total |
|--------------|---|-------------------|-------------------|-------------------|----------------|------------------|-----------------------------------|-------------------|-------------------|-------------------|----------------|------------------|---------------------|------------------|
| | Over 1 year to 2 | Over 2 years to 3 | Over 3 Years to 4 | Over 4 Years to 5 | Over 5 years | | Over 1 year to 2 | Over 2 years to 3 | Over 3 Years to 4 | Over 4 Years to 5 | Over 5 years | | | |
| ThUS\$250 | - | - | 250,000 | - | - | 250,000 | - | - | 250,000 | - | - | 250,000 | (1,290) | 248,710 |
| ThUS\$250 | - | - | - | - | 250,000 | 250,000 | - | - | - | - | 250,000 | 250,000 | (3,502) | 246,498 |
| ThUS\$300 | - | - | - | - | 300,000 | 300,000 | - | - | - | - | 300,000 | 300,000 | (3,843) | 296,157 |
| C | 5,413 | 5,413 | 5,413 | 5,413 | 32,482 | 54,134 | 5,413 | 5,413 | 5,413 | 5,413 | 32,482 | 54,134 | - | 54,134 |
| H | - | - | - | - | 144,357 | 144,357 | - | - | - | - | 144,357 | 144,357 | (1,810) | 142,547 |
| M | 36,089 | - | - | - | - | 36,089 | 36,089 | - | - | - | - | 36,089 | (17) | 36,072 |
| O | - | - | - | - | 54,134 | 54,134 | - | - | - | - | 54,134 | 54,134 | (1,080) | 53,054 |
| Total | 41,502 | 5,413 | 255,413 | 5,413 | 780,973 | 1,088,714 | 41,502 | 5,413 | 255,413 | 5,413 | 780,973 | 1,088,714 | (11,542) | 1,077,172 |

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

e) Additional information

Bonds

On the 30 of September 2016 and the 31st of December 2015, short term bonds of ThUS\$58,973 and ThUS\$221,092 respectively were classified as short-term, consisting of the current portion due plus accrued interest to date, debt is presented net of bond issuance costs. The non-current portion consisted of ThUS\$1,059,706 on the 31 of December 2016 and ThUS\$1,077,172 on the 31st December 2015, corresponding to the issuance of series C bonds, Single series bonds (ThUS\$200), series H bonds second issue single series bonds (ThUS\$250), series M bonds, series O bonds, third issue single series bonds (ThUS\$300) and fourth issue single series bonds (ThUS\$250) excluding debt issue costs.

As of December 31, 2016 and December 31, 2015, the details of each issuance are as follows:

Series "C" bonds

On January 24, 2006, the Company placed Series C bonds for UF 3,000,000 (ThUS\$101,918) at an annual rate of 4.00%.

As of December 31, 2016, December 31, 2015 and December 31, 2014, the Company has made the following payments with a charge to the Series C bonds:

| Payments made | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|----------------------|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Principal payment | 5,729 | 5,729 | 6,301 |
| Interest payment | 3,275 | 3,570 | 3,184 |

Single series first issue ThUS\$200,000

On April 5, 2006, the Company placed Single Series bonds for ThUS\$200,000 at an annual rate of 6.125% under "Rule 144 and regulation S of the U.S. Securities Act of 1933."

As of December 31, 2016, December 31, 2015 and December 31, 2014, the Company has made the following payments with a charge to the Single series bonds:

| Payments made | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|----------------------------|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Payments of principal owed | 200,000 | - | - |
| Payments of interest | 6,125 | 12,250 | 12,250 |



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

Series “G” and “H” bonds

On January 13, 2009, the Company placed two bond series in the domestic market. Series H for UF 4,000,000 (ThUS\$139,216) at an annual interest rate of 4.9% at a term of 21 years with payment of principal beginning in 2019 and Series G for ThCh\$21,000,000 (ThUS\$34,146), which was placed at a term of 5 years with a single payment at the maturity of the term and an annual interest rate of 7%.

As of December 31, 2016, December 31, 2015 and December 31, 2014, the Company has made the following payments with a charge to the Series G and H bonds:

| Payments made | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Payments of interest, Series H bonds | 7,289 | 7,696 | 8,496 |
| Payment of principal of Series G bonds | - | - | 39,713 |
| Payments of interest, Series G bonds | - | - | 1,366 |



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

Single series bonds, second issue ThUS\$250,000

On April 21, 2010, the Company informed the Chilean Superintendence of Securities and Insurance of its placement in international markets of an unsecured bond of ThUS\$250,000 with a maturity of 10 years beginning on the aforementioned date with an annual interest rate of 5.5% and destined to refinance long-term liabilities.

As of December 31, 2016, December 31, 2015 and December 31, 2014, the detail of payments charged to the line of single series bonds, second issue is as follows:

| Payments made | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|----------------------|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Interest payment | 13,750 | 13,750 | 13,750 |

Series “M” and “O” bonds

On April 4, 2012, the Company placed two bond series in the domestic market. Series M for UF 1,000,000 (ThUS\$46,601) was placed at a term of 5 years with a single payment at the maturity of the term and an annual interest rate of 3.3%, and Series O for UF 1,500,000 (ThUS\$69,901) was placed at a term of 21 years with a single payment at the maturity of the term and an annual interest rate of 3.80%

As of December 31, 2016, December 31, 2015 and December 31, 2014 the Company has made the following payments with a charge to the Series M and O bonds:

| Payments made | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|-------------------------------------|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | |
| Payment of interest, Series M bonds | 1,242 | 1,248 | 1,380 |
| Payment of interest, Series O bonds | 2,142 | 2,153 | 2,381 |

Single series bonds, third issue ThUS\$300,000

On April 3, 2013 in the United States, the Company issued a non-guaranteed bond with a value of US\$300 million. The bond is for a 10 year term with an annual coupon rate of 3.625% and an annual yield of 3.716%. This rate equates to a difference of 180 basis points to comparable US Treasury bonds. The funds raised will be used to refinance long term liabilities and finance general corporate objectives.

As of December 31, 2016, December 31, 2015 and December 31, 2014, the following payments have been made with a debit to the line of single-series bonds, third issue:

| Payments made | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|----------------------|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Payment of interest | 10,875 | 10,875 | 10,875 |



Note 10 Financial instruments (continued)

10.4 Financial liabilities, continued

Single series bonds, fourth issuance ThUS\$250,000

On October 23, 2014, the Company informed the Chilean Superintendence of Securities and Insurance that Sociedad Química y Minera de Chile S.A. agreed to issue and place unsecured bonds of ThUS\$250,000 in international markets. This, essentially, maturing in 2025 with a cover annual interest rate of 4.375% equivalent to a spread of 215 basis points on comparable US Treasury bonds, which were offered to the investors at a price of 99.410% with respect to capital. The aforementioned agreement was agreed on October 23, 2014 and the issuance and placement of such bonds was performed in conformity with the provisions of Rule 144A of the US Securities Act of 1933 and these bonds will not be publicly offered in Chile.

As of December 31, 2016, December 31, 2015 and December 31, 2014, the following payments have been made.

| Payments made | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|----------------------|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Payment of interest | 10,938 | 8,203 | - |

10.5 Trade and other payables

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

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



Note 10 Financial instruments (continued)

10.6 Financial liabilities at fair value through profit or loss

This balance relates to derivative instruments measured at their fair value, which has generated balances against the Company. The detail of this type of instrument is as follows:

| Financial liabilities at fair value through profit or loss | 12/31/2016 ThUS\$ | Effect on profit or loss as of 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | Effect on profit or loss as of 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ | Effect on profit or loss as of 12/31/2014 ThUS\$ |
|---|------------------------------|---|------------------------------|---|------------------------------|---|
| Current | | | | | | |
| Derivative instruments (Forward) | - | - | - | - | 457 | |
| Derivative instruments (options) | - | - | 215 | 1,304 | 1,410 | |
| Derivative instruments (IRS) | - | (229) | 283 | (242) | 736 | 1,637 |
| | <u>-</u> | <u>(229)</u> | <u>498</u> | <u>1,062</u> | <u>2,603</u> | <u>1,637</u> |

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



Note 10 Financial instruments (continued)

10.7 Financial asset and liability categories

a) Financial Assets

| Description of financial assets | Financial instruments | 12/31/2016 | | | 12/31/2015 | | |
|--|-----------------------------|-----------------------|---------------------------|---------------------|-----------------------|---------------------------|---------------------|
| | | Current Amount ThUS\$ | Non-current Amount ThUS\$ | Total Amount ThUS\$ | Current Amount ThUS\$ | Non-current Amount ThUS\$ | Total Amount ThUS\$ |
| Cash and cash equivalent | | 514,669 | - | 514,669 | 527,259 | - | 527,259 |
| Trade receivables due from related parties | | 82,259 | - | 82,259 | 99,907 | - | 99,907 |
| Financial assets measured at amortized cost | Term deposits | 284,160 | 44 | 284,204 | 617,267 | 42 | 617,309 |
| Loans and receivables measured at amortized cost | Trade and other receivables | 368,761 | 1,840 | 370,601 | 302,225 | 1,050 | 303,275 |
| Total financial assets measured at amortized cost | | 1,249,849 | 1,884 | 1,251,733 | 1,546,658 | 1,092 | 1,547,750 |
| Financial assets at fair value through profit or loss | Derivative instruments | 5,029 | 7,156 | 12,185 | 19,058 | - | 19,058 |
| Financial assets classified as available for sale at fair value through equity | Other investments | - | 6,899 | 6,899 | - | 444 | 444 |
| Total financial assets at fair value | | 5,029 | 14,055 | 19,084 | 19,058 | 444 | 19,502 |
| Total financial assets | | 1,254,878 | 15,939 | 1,270,797 | 1,565,716 | 1,536 | 1,567,252 |



Note 10 Financial instruments (continued)

10.7 Financial asset and liability categories (continued)

b) Financial liabilities

| Description of financial liabilities | Financial instruments | 12/31/2016 | | | 12/31/2015 | | |
|---|-----------------------------|-----------------------|---------------------------|---------------------|-----------------------|---------------------------|---------------------|
| | | Current Amount ThUS\$ | Non-current Amount ThUS\$ | Total Amount ThUS\$ | Current Amount ThUS\$ | Non-current Amount ThUS\$ | Total Amount ThUS\$ |
| Trade payables due to related parties | | 7 | - | 7 | 435 | - | 435 |
| Financial liabilities at fair value through profit or loss | Derivative instruments | 18,901 | 33,732 | 52,633 | 2,755 | 73,031 | 75,786 |
| Financial liabilities at fair value through profit or loss | | 18,908 | 33,732 | 52,640 | 3,190 | 73,031 | 76,221 |
| Financial liabilities measured at amortized cost | Bank borrowings | 101,270 | - | 101,270 | 178,183 | 140,000 | 318,183 |
| Financial liabilities measured at amortized cost | Obligations with the public | 58,973 | 1,059,706 | 1,118,679 | 221,092 | 1,077,172 | 1,298,264 |
| Financial liabilities measured at amortized cost | Trade and other payables | 200,496 | - | 200,496 | 136,840 | - | 136,840 |
| Total financial liabilities measured at amortized cost | | 360,739 | 1,059,706 | 1,420,445 | 536,115 | 1,217,172 | 1,753,287 |
| Total financial liabilities | | 379,647 | 1,093,438 | 1,473,085 | 539,305 | 1,290,203 | 1,829,508 |

Note 10 Financial instruments (continued)

10.8 Fair value measurement of assets and liabilities

Financial assets and liabilities measured at fair value consist of Options and Forwards hedging the mismatch in the balance sheet and cash flows, Cross Currency Swaps (CCS) to hedge bonds issued in local currency (\$/UF), and Interest Rate Swaps (IRS) to hedge LIBOR rate debt issued.

The value of the Company's assets and liabilities recognized by CCS contracts is calculated as the difference between the present value of discounted cash flows of the asset (pesos/UF) and liability (US\$) parts of the derivative. In the case of the IRS, the asset value recognized is calculated as the difference between the discounted cash flows of the asset (variable rate) and liability (fixed rate) parts of the derivative. Forwards: Are calculated as the difference between the strike price of the contract and the spot price plus the forwards points at the date of the contract. Options: The value recognized is calculated using the Black-Scholes method.

In the case of CCS, the entry data used for the valuation models are UF, peso, and basis swap rates. In the case of fair value calculations for IRS, the FRA (Forward Rate Agreement) rate and ICVS 23 Curve (Bloomberg: cash/deposits rates, futures, swaps). In the case of forwards, the forwards curve for the currency in question is used. Finally, with options, the spot price, risk-free rate and volatility of exchange rate are used, all in accordance with the currencies used in each valuation. The financial information used as entry data for the Company's valuation models is obtained from Bloomberg, the well-known financial software company. Conversely, the fair value provided by the counterparties of derivatives contracts is used only as a control and not for valuation.

The effects on profit or loss of movements in these amounts may be recognized in the caption Finance costs, foreign currency translation gain (loss) or cash flow hedges in the statement of comprehensive income, depending on each particular case.

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

The value of the Company's reported liabilities is calculated as the present value of discounted cash flows at market rates at the time of valuation, taking into account the maturity date and exchange rate. The entry data used for the model includes the UF and peso rates, which are obtained using Bloomberg, the well-known financial software company and the 'Asociación de Bancos e Instituciones Financieras' (ABIF) (Association of Banks and Financial Institutions').

Note 10 Financial instruments (continued)

10.8 Fair value measurement of assets and liabilities, continued

Fair value hierarchy

The fair value hierarchy is detailed as follows:

- a) Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- b) Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- c) Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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



Note 10 Financial instruments (continued)

10.8 Fair value measurement of assets and liabilities, continued

| | Fair value 12/31/2015 ThUS\$ | Measurement methodology | | |
|------------------------------|------------------------------------|-------------------------|-------------------|-------------------|
| | | Level 1 ThUS\$ | Level 2 ThUS\$ | Level 3 ThUS\$ |
| Financial assets | | | | |
| Investment | | | | |
| Investment in companies | 424 | 424 | - | - |
| Non-hedging derivatives | | | | |
| Forwards | 18,709 | - | 18,710 | - |
| Options | 349 | - | 349 | - |
| Other | 62 | - | 63 | - |
| Financial liabilities | | | | |
| Non-hedging derivatives | | | | |
| Forwards | 574 | - | 574 | - |
| Options | 407 | - | 407 | - |
| Hedging derivatives | | | | |
| Swaps | 74,805 | - | 74,805 | - |

10.9 Financial assets pledged as guarantee

On November 4, 2004, Isapre Norte Grande maintains a guarantee equivalent to the total amount owed to its members and healthcare providers, which is managed and maintained by Banco de Chile.

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

| Restricted cash | 12/31/2016 | 12/31/2015 |
|---------------------------|------------|------------|
| | ThUS\$ | ThUS\$ |
| Isapre Norte Grande Ltda. | 685 | 496 |
| Total | 685 | 496 |

Note 10 Financial instruments (continued)

10.10 Estimated fair value of financial instruments and financial derivatives

As required by IFRS 7, the following information is presented for the disclosure of the estimated fair value of financial assets and liabilities.

Although inputs represent Management's best estimate, they are subjective and involve significant estimates related to the current economic and market conditions, as well as risk features.

Methodologies and assumptions used depend on the risk terms and characteristics of instruments and include the following as a summary:

- Cash equivalent approximates fair value due to the short-term maturities of these instruments.
- The fair value of trade receivables, current is considered to be equal to the carrying amount due to the maturity of such accounts at short-term.
- The fair value of other current financial liabilities is considered to be equal to their carrying values due to the maturity of such accounts at short-term.
- For interest-bearing liabilities with original maturity of more than a year, fair values are calculated at discounting contractual cash flows at their original current market with similar terms.
- The fair value of debt is considered in Level 2.
- For forward and swap contracts, fair value is determined using quoted market prices of financial instruments with similar characteristics.

Note 10 Financial instruments (continued)

10.10 Estimated fair value of financial instruments and financial derivatives, continued

The detail of the Company's instruments at carrying value and estimated fair value is as follows:

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

All of the resulting fair value estimates are included in level 1 and 2.

10.11 Nature and scope of risks arising from financing instruments

As indicated in paragraphs 33 to 42 of IFRS 7 the disclosure of information associated with the nature and scope of risks arising from financial instruments is presented in Note 4 - Financial Risk Management.



Note 11 Equity-accounted investees

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

As of December 31, 2016 and December 31, 2015, in accordance with criteria established in Note 3.19, investment in associates recognized according to the equity method of accounting and joint ventures are as follows:

| Associates | Equity-accounted investees | | | Share on profit (loss) of associates and joint ventures accounted for using the equity method | | | Share on other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax | | Share on total other comprehensive income of associates and joint ventures accounted for using the equity method | | |
|-------------------------------------|----------------------------|----------------------|--------------|---|----------------------|----------------------|--|----------------------|--|----------------------|----------------------|
| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
| Sales de Magnesio Ltda. | - | 1,535 | - | - | 819 | 942 | - | - | - | 819 | 942 |
| Abu Dhabi Fertilizer Industries WWL | 13,343 | 11,766 | 1,482 | 1,455 | 1,783 | - | 455 | 1,482 | 1,910 | 1,783 | |
| Doktor Tarsa Tarim Sanayi AS | 16,712 | 15,032 | 4,026 | 2,505 | 4,138 | 590 | - | 4,616 | 2,505 | 4,138 | |
| Ajay North America | 13,457 | 12,913 | 2,794 | 3,600 | 6,188 | - | - | 2,794 | 3,600 | 6,188 | |
| Ajay Europe SARL | 7,373 | 7,202 | 1,132 | 1,732 | 2,570 | (7) | (21) | 1,126 | 1,711 | 2,540 | |
| SQM Eastmed Turkey | - | 70 | (100) | (4) | (21) | - | - | (100) | (4) | (21) | |
| Charlee SQM Thailand Co. Ltd. | 1,763 | 1,318 | 244 | 122 | 158 | - | 89 | 244 | 210 | 158 | |
| Kore Potash Ltd. | 20,000 | - | - | - | - | - | - | - | - | - | |
| Total | 72,648 | 49,836 | 9,578 | 10,229 | 15,758 | 583 | 523 | 10,162 | 10,751 | 15,728 | |

| Associate | Description of the nature of the relationship | Domicile | Country of incorporation | Share of ownership in associates | Dividends received | |
|-------------------------------------|---|---|--------------------------|----------------------------------|----------------------|----------------------|
| | | | | | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ |
| Sales de Magnesio Ltda. (1) | Commercialization of magnesium salts. | El Trovador 4285, Las Condes | Chile | 50% | 409 | 286 |
| Abu Dhabi Fertilizer Industries WWL | Distribution and commercialization of specialty plant nutrients in the Middle East. | PO Box 71871, Abu Dhabi | United Arab Emirates | 37% | - | - |
| Doktor Tarsa Tarim Sanayi AS | Distribution and commercialization of specialty plant nutrients in Turkey. | Organize Sanayi Bolgesi, Ikinci Kisim, 22 cadde TR07100 Antalya | Turkey | 50% | - | - |
| Ajay North America | Production and distribution of iodine derivatives. | 1400 Industry RD Power Springs GA 30129 | United States | 49% | 2.605 | 5.185 |
| Ajay Europe SARL | Production and commercialization of iodine derivatives. | Z.I. du Grand Verger BP 227 53602 Evron Cedex | France | 50% | 1.338 | 1.748 |
| SQM Eastmed Turkey | Production and commercialization of specialty products. | Organize Sanayi Bolgesi, Ikinci Kisim, 22 cadde TR07100 Antalya | Turkey | 50% | - | - |
| Charlee SQM Thailand Co. Ltd. | Distribution and commercialization of specialty plant nutrients. | 31 Soi 138 (Meesuk) LLapdrawrd, Bangkapi, 10240 Bangkok | Thailand | 40% | - | 296 |
| Kore Potash Ltd. | Prospecting, exploration and mining development | L 3 88 William St Perth, was 6000 | Australia | 18,02% | - | - |

- (1) During December 2016, SQM Salar S.A. sold the interest it had in Sales de Magnesio Ltda. to Rockwood Litio Ltda. This transaction generated a gain of ThUS\$7,636. See Note 26.5 of our consolidated financial statements.



Note 11 Equity-accounted investees (continued)

11.2 Assets, liabilities, revenue and expenses of associates

| | 12/31/2016 | | | | Revenue ThUS\$ | Gain (loss) from continuing operations ThUS\$ | Other comprehensive income ThUS\$ | Comprehensiv e income ThUS\$ |
|-------------------------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|---|--|------------------------------------|
| | Assets | | Liabilities | | | | | |
| | Current ThUS\$ | Non-current ThUS\$ | Current ThUS\$ | Non-current ThUS\$ | | | | |
| Sales de Magnesio Ltda. | - | - | - | - | - | - | - | - |
| Abu Dhabi Fertilizer Industries WWL | 37,801 | 2,104 | 3,843 | - | 41,442 | 4,005 | - | 4,005 |
| Doktor Tarsa Tarim Sanayi AS | 68,449 | 5,984 | 39,729 | 1,281 | 83,905 | 8,052 | 1,180 | 9,232 |
| Ajay North America | 18,844 | 11,633 | 3,015 | - | 35,715 | 5,702 | - | 5,702 |
| Ajay Europe SARL | 20,675 | 1,361 | 7,290 | - | 33,319 | 2,265 | (13) | 2,252 |
| SQM Eastmed Turkey | 727 | 2,265 | 719 | 2,362 | 833 | (200) | - | (200) |
| Charlee SQM Thailand Co. Ltd. | 6,264 | 591 | 2,448 | - | 12,065 | 609 | - | 609 |
| Total | 152,760 | 23,938 | 57,044 | 3,643 | 207,279 | 20,433 | 1,167 | 21,600 |

| | 12/31/2015 | | | | Revenue ThUS\$ | Gain (loss) from continuing operations ThUS\$ | Other comprehensive income ThUS\$ | Comprehensiv e income ThUS\$ |
|-------------------------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|---|--|------------------------------------|
| | Assets | | Liabilities | | | | | |
| | Current ThUS\$ | Non-current ThUS\$ | Current ThUS\$ | Non-current ThUS\$ | | | | |
| Sales de Magnesio Ltda. | 4,141 | 825 | 1,881 | 16 | 11,982 | 1,638 | - | 1,638 |
| Abu Dhabi Fertilizer Industries WWL | 33,770 | 2,529 | 4,499 | - | 46,609 | 3,932 | 1,230 | 5,162 |
| Doktor Tarsa Tarim Sanayi AS | 103,099 | 7,555 | 80,588 | - | 64,374 | 5,009 | - | 5,009 |
| Ajay North America | 18,651 | 10,619 | 2,917 | - | 43,453 | 7,347 | - | 7,347 |
| Ajay Europe SARL | 18,979 | 1,661 | 6,239 | - | 40,484 | 3,464 | (42) | 3,422 |
| SQM Eastmed Turkey | 976 | 380 | 27 | 1,189 | - | (8) | - | (8) |
| Charlee SQM Thailand Co. Ltd. | 7,418 | 566 | 4,687 | - | 12,524 | 304 | 222 | 526 |
| Total | 187,034 | 24,135 | 100,838 | 1,205 | 219,426 | 21,686 | 1,410 | 23,096 |



Note 11 Equity-accounted investees (continued)

11.2 Assets, liabilities, revenue and expenses of associates, continued

| | 12/31/2014 | | | | Revenue ThUS\$ | Gain (loss) from continuing operations ThUS\$ | Other comprehensi ve income ThUS\$ | Comprehensive income ThUS\$ |
|-------------------------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|--|---|-----------------------------------|
| | Assets | | Liabilities | | | | | |
| | Current ThUS\$ | Non-current ThUS\$ | Current ThUS\$ | Non-current ThUS\$ | | | | |
| Sales de Magnesio Ltda. | 3,957 | 481 | 2,099 | 22 | 12,750 | 1,883 | - | 1,883 |
| Abu Dhabi Fertilizer Industries WWL | 31,010 | 2,795 | 6,048 | - | 53,186 | 4,819 | - | 4,819 |
| Doktor Tarsa Tarim Sanayi AS | 75,497 | 10,099 | 39,515 | 16,344 | 83,397 | 8,275 | - | 8,275 |
| Ajay North America | 20,912 | 10,269 | 3,568 | - | 60,101 | 12,628 | - | 12,628 |
| Ajay Europe SARL | 21,929 | 2,103 | 8,023 | - | 51,687 | 5,142 | (59) | 5,083 |
| SQM Eastmed Turkey | 10 | 228 | 62 | - | - | (42) | - | (42) |
| Charlee SQM Thailand Co. Ltd. | 8,279 | 669 | 4,435 | - | 12,968 | 394 | - | 394 |
| Total | 161,594 | 26,644 | 63,750 | 16,366 | 274,089 | 33,099 | (59) | 33,040 |



Note 11 Investment in Associates (continued)

11.3 Other information

The Company has no participation in unrecognized losses in investments in associates.

The Company presents no investments unaccounted for according to the equity method of accounting.

The equity method was applied to the Statement of Financial Position as of December 31, 2016 and December 31, 2015.

The basis of preparation of the financial information of associates was adjusted to confirm with the accounting policies of the Company.

11.4 Disclosures on interest in associates

a) Transactions conducted in 2016:

During December 2016, SQM Salar S.A. sold the interest it had in Sales de Magnesio Ltda. to Rockwood Lítico Ltda. generating a gain of ThUS\$7,636.

During November 2016, SQM S.A. made a capital contribution of ThUS\$20,000, in exchange for 18.02% of the interest of Kore Potash Limited. This contribution was paid to Elemental Minerals Limited.



Note 12 Joint Ventures

12.1 Policy for the accounting of equity accounted investment in joint ventures

The method for the recognition of joint ventures is that in which participation is initially recorded at cost, and subsequently adjusted, considering changes after the acquisition in the portion of the entity's net assets of the entity which correspond to the investor. Profit or loss for the period of the investor will collect the portion which belongs to it in the results of the controlled entity as a whole.

12.2 Disclosures of interest in joint ventures

a) Operations conducted in 2016

On March 28, 2016, Sociedad Química y Minera de Chile S.A. entered into an agreement to enter a joint venture with Lithium Americas Corp to develop the Cauchari-Olaroz lithium project in Argentina.

SQM S.A. made a capital contribution of ThUS\$25,000 in exchange for 50% of the ownership of Minera Exar S.A.

During May 2016, SQM Vitas Holland B.V. sold its interest in SQM Vitas Spain, to SQM Iberian S.A. resulting in the latter obtaining 100% in this transaction generating a loss of ThUS\$104.

b) Operations conducted in 2015

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



Note 12 Joint Ventures (continued)

12.3 Investment in joint ventures accounted for under the equity method of accounting

| Joint venture | Description of the nature of the relationship | Domicile | Country of incorporation | Share of interest in ownership | Dividends received | |
|--|--|---|--------------------------|--------------------------------|--------------------|------------|
| | | | | | 12/31/2016 | 12/31/2015 |
| | | | | | ThUS\$ | ThUS\$ |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltda. | Production and distribution of soluble fertilizers. | Huangjing Road, Dawan Town, Qingbaijiang District, Chengdu Municipality, Sichuan Province | China | 50% | - | - |
| Coromandel SQM India | Production and distribution of potassium nitrate. | 1-2-10, Sardar Patel Road, Secunderabad – 500003 Andhra Pradesh | India | 50% | - | - |
| SQM Vitas Fzco. | Production and commercialization of specialty plant and animal nutrition and industrial hygiene. | Jebel ALI Free Zone P.O. Box 18222, Dubai | United Arab Emirates | 50% | - | - |
| SQM Star Qingdao Corp Nutrition. Co. Ltd. | Production and distribution of nutrient plant solutions with specialties NPK soluble | Longquan Town, Jimo City, Qingdao Municipality, Shangdong Province | China | 50% | - | - |
| SQM Vitas Brazil Agroindustria | Production and commercialization of specialty plant and animal nutrition and industrial hygiene. | Via Cndeias, Km. 01 Sem Numero, Lote 4, Bairro Cia Norte, Candeias, Bahia. | Brazil | 49.99% | - | - |
| SQM Vitas Southern Africa Pty. | Production and commercialization of specialty plant and animal nutrition and industrial hygiene | 33 Waterford Office Park Waterford Drive Fourways, 2055 South Africa | South Africa | 50% | - | - |
| SQM Vitas Peru S.A.C. | Production and commercialization of specialty plant and animal nutrition and industrial hygiene | Av. Juan de Arona 187, Torre B, Oficina 301-II, San Isidro, Lima | Peru | 50% | - | - |
| SQM Vitas Spain | Production and commercialization of specialty plant nutrition | C/Manuel Echeverria Manzana 2 Muelle de la Cab (Puerto Real) | Spain | 50% | - | - |
| SQM Vitas Holland B.V | Without information | Herikerbergweg 238, 1101 CM Amsterdam Zuidoost | Netherlands | 50% | - | - |
| SQM Vitas Plantacote B.V. | Production and commercialization of controlled-released fertilizers | Herikerbergweg 238, 1101 CM Amsterdam Zuidoost | Netherlands | 50% | - | - |
| Minera Exar S.A. | Exploration and exploitation of minerals, processing and trading of such minerals | Dr. Sabín 1082 Ciudad de Nieva – San Salvador de Jujuy- Jujuy- República Argentina | Argentina | 50% | - | - |



Note 12 Joint Ventures (continued)

12.3 Investment in joint ventures accounted for under the equity method of accounting, continued:

| Joint Venture | Equity-accounted investees | | | Share on profit (loss) of associates and joint ventures accounted for using the equity method | | |
|---|----------------------------|---------------|---------------|---|------------|--------------|
| | 12/31/2016 | 12/31/2015 | 12/31/2014 | 12/31/2016 | 12/31/2015 | 12/31/2014 |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltd. | 12,150 | 13,257 | 12,819 | 1,372 | (845) | (414) |
| Coromandel SQM India | 1,499 | 962 | 754 | 435 | 88 | 128 |
| SQM Vitas Fzco, | 17,956 | 11,604 | 9,189 | 3,458 | 369 | 2,049 |
| SQM Star Qingdao Corp. Nutrition Co. Ltd. | 2,618 | 2,462 | 1,969 | 163 | 495 | 494 |
| SQM Vitas Holland | 1,269 | 1,181 | 1,324 | 171 | (10) | 101 |
| Minera Exar S.A. | 25,000 | - | - | - | - | - |
| Total | 60,492 | 29,466 | 26,055 | 5,599 | 97 | 2,358 |

| Joint Venture | Share on other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax | | | Share on total other comprehensive income of associates and joint ventures accounted for using the equity method | | |
|---|--|--------------|--------------|--|--------------|--------------|
| | 12/31/2016 | 12/31/2015 | 12/31/2014 | 12/31/2016 | 12/31/2015 | 12/31/2014 |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltd. | - | (12) | (1) | (1,372) | (857) | (415) |
| Coromandel SQM India | - | - | - | 435 | 88 | 128 |
| SQM Vitas Fzco, | 449 | 9,686 | (457) | 3,907 | 10,055 | 1,592 |
| SQM Star Qingdao Corp. Nutrition Co. Ltd. | - | - | - | 163 | 495 | 494 |
| SQM Vitas Holland | - | - | - | 171 | (11) | 101 |
| Minera Exar S.A. | - | - | - | - | - | - |
| Total | 449 | 9,674 | (458) | 3,304 | 9,770 | 1,900 |



Note 12 Joint Ventures (continued)

12.3 Investment in joint ventures accounted for under the equity method of accounting, continued:

| Joint Venture | Equity-accounted investees | | | Share on profit (loss) of associates and joint ventures accounted for using the equity method | | |
|-----------------------------------|----------------------------|---------------|---------------|---|------------|--------------|
| | 12/31/2016 | 12/31/2015 | 12/31/2014 | 12/31/2016 | 12/31/2015 | 12/31/2014 |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| SQM Vitas Brazil Agroindustria(1) | 9,343 | 3,722 | 5,760 | 4,570 | (72) | 1,045 |
| SQM Vitas Peru S.A.C (1) | 5,964 | 5,061 | 4,993 | 815 | 786 | 948 |
| SQM Vitas Southern Africa (1) | - | - | 180 | - | - | (907) |
| SQM Vitas Spain (2) | - | 1,182 | 1,023 | - | (251) | 291 |
| SQM Vitas Plantacote B.V. (2) | 588 | 3,598 | 1,135 | 187 | 215 | 1 |
| Total | 15,895 | 13,563 | 13,001 | 5,572 | 678 | 1,378 |

| Joint Venture | Share on other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax | | | Share on total other comprehensive income of associates and joint ventures accounted for using the equity method | | |
|-----------------------------------|--|------------|----------|--|------------|------------|
| | 12/31/2016 | 12/31/2015 | | 12/31/2016 | 12/31/2015 | |
| | ThUS\$ | ThUS\$ | | ThUS\$ | ThUS\$ | |
| SQM Vitas Brazil Agroindustria(1) | 2,845 | - | - | 5,130 | (36) | 522 |
| SQM Vitas Peru S.A.C (1) | - | - | - | 408 | 393 | 474 |
| SQM Vitas Southern Africa (1) | - | - | - | - | - | (453) |
| SQM Vitas Spain (2) | - | - | - | - | 109 | 145 |
| SQM Vitas Plantacote B.V. (2) | - | - | - | (80) | (125) | - |
| Total | 2,845 | - | - | 5,458 | 341 | 688 |

The following companies are subsidiaries of

- (1) SQM Vitas Fzco.
- (2) SQM Vitas Holland



Note 12 Joint Ventures (continued)

12.4 Assets, liabilities, revenue and expenses from joint ventures:

| Joint Venture | 12/31/2016 | | | | | | | |
|--|----------------|---------------|---------------|--------------|----------------|--|----------------------------|----------------------|
| | Assets | | Liabilities | | Revenue | Gain (loss) from continuing operations | Other comprehensive income | Comprehensive income |
| | Current | Non-current | Current | Non-current | | | | |
| ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltda. | 43,639 | 7,399 | 26,738 | - | 16,051 | (2,744) | - | (2,744) |
| Coromandel SQM India | 4,485 | 847 | 2,334 | - | 8,034 | 870 | - | 870 |
| SQM Vitas Fzco. | 20,896 | 16,395 | 1,380 | - | 16,210 | 6,916 | 897 | 7,813 |
| SQM Star Qingdao Corp. Nutrition Co. Ltd. | 5,733 | 203 | 697 | - | 7,553 | 325 | - | 325 |
| SQM Vitas Brazil Agroindustria | 21,511 | 8,917 | 21,085 | - | 63,055 | 4,570 | 5,690 | 10,260 |
| SQM Vitas Peru S.A.C | 23,598 | 8,931 | 20,333 | 6,231 | 36,926 | 815 | - | 815 |
| SQM Vitas Holland B.V | 1,961 | 588 | 11 | - | - | 342 | - | 342 |
| SQM Vitas Plantacote B.V. | 619 | - | 31 | - | - | (159) | - | (159) |
| Total | 122,442 | 43,280 | 72,609 | 6,231 | 147,829 | 10,935 | 6,587 | 17,522 |

| Joint Venture | 12/31/2015 | | | | | | | |
|--|----------------|---------------|----------------|-------------|----------------|--|----------------------------|----------------------|
| | Assets | | Liabilities | | Revenue | Gain (loss) from continuing operations | Other comprehensive income | Comprehensive income |
| | Current | Non-current | Current | Non-current | | | | |
| ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltda. | 56,053 | 8,023 | 37,563 | - | 65,929 | (1,689) | (24) | (1,713) |
| Coromandel SQM India | 3,738 | 924 | 2,668 | 70 | 5,816 | 176 | - | 176 |
| SQM Vitas Fzco. | 14,096 | 10,575 | 1,464 | - | 17,893 | 738 | 19,371 | 20,109 |
| SQM Star Qingdao Corp. Nutrition Co. Ltd. | 5,100 | 202 | 377 | - | 10,539 | 990 | - | 990 |
| SQM Vitas Brazil Agroindustria | 32,449 | 6,638 | 35,365 | - | 67,870 | (72) | - | (72) |
| SQM Vitas Peru S.A.C | 24,432 | 6,562 | 25,933 | - | 45,739 | 786 | - | 786 |
| SQM Vitas Spain | 1,662 | 729 | 1,208 | - | 11,875 | 218 | - | 218 |
| SQM Vitas Holland B.V | 428 | 1,955 | 18 | - | - | (21) | - | (21) |
| SQM Vitas Plantacote B.V. | 802 | - | 30 | - | - | (250) | - | (250) |
| Total | 138,760 | 35,608 | 104,626 | 70 | 225,661 | 876 | 19,347 | 20,223 |



Note 12 Joint Ventures (continued)

12.4 Assets, liabilities, revenue and expenses from joint ventures, continued:

| Joint Venture | 12/31/2014 | | | | | | | |
|--|----------------|---------------|----------------|-------------|----------------|--|----------------------------|----------------------|
| | Assets | | Liabilities | | Revenue | Gain (loss) from continuing operations | Other comprehensive income | Comprehensive income |
| | Current | Non-current | Current | Non-current | | | | |
| ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltda. | 61,381 | 8,734 | 44,478 | - | 95,292 | (829) | (2) | (831) |
| Coromandel SQM India | 4,820 | 1,043 | 4,294 | 63 | 6,723 | 256 | - | 214 |
| SQM Vitas Fzco. | 6,366 | 13,611 | 1,600 | - | 25,485 | 4,098 | (913) | 3,185 |
| SQM Star Qingdao Corp. Nutrition Co. Ltd. | 4,363 | 229 | 634 | 20 | 9,496 | 988 | - | 988 |
| SQM Vitas Brazil Agroindustria | 39,006 | 8,644 | 41,980 | - | 83,022 | 1,046 | - | 1,046 |
| SQM Vitas Peru S.A.C | 25,346 | 3,146 | 23,463 | 35 | 39,321 | 949 | - | 949 |
| SQM Vitas Southern Africa | 3,703 | 720 | 4,243 | - | 17,117 | (907) | - | (907) |
| SQM Vitas Spain | 2,066 | 808 | 1,851 | - | 10,969 | 252 | - | 252 |
| SQM Vitas Holland B.V. | 512 | 2,158 | 19 | - | - | 204 | - | 350 |
| SQM Vitas Plantacote B.V. | 1,529 | 6 | 401 | - | 4,010 | 1 | - | 1 |
| Total | 149,092 | 39,099 | 122,963 | 118 | 291,435 | 6,058 | (915) | 5,247 |

12.5 Other Joint Venture disclosures:

| | Cash and cash equivalents | | Other current financial liabilities | | Other non-current financial liabilities | |
|--|---------------------------|---------------|-------------------------------------|---------------|---|------------|
| | 12/31/2016 | 12/31/2015 | 12/31/2016 | 12/31/2015 | 12/31/2016 | 12/31/2015 |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltda. | 4,097 | 737 | - | 13,955 | - | - |
| Coromandel SQM India | 15 | 63 | 478 | 1,027 | - | - |
| SQM Vitas Fzco, | 11,514 | 7,574 | - | - | - | - |
| SQM Star Qingdao Corp. Nutrition Co. Ltd. | 3,756 | 3,870 | - | - | - | - |
| SQM Vitas Brazil Agroindustria | 2,168 | 827 | 8,718 | 11,215 | - | - |
| SQM Vitas Peru S.A.C. | 958 | 160 | 3,834 | - | 1,781 | - |
| SQM Vitas Spain | - | 272 | - | - | - | - |
| SQM Vitas Holland B.V. | 1,961 | 428 | - | - | - | - |
| SQM Vitas Plantacote B.V. | 615 | 802 | - | - | - | - |
| Total | 25,084 | 14,733 | 13,030 | 26,197 | 1,781 | - |



Note 12 Joint Ventures (continued)

12.5 Other Joint Venture disclosures, continued:

| | Depreciation and amortization expense | | | Interest expense | | | Income tax expense, continuing operations | | |
|--|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---|----------------------|----------------------|
| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltda. | (691) | (687) | (680) | (433) | (241) | (831) | 200 | 233 | 212 |
| Coromandel SQM India | - | (69) | (70) | (49) | (73) | (47) | (44) | (89) | (122) |
| SQM Vitas Fzco. | (717) | (1,067) | (1,032) | (16) | (10) | (38) | - | - | - |
| SQM Star Qingdao Corp. Nutrition Co. Ltd. | (64) | (66) | (60) | (1) | (2) | (1) | (195) | (378) | (331) |
| SQM Vitas Brazil Agroindustria | (438) | (29) | (405) | (2,127) | (1,651) | (1,310) | (337) | (49) | 220 |
| SQM Vitas Peru S.A.C. | (82) | (29) | (136) | (323) | - | (15) | (362) | (370) | (243) |
| SQM Vitas Southern Africa | - | - | (82) | - | - | (44) | - | - | (156) |
| SQM Vitas Spain | - | (116) | (113) | - | (4) | (17) | - | (73) | - |
| SQM Vitas Holland B.V | - | - | - | - | (2) | (6) | - | - | - |
| SQM Vitas Plantacote B.V. | - | - | (2) | (1) | (3) | (181) | - | - | - |
| Total | (1,992) | (2,063) | (2,580) | (2,950) | (1,986) | (2,490) | (738) | (726) | (420) |

The basis of preparation of the financial information of joint ventures corresponds to the amounts included in the financial statements in conformity with the entity's IFRS.



Note 13 Intangible assets and goodwill

13.1 Balances

| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ |
|---------------------------------------|----------------------|----------------------|
| Intangible assets other than goodwill | 109,439 | 110,428 |
| Goodwill | 37,972 | 38,388 |
| Total | 147,411 | 148,816 |

The recoverable amount of the cash-generating unit has been determined based on a calculation of the value in use which used cash flow projections for a 5-year period, plus perpetuity.

The present value of the future cash flows generated by these assets has been estimated given a variance in sales volumes, market prices and costs, discounted at weighted average cost of capital (WACC) of 8.04%.

13.2 Disclosures on intangible assets and goodwill

Intangible assets relate to goodwill, water rights, industrial patents, rights of way, software, and mining claims which correspond to exploitation rights acquired from third-parties.

Balances and movements in the main classes of intangible assets as of December 31, 2016 and December 31, 2015 are detailed as follows:

| Intangible assets and goodwill | Useful life | Gross amount ThUS\$ | 12/31/2016 Accumulated Amortization ThUS\$ | Net Value ThUS\$ |
|---|----------------|------------------------|---|---------------------|
| Software | Finite | 23,280 | (16,234) | 7,046 |
| Intellectual property rights, patents and other industrial property rights, service | Finite | 1,483 | (1,023) | 460 |
| Intellectual property rights, patents and other industrial property rights, service | Indefinite | 98,596 | - | 98,596 |
| Other intangible assets | Indefinite | 3,337 | - | 3,337 |
| Intangible assets other than goodwill | | 126,696 | (17,257) | 109,439 |
| Goodwill | Indefinite | 37,972 | - | 37,972 |
| Total intangible assets and goodwill | | 164,668 | (17,257) | 147,411 |

Note 13 Intangible assets and goodwill (continued)

13.2 Disclosures on intangible assets and goodwill, continued

| Intangible assets and goodwill | Useful life | Gross amount ThUS\$ | 12/31/2015 | Net Value ThUS\$ |
|---|-------------|------------------------|---------------------------------------|---------------------|
| | | | Accumulated Amortization ThUS\$ | |
| Software | Finite | 23,251 | (13,438) | 9,813 |
| Intellectual property rights, patents and other industrial property rights, service | Finite | 1,448 | (984) | 464 |
| Intellectual property rights, patents and other industrial property rights, service | Indefinite | 96,500 | - | 96,500 |
| Other intangible assets | Indefinite | 3,651 | - | 3,651 |
| Intangible assets other than goodwill | | 124,850 | (14,422) | 110,428 |
| Goodwill | Indefinite | 38,388 | - | 38,388 |
| Total intangible assets and goodwill | | 163,238 | (14,422) | 148,816 |

a) Estimated useful lives or amortization rates used for finite identifiable intangible assets

Finite useful life measures the lifetime or the number of productive units or other similar variables which constitute its useful life.

The estimated useful life for software is 3 and 6 years, for other finite useful life assets the period in which they are amortized relates to periods defined by contracts or rights which generate them.

Intellectual property rights, patents and other industrial property rights, service and exploitation rights, mainly relate to water rights and are obtained as indefinite.

b) Method used to express the amortization of identifiable intangible assets (life or rate)

The method used to express the amortization is useful life, and estimated tons to be extracted in the case of mining claims.

Note 13 Intangible assets and goodwill (continued)

13.2 Disclosures on intangible assets and goodwill, continued

c) Minimum and maximum amortization lives or rates of intangible assets:

| Estimated useful lives or amortization rate | Minimum life or rate | Maximum life or rate |
|---|----------------------|----------------------|
| Intellectual property rights, patents and other industrial property rights, service and exploitation rights | Indefinite | Indefinite |
| Intangible assets other than goodwill | Indefinite | Indefinite |
| Intellectual property rights, patents and other industrial property rights, service and exploitation rights | 1 year | 16 years |
| Software | 2 years | 6 years |

d) Information to be disclosed on assets generated internally

The Company has no intangible assets generated internally.

e) Other information to disclose on intangible assets

SQM has property rights and mining concessions of the Chilean Government, intended for the exploration and exploitation of saltpeter and brine. Such rights, have had no initial cost over registration costs, which are insignificant.

Also, SQM has acquired from third-parties other than the Chilean Government, mining concessions, which have been recognized at acquisition cost, which are amortized as the corresponding area is exploited based on the tons estimated to be extracted.

Expenses prior to obtaining the mining concessions are recognized in profit or loss for the year as incurred.



Note 13 Intangible assets and goodwill (continued)

13.2 Disclosures on intangible assets and goodwill, continued

f) Movements in identifiable intangible assets as of December 31, 2016:

| Movements in identifiable intangible assets, gross | Software | Intellectual property rights, patents and other industrial property rights, service, rights of way | Intellectual property rights, patents and other industrial property rights, service, rights of way | Other intangible assets | Goodwill | Identifiable intangible assets |
|--|---------------|--|--|-------------------------|---------------|--------------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | 23,251 | 1,448 | 96,500 | 3,651 | 38,388 | 163,238 |
| Additions | 160 | 25 | 2,100 | - | - | 2,285 |
| Other increases (decreases) | (131) | 10 | (4) | (314) | (416) | (855) |
| Final balance | 23,280 | 1,483 | 98,596 | 3,337 | 37,972 | 164,668 |

| Movements in identifiable intangible assets, accumulated amortization | Software | Intellectual property rights, patents and other industrial property rights, service, rights of way | Intellectual property rights, patents and other industrial property rights, service, rights of way | Other intangible assets | Goodwill | Identifiable intangible assets |
|---|-----------------|--|--|-------------------------|----------|--------------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | (13,438) | (984) | - | - | - | (14,422) |
| Additions | - | - | - | - | - | - |
| Amortization | (2,796) | (38) | - | - | - | (2,834) |
| Other increases (decreases) | - | (1) | - | - | - | (1) |
| Final balance | (16,234) | (1,023) | - | - | - | (17,257) |



Note 13 Intangible assets and goodwill (continued)

13.2 Disclosures on intangible assets and goodwill, continued

f) Movements in identifiable intangible assets as of December 31, 2016, continued

| Movements in identifiable intangible assets, net | Software | Intellectual property rights, patents and other industrial property rights, service, rights of way | Intellectual property rights, patents and other industrial property rights, service rights of way | Other intangible assets | Goodwill | Identifiable intangible assets |
|--|--------------|--|---|-------------------------|---------------|--------------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | 9,813 | 464 | 96,500 | 3,651 | 38,388 | 148,816 |
| Additions | 160 | 25 | 2,100 | - | - | 2,285 |
| Amortization | (2,796) | (38) | - | - | - | (2,834) |
| Other increases (decreases) | (131) | 9 | (4) | (314) | (416) | (856) |
| Final balance | 7,046 | 460 | 98,596 | 3,337 | 37,972 | 147,411 |

g) Movements in identifiable intangible assets as of December 31, 2015:

| Movements in identifiable intangible assets, gross | Software | Intellectual property rights, patents and other industrial property rights, service, rights of way | Intellectual property rights, patents and other industrial property rights, service, rights of way | Other intangible assets | Goodwill | Identifiable intangible assets |
|--|---------------|--|--|-------------------------|---------------|--------------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | 23,062 | 1,524 | 97,386 | 3,698 | 38,388 | 164,058 |
| Additions | 189 | 15 | - | - | - | 204 |
| Other increases (decreases) | - | (91) | (886) | (47) | - | (1,024) |
| Final balance | 23,251 | 1,448 | 96,500 | 3,651 | 38,388 | 163,238 |



Note 13 Intangible assets and goodwill (continued)

13.2 Disclosures on intangible assets and goodwill, continued

g) Movements in identifiable intangible assets as of December 31, 2015:

| Movements in identifiable intangible assets, accumulated amortization | Software | Intellectual property rights, patents and other industrial property rights, service, rights of way | Intellectual property rights, patents and other industrial property rights, service, rights of way | Other intangible assets | Goodwill | Identifiable intangible assets |
|---|-----------------|--|--|-------------------------|----------|--------------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | (9,996) | (939) | - | - | - | (10,935) |
| Additions | - | - | - | - | - | - |
| Amortization | (3,432) | (45) | - | - | - | (3,477) |
| Other increases (decreases) | (10) | - | - | - | - | (10) |
| Final balance | (13,438) | (984) | - | - | - | (14,422) |

| Movements in identifiable intangible assets, net | Software | Intellectual property rights, patents and other industrial property rights, service rights of way | Intellectual property rights, patents and other industrial property rights, service rights of way | Other intangible assets | Goodwill | Identifiable intangible assets |
|--|---------------|---|---|-------------------------|---------------|--------------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | 13,066 | 585 | 97,386 | 3,698 | 38,388 | 153,123 |
| Additions | 189 | 15 | - | - | - | 204 |
| Amortization | (3,432) | (45) | - | - | - | (3,477) |
| Other increases (decreases) | (10) | (91) | (886) | (47) | - | (1,034) |
| Final balance | 9,813 | 464 | 96,500 | 3,651 | 38,388 | 148,816 |



Note 13 Intangible assets and goodwill (continued)

13.2 Disclosures on intangible assets and goodwill, continued

h) Movements in identifiable intangible assets as of December 31, 2014:

| Movements in identifiable intangible assets, gross | Software | Intellectual property rights, patents and other industrial property rights, service, rights of way | Intellectual property rights, patents and other industrial property rights, service, rights of way | Other intangible assets | Goodwill | Identifiable intangible assets |
|--|---------------|--|--|-------------------------|---------------|--------------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | 5,342 | 1,576 | 97,392 | 4,081 | 38,388 | 146,779 |
| Additions | 14,462 | - | - | - | - | 14,462 |
| Other increases (decreases) | 3,258 | (52) | (6) | (383) | - | 2,817 |
| Final balance | 23,062 | 1,524 | 97,386 | 3,698 | 38,388 | 164,058 |

| Movements in identifiable intangible assets, accumulated amortization | Software | Intellectual property rights, patents and other industrial property rights, service, rights of way | Intellectual property rights, patents and other industrial property rights, service, rights of way | Other intangible assets | Goodwill | Identifiable intangible assets |
|---|----------------|--|--|-------------------------|----------|--------------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | (3,146) | (882) | - | - | - | (4,028) |
| Additions | - | - | - | - | - | - |
| Amortization | (3,547) | (58) | - | - | - | (3,605) |
| Other increases (decreases) | (3,303) | 1 | - | - | - | (3,302) |
| Final balance | (9,996) | (939) | - | - | - | (10,935) |



Note 13 Intangible assets and goodwill (continued)

13.2 Disclosures on intangible assets and goodwill, continued

h) Movements in identifiable intangible assets as of December 31, 2014:

| Movements in identifiable intangible assets, net | Software | Intellectual property rights, patents and other industrial property rights, service rights of way | Intellectual property rights, patents and other industrial property rights, service rights of way | Other intangible assets | Goodwill | Identifiable intangible assets |
|--|---------------|---|---|-------------------------|---------------|--------------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Opening balance | 2,196 | 694 | 97,392 | 4,081 | 38,388 | 142,751 |
| Additions | 14,462 | - | - | - | - | 14,462 |
| Amortization | (3,547) | (58) | - | - | - | (3,605) |
| Other increases (decreases) | (45) | (51) | (6) | (383) | - | (485) |
| Final balance | 13,066 | 585 | 97,386 | 3,698 | 38,388 | 153,123 |



Note 14 Property, plant and equipment

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

14.1 Types of property, plant and equipment

| Description of types of property, plant and equipment | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ |
|--|----------------------|----------------------|
| Property, plant and equipment, net | | |
| Land | 32,701 | 34,589 |
| Buildings | 120,691 | 128,375 |
| Machinery | 312,878 | 393,461 |
| Transport equipment | 2,153 | 14,766 |
| Furniture and fixtures | 5,429 | 8,516 |
| Office equipment | 5,768 | 6,168 |
| Production plants | 113,630 | 80,027 |
| Mining assets | 29,726 | 41,392 |
| Constructions in progress | 170,710 | 151,831 |
| Other property, plant and equipment (1) | 739,024 | 824,451 |
| Total | 1,532,710 | 1,683,576 |
| Property, plant and equipment, gross | | |
| Land | 32,701 | 34,589 |
| Buildings | 272,791 | 264,645 |
| Machinery | 1,223,174 | 1,211,927 |
| Transport equipment | 74,628 | 79,979 |
| Furniture and fixtures | 38,264 | 37,492 |
| Office equipment | 37,665 | 38,285 |
| Production plants | 227,494 | 171,769 |
| Mining assets | 230,567 | 228,240 |
| Constructions in progress | 170,710 | 151,831 |
| Other property, plant and equipment | 1,832,847 | 1,804,515 |
| Total | 4,140,841 | 4,023,272 |
| Accumulated depreciation and value impairment of property, plant and equipment, total | | |
| Accumulated depreciation and impairment of buildings | 152,100 | 136,270 |
| Accumulated depreciation and impairment of machinery | 910,296 | 818,466 |
| Accumulated depreciation and impairment of transport equipment | 72,475 | 65,213 |
| Accumulated depreciation and impairment of furniture and fixtures | 32,835 | 28,976 |
| Accumulated depreciation and impairment of office equipment | 31,897 | 32,117 |
| Accumulated depreciation and impairment of production plants | 113,864 | 91,742 |
| Accumulated depreciation and impairment of mining assets | 200,841 | 186,848 |
| Accumulated depreciation and impairment of other property, plant and equipment | 1,093,823 | 980,064 |
| Total | 2,608,131 | 2,339,696 |

(1) The detail of other property, plant and equipment is as follows:

| | 12/31/2016 ThUS\$ | 31/12/2015 ThUS\$ |
|---|----------------------|----------------------|
| Other property, plant and equipment, net | | |
| Conveyor belt system in plant | 33,046 | 39,666 |
| Tank (TK) | 18,993 | 26,046 |
| Geomembrane/liner | | 155,409 |
| Electric facilities | 45,408 | 56,600 |
| Lights | 1,110 | 2,252 |
| Other constructions | 126,969 | 109,478 |
| Piping | | 17,174 |
| Pool | 284,025 | 160,869 |
| Well (water) | 42,584 | 44,432 |
| Pipes/HDPE lines | 127,805 | 131,431 |
| Railroad track | 2,274 | 11,001 |
| Other property, plant and equipment | 56,810 | 70,093 |
| Total | 739,024 | 824,451 |



Note 14 Property, plant and equipment (continued)

14.2 Reconciliation of changes in property, plant and equipment by type:

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2016, gross

| | Land ThUS\$ | Buildings ThUS\$ | Machinery ThUS\$ | Transport equipment ThUS\$ | Furniture and fixtures ThUS\$ | Office equipment ThUS\$ | Production plants ThUS\$ | Mining assets ThUS\$ | Constructions in progress ThUS\$ | Other property, plant and equipment ThUS\$ | Property, plant and equipment ThUS\$ |
|---|----------------|---------------------|---------------------|----------------------------------|-------------------------------------|-------------------------------|--------------------------------|-------------------------|--|---|---|
| Opening balance | 34,589 | 264,645 | 1,211,927 | 79,979 | 37,492 | 38,285 | 171,769 | 228,240 | 151,831 | 1,804,515 | 4,023,272 |
| Changes | | | | | | | | | | | |
| Additions | - | - | 1,192 | 50 | 14 | 763 | - | - | 145,606 | 1,473 | 149,098 |
| Divestitures | - | - | (1,166) | (5,540) | (28) | (1) | - | - | (3,370) | (753) | (10,858) |
| Increase(decrease) in foreign currency exchange | 28 | 1 | 18 | 8 | - | 52 | - | - | - | 65 | 172 |
| Reclassification | - | 8,145 | 11,203 | 277 | 786 | 548 | 55,725 | 2,327 | (101,105) | 27,950 | 5,856 |
| Other increases (decreases) (*) | (25) | - | - | (146) | - | (1,982) | - | - | (22,252) | (209) | (24,614) |
| Decreases for classification as held-for-sale (1) | (1,891) | - | - | - | - | - | - | - | - | (194) | (2,085) |
| Total changes | (1,888) | 8,146 | 11,247 | (5,351) | 772 | (620) | 55,725 | 2,327 | 18,879 | 28,332 | 117,569 |
| Final balance | 32,701 | 272,791 | 1,223,174 | 74,628 | 38,264 | 37,665 | 227,494 | 230,567 | 170,710 | 1,832,847 | 4,140,841 |

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2016, Accumulated depreciation

| | Land ThUS\$ | Buildings ThUS\$ | Machinery ThUS\$ | Transport equipment ThUS\$ | Furniture and fixtures ThUS\$ | Office equipment ThUS\$ | Production plants ThUS\$ | Mining assets ThUS\$ | Constructions in progress ThUS\$ | Other property, plant and equipment ThUS\$ | Property, plant and equipment ThUS\$ |
|---|----------------|---------------------|---------------------|----------------------------------|-------------------------------------|-------------------------------|--------------------------------|-------------------------|--|---|---|
| Opening balance | - | (136,270) | (818,466) | (65,213) | (28,976) | (32,117) | (91,742) | (186,848) | | (980,064) | (2,339,696) |
| Changes | | | | | | | | | | | |
| Divestitures | - | - | 759 | 5,540 | 28 | - | - | - | - | - | 6,327 |
| Depreciation expense | - | (14,379) | (81,090) | (2,682) | (3,426) | (1,893) | (22,125) | (13,993) | - | (100,069) | (239,657) |
| Impairment | - | (180) | (5,612) | (14,209) | (269) | - | - | - | - | (11,312) | (31,582) |
| Increase(decrease) in foreign currency exchange | - | (13) | - | (14) | - | (28) | - | - | - | (13) | (68) |
| Reclassification | - | (1,258) | (5,889) | 3,974 | (192) | (36) | - | - | - | (2,455) | (5,856) |
| Other increases (decreases) (*) | - | - | 2 | 129 | - | 2,177 | 3 | - | - | 61 | 2,372 |
| Decreases for classification as held-for-sale (1) | - | - | - | - | - | - | - | - | - | 29 | 29 |
| Total changes | - | (15,830) | (91,830) | (7,262) | (3,859) | 220 | (22,122) | (13,993) | - | (113,759) | (268,435) |
| Final balance | - | (152,100) | (910,296) | (72,475) | (32,835) | (31,897) | (113,864) | (200,841) | - | (1,093,823) | (2,608,131) |



Note 14 Property, plant and equipment (continued)

14.2 Reconciliation of changes in property, plant and equipment by type, continued:

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2016, net

| | Land ThUS\$ | Buildings ThUS\$ | Machinery ThUS\$ | Transport equipment ThUS\$ | Furniture and fixtures ThUS\$ | Office equipment ThUS\$ | Production plants ThUS\$ | Mining assets ThUS\$ | Constructions in progress ThUS\$ | Other property, plant and equipment ThUS\$ | Property, plant and equipment ThUS\$ |
|---|----------------|---------------------|---------------------|----------------------------------|-------------------------------------|-------------------------------|--------------------------------|-------------------------|--|---|---|
| Opening balance | 34,589 | 128,375 | 393,461 | 14,766 | 8,516 | 6,168 | 80,027 | 41,392 | 151,831 | 824,451 | 1,683,576 |
| Changes | | | | | | | | | | | |
| Additions | - | - | 1,192 | 50 | 14 | 763 | - | - | 145,606 | 1,473 | 149,098 |
| Divestitures | - | - | (407) | - | - | (1) | - | - | (3,370) | (753) | (4,531) |
| Depreciation expense | - | (14,379) | (81,090) | (2,682) | (3,426) | (1,893) | (22,125) | (13,993) | - | (100,069) | (239,657) |
| Impairment (**) | - | (180) | (5,612) | (14,209) | (269) | - | - | - | - | (11,312) | (31,582) |
| Increase(decrease) in foreign currency exchange | 28 | (12) | 18 | (6) | - | 24 | - | - | - | 52 | 104 |
| Reclassification | - | 6,887 | 5,314 | 4,251 | 594 | 512 | 55,725 | 2,327 | (101,105) | 25,495 | - |
| Other increases (decreases) (*) | (25) | - | 2 | (17) | - | 195 | 3 | - | (22,252) | (148) | (22,242) |
| Decreases for classification as held-for-sale (***) | (1,891) | - | - | - | - | - | - | - | - | (165) | (2,056) |
| Total changes | (1,888) | (7,684) | (80,583) | (12,613) | (3,087) | (400) | 33,603 | (11,666) | 18,879 | (85,427) | (150,866) |
| Final balance | 32,701 | 120,691 | 312,878 | 2,153 | 5,429 | 5,768 | 113,630 | 29,726 | 170,710 | 739,024 | 1,532,710 |

(*) The net balance of other increases (decreases) corresponds to: 1) Work in progress which are expensed to profit or loss (forming part of cost of sales and other expenses per function, as appropriate), 2) the variation representing the purchase and use of materials and spare parts and 3) projects which correspond to prospecting and stain development.

(**) See Note 14.4

(***) The Company classifies as non-current assets held-for-sale the property, plant and equipment (assets that are going to be sold), the ones that as of the closing of the financial statements had entered into a sale process and is expected to finalized in the 12 months following the closing of the said financial statements. These assets are valued at the book value or at sale value minus the costs associated with the sale, whichever is lower. The depreciation of these assets is stopped at the moment that they are considered held-for-sale assets.



Note 14 Property, plant and equipment (continued)

14.2 Reconciliation of changes in property, plant and equipment by type, continued:

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2015, gross

| | Land ThUS\$ | Buildings ThUS\$ | Machinery ThUS\$ | Transport equipment ThUS\$ | Furniture and fixtures ThUS\$ | Office equipment ThUS\$ | Production plants ThUS\$ | Mining assets ThUS\$ | Constructions in progress ThUS\$ | Other property, plant and equipment ThUS\$ | Property, plant and equipment ThUS\$ |
|---|----------------|---------------------|---------------------|----------------------------------|-------------------------------------|-------------------------------|--------------------------------|-------------------------|--|---|---|
| Opening balance | 34,622 | 240,356 | 1,145,426 | 78,402 | 32,082 | 35,512 | 171,277 | 225,917 | 237,321 | 1,711,266 | 3,912,181 |
| Changes | | | | | | | | | | | |
| Additions | 49 | 933 | 1,109 | 32 | 28 | 1,338 | - | - | 145,376 | 4,122 | 152,987 |
| Divestitures | - | - | (13) | (5) | - | (1) | - | - | (9,193) | (369) | (9,581) |
| Impairment | - | - | - | - | - | - | - | - | (3,195) | - | (3,195) |
| Increase(decrease) in foreign currency exchange | (82) | - | (53) | (23) | - | (104) | - | - | (1) | (180) | (443) |
| Reclassification | - | 23,355 | 68,187 | 3,742 | 5,382 | 1,585 | 491 | 2,324 | (178,445) | 88,703 | 15,324 |
| Other increases (decreases) (*) | - | 1 | (2,729) | (2,169) | - | (45) | 1 | (1) | (40,032) | 973 | (44,001) |
| Total changes | (33) | 24,289 | 66,501 | 1,577 | 5,410 | 2,773 | 492 | 2,323 | (85,490) | 93,249 | 111,091 |
| Final balance | 34,589 | 264,645 | 1,211,927 | 79,979 | 37,492 | 38,285 | 171,769 | 228,240 | 151,831 | 1,804,515 | 4,023,272 |

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2015, Accumulated depreciation

| | Land ThUS\$ | Buildings ThUS\$ | Machinery ThUS\$ | Transport equipment ThUS\$ | Furniture and fixtures ThUS\$ | Office equipment ThUS\$ | Production plants ThUS\$ | Mining assets ThUS\$ | Constructions in progress ThUS\$ | Other property, plant and equipment ThUS\$ | Property, plant and equipment ThUS\$ |
|---|----------------|---------------------|---------------------|----------------------------------|-------------------------------------|-------------------------------|--------------------------------|-------------------------|--|---|---|
| Opening balance | - | (115,954) | (791,878) | (64,227) | (23,066) | (29,147) | (62,504) | (142,585) | - | (794,866) | (2,024,227) |
| Changes | | | | | | | | | | | |
| Divestitures | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation expense | - | (13,198) | (88,899) | (15,327) | (3,093) | (3,041) | (7,121) | (1,682) | - | (99,084) | (231,445) |
| Impairment | - | (747) | (5,107) | (248) | (1,157) | (10) | (473) | (13,554) | - | (15,527) | (36,823) |
| Increase(decrease) in foreign currency exchange | - | 1 | - | 16 | - | 66 | - | - | - | 30 | 113 |
| Reclassification | - | (5,348) | 70,419 | 24,887 | (433) | 2 | (21,644) | (29,027) | - | (54,180) | (15,324) |
| Other increases (decreases) (*) | - | (1,024) | (3,001) | (10,314) | (1,227) | 13 | - | - | - | (16,437) | (31,990) |
| Total changes | - | (20,316) | (26,588) | (986) | (5,910) | (2,970) | (29,238) | (44,263) | - | (185,198) | (315,469) |
| Final balance | - | (136,270) | (818,466) | (65,213) | (28,976) | (32,117) | (91,742) | (186,848) | - | (980,064) | (2,339,696) |



Note 14 Property, plant and equipment (continued)

14.3 Reconciliation of changes in property, plant and equipment by type, continued:

Reconciliation entries of changes in property, plant and equipment by type as of December 31, 2015, net

| | Land ThUS\$ | Buildings ThUS\$ | Machinery ThUS\$ | Transport equipment ThUS\$ | Furniture and fixtures ThUS\$ | Office equipment ThUS\$ | Production plants ThUS\$ | Mining assets ThUS\$ | Constructions in progress ThUS\$ | Other property, plant and equipment ThUS\$ | Property, plant and equipment ThUS\$ |
|---|----------------|---------------------|---------------------|----------------------------------|-------------------------------------|-------------------------------|--------------------------------|-------------------------|--|---|---|
| Opening balance | 34,622 | 124,402 | 353,548 | 14,175 | 9,016 | 6,365 | 108,773 | 83,332 | 237,321 | 916,400 | 1,887,954 |
| Changes | | | | | | | | | | | |
| Additions | 49 | 933 | 1,109 | 32 | 28 | 1,338 | - | - | 145,376 | 4,122 | 152,987 |
| Divestitures | - | - | (13) | (5) | - | (1) | - | - | (9,193) | (369) | (9,581) |
| Depreciation expense | - | (13,198) | (88,899) | (15,327) | (3,093) | (3,041) | (7,121) | (1,682) | - | (99,084) | (231,445) |
| Impairment | - | (747) | (5,107) | (248) | (1,157) | (10) | (473) | (13,554) | (3,195) | (15,527) | (40,018) |
| Increase(decrease) in foreign currency exchange | (82) | 1 | (53) | (7) | - | (38) | - | - | (1) | (150) | (330) |
| Reclassification | - | 18,007 | 138,606 | 28,629 | 4,949 | 1,587 | (21,153) | (26,703) | (178,445) | 34,523 | - |
| Other increases (decreases) (*) | - | (1,023) | (5,730) | (12,483) | (1,227) | (32) | 1 | (1) | (40,032) | (15,464) | (75,991) |
| Total changes | (33) | 3,973 | 39,913 | 591 | (500) | (197) | (28,746) | (41,940) | (85,490) | (91,949) | (204,378) |
| Final balance | 34,589 | 128,375 | 393,461 | 14,766 | 8,516 | 6,168 | 80,027 | 41,392 | 151,831 | 824,451 | 1,683,576 |

(*) The net balance of other increases (decreases) corresponds to: 1) Work in progress which are expensed to profit or loss (forming part of cost of sales and other expenses per function, as appropriate), 2) the variation representing the purchase and use of materials and spare parts 3) projects corresponding mainly to exploration expenditures and stain development.

Note 14 Property, plant and equipment (continued)

14.3 Detail of property, plant and equipment pledged as guarantee

There are no restrictions in title or guarantees for the compliance with obligations which affect property, plant and equipment.

14.4 Impairment of assets

As stated in Note 3.28, the recoverable amount of property, plant and equipment is measured whenever there is an indication that the asset may be impaired. As of December 31, 2016 and December 31, 2015, impairment adjustments were generated because of the closure of the railway stations for the transportation of products, see Note 34 and the closure of the Pedro de Valdivia mine site indicated in Note 32, respectively.

Railway for transportation of products from the Coya Sur location and the Port of Tocopilla

As a result of the rain storms that affected the Tocopilla Zone at the beginning of August 2015, SQM S.A. confirmed the existence of damages in several zones in the railway between the sites Coya Sur and Tocopilla. Accordingly, starting from such date the Company has used the transport of trucks replacing the transport through the railway. SQM has performed several internal and external studies with the purpose of determining the costs and terms necessary to repair the damages in the railway.

The analysis of the internal and external reports performed during 2015 and 2016 concluded that the costs associated with repairing the damages caused by the rain storms would imply long-terms and high costs, and accordingly, it is not convenient at short and medium-term to repair the railway. Such decision does not affect the production process or imply additional employee reductions.

Consequently, SQM has adjusted the value of the assets associated with the railway (fixed equipment, facilities and rolling equipment), which has translated into a charge of approximately US\$32 million which are reflected in the line other expenses by function in the consolidated statement of income for the period. Such amount approximately represents 0.8% of SQM's total assets and 11% of SQM's net income reported at the end of December 2016.

14.5 Additional information

Interest capitalized in construction-in-progress:

The amount capitalized for this concept amounted to ThUS\$5,406 as of December 31, 2016 and ThUS\$4,466 as of December 31, 2015.

Financing costs are not capitalized for periods which exceed the normal term of acquisition, construction or installation of the asset, such as the case of delays, interruptions or temporary suspension of the project due to technical, financial or other issues, which prevent that the asset is maintained in good conditions for its use.



Note 14 Property, plant and equipment (continued)

14.5 Additional information

Available for sale assets

Non-current assets held for sale and the components of groups held for sale classified as held for sale are recorded in the Consolidated Statement of Financial Position in a single line under the following concept: “Non-current assets or asset groups for disposal classified as held for sale.”

The main classes of assets of non-current assets held for sale are shown below.

| Available for sale assets | 12/31/2016 | 12/31/2015 |
|----------------------------------|---------------------|-------------------|
| | ThUS\$ | ThUS\$ |
| Land | 1,891 | - |
| Facilities and fixtures | 165 | - |
| Total | <u>2,056</u> | <u>-</u> |

Note 15 Employee benefits

15.1 Provisions for employee benefits

| Classes of benefits and expenses by employee | 12/31/2016 | 12/31/2015 |
|---|----------------------|----------------------|
| | ThUS\$ | ThUS\$ |
| Current | | |
| Profit sharing and bonuses | 20,998 | 13,445 |
| Total | <u>20,998</u> | <u>13,445</u> |
| Non-current | | |
| Profit sharing and bonuses | - | - |
| Severance indemnity payments | 22,532 | 21,995 |
| Total | <u>22,532</u> | <u>21,995</u> |



Note 15 Employee benefits (continued)

15.2 Policies on defined benefit plan

This policy is applied to all benefits received for services provided by the Company's employees.

Short-term benefits for active employees are represented by salaries, social welfare benefits, paid time-off, sickness leaves and other leaves, profit sharing and incentives and non-monetary benefits; e.g., healthcare service, housing, subsidized or free goods or services. These will be paid in a term which does not exceed twelve months.

The Company only provides compensation and benefits to active employees, with the exemption of SQM North America which applies the definitions under 15.4 below.

SQM maintains incentive programs for its employees based on the personal performance, the Company's performance and other short-term, mid-term and long-term indicators.

For each incentive bonus delivered to the Company's employees, there will be a disbursement in the first quarter of the following year and this will be calculated based on profit for the period at the end of each period applying a factor obtained subsequent to the employee appraisal process.

Employee benefits include retention bonuses for the Company's executives, which are linked to the Company's share price and it is paid in cash. The short-term portion is presented as provision for current employee benefits and the long-term portion as non-current.

The bonus provided to the Company's directors is calculated based on Profit for the period at each year-end and will consider the application of a percentage factor.

The benefit related to vacations (short-term benefits to employees, current), which is provided in the Labor Code which indicates that employees with more than a year of service will be entitled to annual holidays for a period not lower than fifteen paid business days. The Company provides the benefit of two additional vacation days (classified in Note 18.3).

Staff severance indemnities are agreed and payable based on the last salary for each year of service for the Company or with certain maximum limits in respect to the number of years to be considered or in respect to monetary terms. In general, this benefit is payable when the employee or worker ceases to provide his/her services to the Company and the right for its collection can be acquired because of different causes, as indicated in the respective agreements; e.g., retirement, dismissal, voluntary retirement, incapacity or disability, death, etc.

Law No. 19,728 published on May 14, 2001 which became effective on October 1, 2002 required "Compulsory Unemployment Insurance" in favor of all depending employees regulated by the Chilean Labor Code. Article 5 of this law provided the financing of this insurance through monthly contribution payments by both the employee and the employer.

**Note 15 Employee benefits (continued)****15.3 Other long-term benefits**

The other long-term benefits relate to staff severance indemnities and are recorded at their actuarial value.

| Staff severance indemnities at actuarial value | 12/31/2016 | 12/31/2015 |
|---|-------------------|-------------------|
| | ThUS\$ | ThUS\$ |
| Staff severance indemnities, Chile | 21,384 | 20,883 |
| Other obligations in companies elsewhere | 1,148 | 1,112 |
| Total other non-current liabilities | 22,532 | 21,995 |

Staff severance indemnities have been calculated under the actuarial assessment method of the Company's obligations with respect to staff severance indemnities, which relate to defined benefit plans which consist of days of remuneration per year served at the time of retirement under conditions agreed in the respective agreements established between the Company and its employees.

Under this benefit plan, the Company retains the obligation for the payment of staff severance indemnities related to retirements, without establishing a separate fund with specific assets, which is referred to as not funded. The discount interest rate of expected flows to be used was 4.5522%.

Benefit payment conditions

The staff severance indemnity benefit relates to remuneration days for year worked for the Company with no limit of salary or years of services for the Company, when employees cease to work for the Company due to turnover or death. In this case, the maximum age for men is 65 years and 60 years old for women, which are the usual ages for retirement due to achieving the senior citizen age according to the Chilean pensions system provided in Decree Law 3,500 of 1,980.

Methodology

The determination of the obligation for benefits under IAS 19 Projected Benefit Obligation (PBO) is described as follows:

To determine the Company's total liability, we used a mathematical simulation model which was programmed using a computer and which processed the situation of each employee on an individual basis.



Note 15 Employee benefits (continued)

15.3 Other long-term benefits, continued

This model considered months as discrete time; i.e., the Company determined the age of each person and his/her salary on a monthly basis according to the growth rate. Thus, information on each person was simulated from the beginning of the life of his/her employment contract or when he/she started earning benefits up to the month in which it reaches the normal retirement age, generating in each period the possible retirement according to the Company's turnover rate and the mortality rate according to the age reached. When he/she reaches the retirement age, the employee finishes his/her service for the Company and receives indemnity related to retirement due to old age.

The methodology followed to determine the accrual for all the employees adhered to agreements has considered turnover rates and the mortality rate RV-2009 established by the Chilean Superintendence of Securities and Insurance to calculate pension-related life insurance reserves in Chile according to the Accumulated Benefit Valuation or Accrued Cost of Benefit Method. This methodology is established in IAS 19 on Retirement Benefit Costs.

15.4 Post-employment benefit obligations

Our subsidiary SQM North America, has established with its employees, a pension plan until 2002 called "SQM North America Retirement Income Plan", whereby obligation is calculated measuring the expected future forecasted staff severance indemnity obligation using a net salary gradual rate of restatements for inflation, mortality and turnover assumptions discounting the resulting amounts at present value using the interest rate defined by the authorities.

Since 2003, SQM North America offers to its employee benefits related to pension plans based on the 401-K system, which do not generate obligations for the Company.

| Reconciliation | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|-------------------|-------------------|-------------------|
| Changes in the benefit obligation | ThUS\$ | ThUS\$ | ThUS\$ |
| Benefit obligation at the beginning of the year | 7,949 | 7,324 | 6,922 |
| Service cost | 2 | 3 | 2 |
| Interest cost | 387 | 380 | 403 |
| Actuarial loss | 200 | 600 | 361 |
| Benefits paid | (353) | (358) | (364) |
| Benefit obligation at the end of the year | 8,185 | 7,949 | 7,324 |



Note 15 Employee benefits (continued)

15.4 Post-employment benefit obligations, continued

| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|--|----------------------|----------------------|----------------------|
| Changes in the plan assets: | | | |
| Fair value of plan assets at the beginning of the year | 7,464 | 7,967 | 7,909 |
| Employer's contributions | - | - | 173 |
| Actual return (loss) in plan assets | 293 | (145) | 249 |
| Benefits paid | (353) | (358) | (364) |
| Fair value of plan assets at the end of the year | <u>7,404</u> | <u>7,464</u> | <u>7,967</u> |
| Financing status | <u>(782)</u> | <u>(485)</u> | <u>643</u> |
| Items not yet recognized as net periodic pension cost components: | | | |
| Net actuarial loss at the beginning of the year | (3,165) | (1,903) | (1,231) |
| Amortization during the year | 184 | 68 | 30 |
| Net estimated gain or loss occurred during the year | (451) | (1,330) | (702) |
| Adjustment to recognize the minimum pension obligation | <u>(3,432)</u> | <u>(3,165)</u> | <u>(1,903)</u> |

The net periodic pension expense was composed of the following components for the years ended December 31, 2016, 2015 and 2014:

| Reconciliation | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|---|----------------------|----------------------|----------------------|
| Service cost or benefits received during the year | 2 | 3 | 2 |
| Interest cost in benefit obligation | 387 | 380 | 403 |
| Actual return in plan assets | 293 | (145) | 249 |
| Amortization of prior year losses | 184 | 68 | 30 |
| Net gain during the year | 610 | 728 | 340 |
| Net periodic pension expense | 29 | (133) | (155) |

15.5 Staff severance indemnities

As of December 31, 2016, 2015 and 2014, severance indemnities calculated at the actuarial value are as follows:

| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|-------------------------------|----------------------|----------------------|----------------------|
| Opening balance | (21,995) | (30,952) | (32,137) |
| Current cost of service (*) | (1,333) | (898) | (1,294) |
| Interest cost | (1,407) | (1,588) | (2,020) |
| Actuarial gain/loss | (2,253) | 1,242 | (665) |
| Exchange rate difference | (1,215) | 3,582 | 4,450 |
| Benefits paid during the year | 5,671 | 6,619 | 714 |
| Balance | <u>(22,532)</u> | <u>(21,995)</u> | <u>(30,952)</u> |

(*) Current cost for the year ended December 31, 2015 includes the reversal of a provision in the amount of ThUS\$3,575 (see note 26.5).



Note 15 Employee benefits (continued)

15.5 Staff severance indemnities, continued

a) Actuarial assumptions

The liability recorded for staff severance indemnity is valued at the actuarial value method, using the following actuarial assumptions:

| | 12/31/2016 | 12/31/2015 | 12/31/2014 | |
|-------------------------------------|-------------------|-------------------|-------------------|--------|
| Mortality rate | RV - 2014 | RV - 2009 | RV - 2009 | |
| Actual annual interest rate | 4.522% | 4.89% | 5.5% | |
| Voluntary retirement rotation rate: | | | | |
| Men | 7.16% | 7.16% | 1.71% | annual |
| Women | 7.16% | 7.16% | 1.96% | annual |
| Salary increase | 3.60% | 3.60% | 3.00% | annual |
| Retirement age: | | | | |
| Men | 65 | 65 | 65 | years |
| Women | 60 | 60 | 60 | years |

b) Sensitivity analysis of assumptions

As of December 31, 2016 and December 31, 2015, on the actuarial calculation, the Company has conducting the sensitivity analysis of the main assumptions, determining the following:

| Sensitivity analysis 12/31/2016 | Effect + 100 basis points | Effect - 100 basis points |
|--|----------------------------------|----------------------------------|
| | ThUS\$ | ThUS\$ |
| Discount rate | (1,576) | 1,773 |
| Employee turnover rate | (207) | 231 |
| Sensitivity analysis 12/31/2015 | Effect + 100 basis points | Effect - 100 basis points |
| | ThUS\$ | ThUS\$ |
| Discount rate | (1,437) | 1,607 |
| Employee turnover rate | (250) | 148 |

Sensitivity relates to an increase/decrease of 100 basis points.



Note 16 Executive compensation plan

Through the present date, the Company has a compensation plan with the purpose of encouraging the Company's executives and encourage them to stay in the Company, by granting payments based on the change in price of SQM's shares.

1) Shares

Characteristics of the plan

This compensation plan was related with the company performance through the price of the Series B SQM share (Santiago Stock Exchange).

Participants in this plan

This compensation plan includes eight executives of the Company, who are entitled to this benefit, provided they stay with the Company during the dates these options are executed. The dates for exercising the options were the first seven calendar days of the month of May following the fiscal year end.

Compensation

The compensation for each executive was the differential between the average prices of the share during April of each year compared to the base price established by Company's management. The base price fixed by the Company for this compensation plan amounts to US\$50 per share. The Company reserves the right to exchange that benefit for shares or share options. The resulting amount would have been paid in cash directly to the executives.

The related liability is recorded in profit sharing and bonuses in note 15.1.

| Movement for the period (number of shares) | 2016 | 2015 |
|---|-------------|-------------|
| In effect as of January 1 | - | 1,536,000 |
| Former executives | - | (365,000) |
| Granted during the fiscal year | - | - |
| In circulation | - | 1,171,000 |
| Average contractual life | - | 4 months |
| Executives | - | 8 |



Note 16 Executive compensation plan, continued

2) Average Share Price Spread

Plan characteristics

This compensation plan is related to the Company's performance through the SQM Series B share price (Santiago Stock Exchange).

Plan participants

This compensation plan includes 24 of the Company's executives, who obtain this benefit, provided they remain in the Company at the payment dates. Payment dates, if applicable, will be in 2021.

Compensation

The compensation for each executive is the differential between the average share price during each of the months of December 2015, December 2016 and December 2017, respectively, in its equivalent in US dollars and the reference prices, of US\$23.43 and the average weighted price of the trading of SQM Series B shares in the Santiago Stock Exchange during December 2014. The differential cannot exceed US\$15.00 and will be multiplied by 5,000. If the amount calculated is negative or zero, no bonus will be paid during that period, but in such case, the bond of benefit payable in the following period to the employee will be equal to the product of multiplying the difference by 10,000. If the value was negative or zero in December 2015 and also in December 2016, for calculating the bond of December 2017, the differential will be multiplied by 15,000. The resulting amount would have been paid in cash directly to the executives.

The movement of the options in effect for the period, the average prices for the fiscal year of the options and the average contractual life of the options in effect as of December 31, 2016 and December 31, 2015 are the following:

| Movement for the period (number of shares) | 2016 | 2015 |
|---|-------------|-------------|
| In effect as of January 1 | 405,000 | 390,000 |
| Former executives | (45,000) | (45,000) |
| Granted during the fiscal year | - | 60,000 |
| In circulation | 360,000 | 405,000 |
| Average weighted contractual life | 12 months | 24 months |
| Executives | 24 | 27 |



Note 17 Disclosures on equity

The detail and movements in the funds of equity accounts are shown in the consolidated statement of changes in equity.

17.1 Capital management

The main object of capital management relative to the administration of the Company’s financial debt and equity is to ensure the regular conduct of operations and business continuity in the long term, with the constant intention of maintaining an adequate level of liquidity and in compliance with the financial safeguards established in the debt contracts in force. Within this framework, decisions are made in order to maximize the value of SQM.

Capital management must comply with, among others, the limits contemplated in the Financing Policy approved by Board of Directors, which establish a maximum consolidated indebtedness level of 1.5 times the debt/equity. This limit can be exceeded only if the Company’s management has a written and previously granted authorization issued at the Extraordinary Shareholders’ Meeting.

In addition, capital management must comply with the external capital requirements imposed (or covenants) in its financial obligations, which regulate the indebtedness level by 1.2 times, in its stricter level.

In conjunction with the level of indebtedness, it is also important for the Company to maintain a comfortable profile of maturities for its financial obligations, in order to oversee the relation between its short-term financial obligations and the long-term maturities, and the relation they have with the Company’s asset distribution. Consequently, the Company has maintained a liquidity level of 3 times during the last periods.

The Company’s management controls capital management based on the following ratios:

| CAPITAL MANAGEMENT | 12/31/2016 | 12/31/2015 | Description (1) | Calculation (1) |
|---------------------------|-------------------|-------------------|---|---|
| Net Financial Debt ThUS\$ | 468,725 | 528,649 | Financial Debt – Financial Resources | Other current Financial Liabilities + Other Non-Current Financial Liabilities – Cash and Cash Equivalents – Other Current Financial Assets – Hedging Assets, non-current |
| Liquidity | 4.02 | 3.84 | Current Asset divided by Current Liability | Total Current Assets / Total Current Liabilities |
| Net Debt / Capitalization | 0.17 | 0.18 | Net Financial Debt divided by Total Equity | Net financial debt / (Net financial debt + Total Equity) |
| ROE | 12.22% | 9.1% | Income divided by Total Equity | Total Income / Equity (UH 12 months) |
| ROA | 16.0% | 13.4% | EBITDA – Depreciation divided by Net Total Assets of financial resources less related parties investments | (Gross Income – Administrative Expenses) / (Total Assets – Cash and Cash Equivalents – Other Current Financial Assets – Other Non-Current Financial Assets – Equity-accounted Investees) (UH 12 months) |
| Indebtedness | 0.83 | 0.93 | Total Liability on Equity | Total Liabilities / Total Equity |

(1) Assumes the absolute value of the accounting records



Note 17 Disclosures on equity (continued)

17.1 Capital management, continued

The Company's capital requirements change depending on variables such as work capital requirements, of new investment financing and dividends, among others. The Company manages its capital structure and makes adjustments on the basis of the predominant economic conditions so as to mitigate the risks associated with adverse market conditions and take advantage of the opportunities there may be to improve the liquidity position.

There have been no changes in the capital management objectives or policy within the years reported in this document. No breaches of external requirements of capital imposed (or covenants) have been recorded.

17.2 Disclosures on preferred share capital

Issued share capital is divided into 263,196,524 fully paid and subscribed shares composed of 142,819,552 Series "A" shares and 120,376,972 Series "B" shares, where both series are preferred shares.

The preferential voting rights for each series are detailed as follows:

Series "A":

If the election of the Company's President results in a tie vote, the Company's directors may vote once again, without the vote of the director elected by the Series B shareholders.

Series "B":

- 1) A general or extraordinary shareholders' meeting may be called at the request of shareholders representing 5% of the Company's Series B shares.
- 2) An extraordinary meeting of the Board of Directors may be called with or without the agreement of the Company's President, at the request of the director elected by Series B shareholders.

As of December 31, 2016 and December 31, 2015, the Group does not maintain shares in the parent either directly or through its companies in which it has investments.



Note 17 Disclosures on equity (continued)

17.2 Disclosures on preferred share capital, continued

Detail of types of capital in preference shares:

| Type of capital in preferred shares Description of type of capital in preferred shares | 12/31/2016 | | 12/31/2015 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Series A | Series B | Series A | Series B |
| Number of authorized shares | 142,819,552 | 120,376,972 | 142,819,552 | 120,376,972 |
| Number of fully subscribed and paid shares | 142,819,552 | 120,376,972 | 142,819,552 | 120,376,972 |
| Number of subscribed, partially paid shares | - | - | - | - |
| Par value of shares in US\$ | 0.9435 | 2.8464 | 0.9435 | 2.8464 |
| Increase (decrease) in the number of current shares | - | - | - | - |
| Number of current shares | 142,819,552 | 120,376,972 | 142,819,552 | 120,376,972 |
| Number of shares owned by the entity or its subsidiaries or associates | - | - | - | - |
| Number of shares whose issuance is reserved due to the existence of options or agreements to dispose shares | - | - | - | - |
| Capital amount in shares ThUS\$ | 134,750 | 342,636 | 134,750 | 342,636 |
| Amount of premium issuance ThUS\$ | - | - | - | - |
| Amount of reserves ThUS\$ | - | - | - | - |
| Total number of subscribed shares, total | 142,819,552 | 120,376,972 | 142,819,552 | 120,376,972 |

As of December 31, 2016 and December 31, 2015, the Company has not placed any new issuances of shares on the market.

**Note 17 Disclosures on equity (continued)****17.3 Disclosures on reserves in equity**

As of December 31, 2016 and December 31, 2015, this caption comprises the following:

| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|------------------------|------------------------|------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Reserve for currency exchange conversion | (19,463) | (14,035) | (7,701) |
| Reserve for cash flow hedges | 64 | (1,699) | (1,881) |
| Reserve for gains and losses from financial assets measured at fair value through other comprehensive income | 3,513 | | - |
| Reserve for actuarial gains or losses in defined benefit plans | (4,834) | (2,386) | (1,903) |
| Other reserves | 7,832 | (1,677) | (1,677) |
| Total other reserves | <u>(12,888)</u> | <u>(19,797)</u> | <u>(13,162)</u> |



Note 17 Disclosures on equity (continued)

17.3 Disclosures on reserves in equity, continued

The movements of other Reserves and Changes in ownership interest were as follows:

| Reserve movement | Foreign currency exchange gains (losses) before taxes | Gains (losses) from cash flow hedges | | Actuarial gains (loss) | | Gains (losses) in financial assets measured at fair value through other comprehensive income | | Other Miscellaneous | Total reserves | | |
|---|---|--------------------------------------|--------------|------------------------|----------------|--|----------------|---------------------|-----------------|----------------|-----------------|
| | Before taxes | Before taxes | Income taxes | Before taxes | Deferred taxes | Before taxes | Deferred taxes | Before taxes | Reserves | Deferred taxes | Total reserves |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Initial balance current period January 1, 2014 | (3,817) | (4,427) | 661 | (1,231) | - | - | - | (1,677) | (11,152) | 661 | (10,491) |
| Increase (decrease) in reserves | (4,016) | 20,795 | - | (672) | - | - | - | - | 16,107 | - | 16,107 |
| Deferred taxes | - | - | (311) | - | - | - | - | - | - | (311) | (311) |
| Reclassification profit or loss of reserves | - | (18,599) | - | - | - | - | - | - | (18,599) | - | (18,599) |
| Closing balance of current year, December 31, 2014 | (7,833) | (2,231) | 350 | (1,903) | - | - | - | (1,677) | (13,644) | 350 | (13,294) |
| Increase (decrease) in reserves | (6,499) | 854 | - | (221) | - | - | - | - | (5,866) | - | (5,866) |
| Deferred taxes | - | - | 95 | - | (309) | - | - | - | - | (214) | (214) |
| Reclassification profit or loss of reserves | - | (767) | - | 47 | - | - | - | - | (720) | - | (720) |
| Closing balance of current year, December 31, 2015 | (14,332) | (2,144) | 445 | (2,077) | (309) | - | - | (1,677) | (20,230) | 136 | (20,094) |
| Increase (decrease) in reserves | (2,252) | 3,626 | - | (3,397) | - | 4,813 | - | 9,509 | 12,299 | - | 12,299 |
| Deferred taxes | - | - | (470) | - | 921 | - | (1,300) | - | - | (849) | (849) |
| Reclassification profit or loss of reserves | - | (1,393) | - | 28 | - | - | - | - | (1,365) | - | (1,365) |
| Closing balance of current year, December 31, 2016 | (16,584) | 89 | (25) | (5,446) | 612 | 4,813 | (1,300) | 7,832 | (9,296) | (713) | (10,009) |



Note 17 Disclosures on equity (continued)

17.3 Disclosures on reserves in equity, continued

Reserves for currency exchange conversion

This balance reflects retained earnings for changes in the exchange rate when converting financial statements of subsidiaries whose functional currency is from each company's origin country and the presentation currency is the US dollar.

Reserve for cash flow hedges

The Company maintains, as hedge instruments, financial derivatives related to obligations with the public issued in UF and Chilean pesos. Changes from the fair value of derivatives designated and classified as hedges are recognized under this classification.

Reserve for gains and losses from financial assets measured at fair value through other comprehensive income

This caption includes investments in shares where the Company has no significant influence and; accordingly, have been measured at fair value through equity. In the event that such equity instruments are fully or partially disposed of, the proportional accumulated effect of accumulated fair value will be transferred to profit or loss.

Reserve for actuarial gains or losses in defined benefit plans

For the domestic subsidiaries the effects of changes in assumptions are considered, mainly changes in the discount rate.

The subsidiary SQM North America has established pension plans for its retired employees that are calculated by measuring the projected obligation of IAS using a net salary progressive rate net of adjustments to inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 5.5% interest rate for 2016 and 2015.



Note 17 Disclosures on equity (continued)

17.3 Disclosures on reserves in equity, continued

Other reserves

Corresponds to reserves from prior years through 2015 in reserves for currency translation differences, and reserves of prior years through 2015 in Retained earnings (losses) in the subsidiary SQM Iberian S.A

Corresponds to the legal reserves reported in the individual financial statements of the subsidiaries that are mentioned below and that have been recognized in the equity of SQM, through the application of the equity method.

| Subsidiary - Associate | ThUS\$ |
|--|--------------|
| SQM Iberian S,A, | 5,963 |
| SQM Europe NV | 1,958 |
| Soquimich European holding B.V. | 828 |
| Abu Dhabi Fertilizer Industries WWL | 455 |
| Doktor Tarsa Tarim Sanayi AS | 305 |
| Total | 9,509 |
| 2. Corresponds to the acquisition of the subsidiary SQM Iberian S.A., which was already under ownership of the Company at the acquisition date (IAS 27 R). | (1,677) |
| Total Other reserves | 7,832 |

17.4 Dividend policies

As required by Article 79 of the Chilean Companies Act, unless otherwise decided by unanimous vote of the holders of issued and subscribed shares, we must distribute a cash dividend in an amount equal to at least 30% of our consolidated Profit for the period for year ended as of December 31, unless and except to the extent it has a deficit in retained earnings (losses not absorbed in prior years).

The Company's dividend policy for 2016 is as follows:

- Distribution and payment in favor of each shareholder of a final dividend which will be equivalent to 50% of Profit for the period obtained in 2016.



Note 17 - Disclosures on equity (continued)

- Distribution and payment, if possible during 2016, of a provisional dividend which will be recorded against the aforementioned final dividend. This provisional dividend will be paid probably during the last quarter of 2016 and its amount could not exceed 50% of the retained earnings for distribution obtained during 2016, which are reflected in the Company's financial statements as of December 31, 2016.
- The distribution and payment by the Company of the remaining balance of the final dividend related to Profit for the period for the 2016 commercial year in up to two installments, which will have to be effectively paid and distributed prior to June 30, 2017.
- An amount equivalent to the remaining 50% of the Company's Profit for the period for 2016 will be retained and destined to the financing of operations of one or more of the Company's investment projects with no prejudice of the possible future capitalization of the entirety or a portion of this.
- The Board of Directors does not consider the payment of any additional dividends.
- The Board of Directors does not consider the payment of any interim dividends
- The Board of Directors considers as necessary to indicate that the aforementioned dividends policy corresponds to the intention or expectation of the Board regarding this matter. Consequently, the enforcement of such dividends policy is necessarily conditioned to net incomes finally obtained, to the results indicating the Company's regular forecasts or the existence of certain conditions that could affect them. Notwithstanding the above and to the extent that such policy dividend does not suffer a significant change, SQM S.A. will timely communicate its shareholders on this matter.

17.5 Interim and provisional dividends – fiscal year 2016

On March 22, 2016, the Company communicated that the Directors of Sociedad Química y Minera de Chile S.A. (SQM), at the Ordinary Meeting unanimously agreed the following:

Partially amend the "Dividend Policy for Commercial Year 2015 of SQM S.A." which was reported to the Ordinary Shareholders' Meeting of April 24, 2015 with the main purpose of including in such "Policy" the payment of an interim dividend of US\$150,000,000, equivalent to US\$0.56992 per share, which will be paid with a charge to retained earnings of SQM S.A.



Note 17 - Disclosures on equity (continued)

On November 23, 2016, the Board of Directors of Sociedad Química y Minera de Chile S.A, approved paying a provisional dividend of US\$225 million, equivalent to US\$0.85487 per share with a charge to profit for 2016. Such amount would be paid at its equivalent in Chilean pesos using the Observed U.S. dollar exchange rate published in the Official Gazette on December 13, 2016.

This payment of dividend would be made in favor of the shareholders personally or through their duly authorized representatives from 9:00 am on December 20, 2016. The shareholders of record with the Shareholder' Registry 5 business days prior to December 20, 2016.

Change in the Dividend Policy in 2016:

On November 23, 2016, the Board of Directors agreed: i) to pay and distribute on December 20, 2016, a provisional dividend of US\$225 million, equivalent to US\$0.85487 per share, to be charged against the 2016 net income, ii) to change the Dividend Policy for the 2016 business year, as discussed at the Annual General Shareholders' meeting held on April 26, 2016, iii) that no further provisional dividend would be charged against the 2016 net income and iv) that the remaining amount of the net income for the 2016 business year, if any, would be withheld and used to finance of the Company's operations of one or more of the Company's investment projects and to fund all or part of any possible future expenditures, without prejudice.

On April 11, 2017, the Board of Directors, agreed to recommend to the shareholders the payment of a definitive dividend representing 100% of the 2016 net income. This definitive dividend payment will be presented for consideration at the Annual General Shareholders' Meeting held on April 28, 2017. Therefore, and subject to the approval at the Shareholders' meeting, the Company shall pay a final dividend of US\$1.05735 per share, the amount of US\$0.85487 per share must be deducted from the final dividend, which was already paid as a provisional dividend on December 20, 2016. The balance, in the amount of US\$0.20248 per share, shall be paid and distributed to Company's shareholders, pending shareholders' approval, on May 11, 2017.

**Note 17 - Disclosures on equity (continued)****17.6 Interim and provisional dividends – fiscal year 2015**

On November 17, 2015, the Board of Directors of Sociedad Química y Minera de Chile S.A. agreed that the Company pay and distribute a provisional dividend referred to in the “Dividend Policy for Commercial year 2015 of SQM S.A.” as agreed at the Annual General Ordinary Shareholders’ Meeting of April 24, 2015.

Accordingly, the Company paid and distributed starting from December 10, 2015 a provisional dividend per share of US\$0.31915, which was equivalent to approximately US\$84,000,000 and, this, to 49.82889% of net profit for distribution from the commercial year 2015, which was accumulated as of December 31 of such year. Such dividend will be charged to profit from the commercial year to the Shareholders recorded in the Shareholders’ Record of SQM on the fifth business day prior to December 10 indicated above and at its amount equivalent in Chilean pesos, the domestic currency at its “Observed U.S. Dollar” or “U.S. dollar” exchange rate published in the Official Gazette on December 3, 2015.

On April 24, 2015, at the Fortieth General Ordinary Shareholders’ Meeting, the shareholders agreed the payment of a dividend declared of US\$0.56304 per share for the net profit obtained during the 2014 commercial year. From this dividend declared the amount of US\$0.41493 per share was discounted, which was paid for the concept of the provisional dividend and the remaining balance, then amounting to US\$0.14811 per share, was paid and distributed in favor of the Shareholders of SQM recorded with the related Shareholders’ Record on the fifth business day prior to the date in which the dividend was paid. Such amount was paid at its equivalent amount in Chilean pesos the domestic currency per the “Observed U.S. dollar” or “U.S. dollar” exchange rate, which was published on April 24, 2015.

Dividends presented deducted from equity are:

| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Dividends attributable to owners of the parent | 3,014 | 3,248 | 114,487 |
| Provisional dividend | 225,000 | 106,584 | 38,983 |
| Interim dividend | 150,000 | - | 230,000 |
| Total | 378,014 | 109,832 | 383,470 |



Note 18 Provisions and other non-financial liabilities

18.1 Types of provisions

| | 12/31/2016 | | | 12/31/2015 | | |
|---|---------------|--------------|---------------|---------------|--------------|---------------|
| | Current | Non-current | Total | Current | Non-current | Total |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Provision for legal complaints (*) | 20,867 | 3,000 | 23,867 | 18,067 | 3,000 | 21,067 |
| Provision for dismantling, restoration and rehabilitation cost (**) | - | 5,890 | 5,890 | - | 5,890 | 5,890 |
| Other provisions (***) | 21,045 | 44 | 21,089 | 10,074 | - | 10,074 |
| Total | 41,912 | 8,934 | 50,846 | 28,141 | 8,890 | 37,031 |

(*) Provisions for legal complaints relate to legal expenses for lawsuits whose resolution are pending, and correspond to funds estimated necessary to make the disbursement of expenses incurred for this purpose. This provision relates mainly to the litigation of its subsidiary located in Chile, Brazil and the United States (see note 19.1). **Legal expenses:** This provision depends on the pending resolution of a legal lawsuit, to pay the expenses associated to and incurred during such lawsuit (incurred mainly in Brazil, Chile and the United States). **Tax accrual in tax litigation:** This accrual relates to lawsuits pending resolution related to taxes in Brazil for two of our subsidiaries, SQM Brazil and NNC. **CORFO (Economic Development Agency) Royalties agreement:** Relates to the commercialization of mining properties that SQM Salar S.A. pays the Economic Development Agency for on a quarterly basis. The amount of the lease payable is calculated based on sales of products extracted from the Atacama Saltpeter deposit.

(**) Such provision is calculated considering the instructions issued by the regulating agency (Servicio Nacional de Geología y Minería de Chile, Sernageomin (The Chilean National Geology and Mining Service).

(***) Provisions for executive bonus compensation and others.

The settlement of the aforementioned amounts is performed on a quarterly basis.



Note 18 Provisions and other non-financial liabilities (continued)

18.2 Description of other provisions

| Current provisions, other short-term provisions | 12/31/2016 | 12/31/2015 |
|---|-------------------|-------------------|
| | ThUS\$ | ThUS\$ |
| Provision for tax loss in fiscal litigation | 750 | 610 |
| Royalties, agreement with CORFO (the Chilean Economic Development Agency) | 11,452 | 6,310 |
| Provision for additional tax related to foreign loans | 450 | 524 |
| Miscellaneous provisions | 8,393 | 6,001 |
| Total | 21,045 | 13,445 |
| Other long-term provisions | | |
| Mine closure | 5,890 | 5,890 |
| Miscellaneous | 44 | - |
| Total | 5,934 | 5,890 |

18.3 Other liabilities current

| Description of other liabilities | 12/31/2016 | 12/31/2015 |
|--|-------------------|-------------------|
| | ThUS\$ | ThUS\$ |
| Tax withholdings | 14,340 | 5,946 |
| VAT payable | 3,949 | 6,677 |
| Guarantees received | 2,638 | 748 |
| Accrual for dividend | 1,189 | 23,887 |
| Monthly tax provisional payments | 9,545 | 5,985 |
| Deferred income | 6,507 | 9,764 |
| Withholdings from employees and salaries payable | 5,552 | 3,459 |
| Accrued vacations | 15,841 | 13,171 |
| Other current liabilities | 2,359 | 329 |
| Total | 61,920 | 69,966 |



Note 18 Provisions and other non-financial liabilities (continued)

18.4 Changes in provisions

| Description of items that gave rise to variations | 12/31/2016 | | | | | | Total ThUS\$ |
|---|---------------------|-------------------------|-------------------------------|--------------------------------|---|-------------------------------|-----------------|
| | Guarantee ThUS\$ | Restructuring ThUS\$ | Legal complaints ThUS\$ | Onerous contracts ThUS\$ | Provision for dismantling, restoration and rehabilitation cost ThUS\$ | Other provisions ThUS\$ | |
| Total provisions, initial balance | - | - | 21,067 | - | 5,890 | 13,445 | 40,402 |
| Changes in provisions: | | | | | | | |
| Additional provisions | - | - | 2,800 | - | - | 12,764 | 15,564 |
| Provision used | - | - | - | - | - | (5,715) | (5,715) |
| Increase(decrease) in foreign currency exchange | - | - | - | - | - | 128 | 128 |
| others | - | - | - | - | - | 467 | 467 |
| Total provisions, final balance | - | - | 23,867 | - | 5,890 | 21,089 | 50,846 |

| Description of items that gave rise to variations | 12/31/2015 | | | | | | Total ThUS\$ |
|---|---------------------|---------------------------------|-------------------------------|--------------------------------|---|-------------------------------|-----------------|
| | Guarantee ThUS\$ | Restructuring (*) ThUS\$ | Legal complaints ThUS\$ | Onerous contracts ThUS\$ | Provision for dismantling, restoration and rehabilitation cost ThUS\$ | Other provisions ThUS\$ | |
| Total provisions, initial balance | - | - | 22,567 | - | 5,890 | 8,180 | 36,637 |
| Changes in provisions: | | | | | | | |
| Additional provisions | - | 16,327 | 8,500 | - | - | 14,733 | 39,560 |
| Provision used | - | (16,327) | (10,000) | - | - | (9,111) | (35,438) |
| Increase(decrease) in foreign currency exchange | - | - | - | - | - | (357) | (357) |
| Total provisions, final balance | - | - | 21,067 | - | 5,890 | 13,445 | 40,402 |

(*) Provisions relating to restructuring in 2015 are related to the closure of the Pedro de Valdivia site. See Note 32.



Note 18 Provisions and other non-financial liabilities (continued)

18.4 Changes in provisions, continued

| Description of items that gave rise to variations | 12/31/2014 | | | | | | Total ThUS\$ |
|---|---------------------|-------------------------|-------------------------------|--------------------------------|---|-------------------------------|-----------------|
| | Guarantee ThUS\$ | Restructuring ThUS\$ | Legal complaints ThUS\$ | Onerous contracts ThUS\$ | Provision for dismantling, restoration and rehabilitation cost ThUS\$ | Other provisions ThUS\$ | |
| Total provisions, initial balance | - | - | 11,567 | - | 5,633 | 9,386 | 26,586 |
| Changes in provisions: | | | | | | | |
| Additional provisions | - | - | 11,000 | - | 257 | 83 | 11,340 |
| Provision used | - | - | - | - | - | (1,107) | (1,107) |
| Increase(decrease) in foreign currency exchange | - | - | - | - | - | (182) | (182) |
| Total provisions, final balance | - | - | 22,567 | - | 5,890 | 8,180 | 36,637 |



Note 19 Contingencies and restrictions

According to note 18.1 the Company has only registered a provision for the lawsuits in which the probability that judgments are unfavorable for the Company is more likely than not. The Company is party to lawsuits and other relevant legal actions that are detailed as follows:

19.1 Lawsuits and other relevant events

1. Plaintiff : Nancy Erika Urrea Muñoz.
Defendants : Fresia Flores Zamorano, Duratec-Vinilit S.A. and SQM S.A. and their insurers.
Date : December 2008.
Court : 1st Civil Court of Santiago.
Reason : Labor Accident.
Status : Appeal filed by the plaintiff.
Nominal value : ThUS\$550.

2. Plaintiff : City of Pomona, California USA.
Defendants : SQM North America Corporation.
Date : December 2010.
Court : United States District Court Central District of California.
Reason : Payment of expenses and other amount related to the treatment of groundwater to allow for consumption by removing the existing perchlorate in such groundwater and that supposedly come from Chilean fertilizer.
Status : The Jury rejected the lawsuit. The plaintiff files an appeal, and the court has scheduled for hearings on May 2017.
Nominal value : Not determined.

3. Plaintiff : City of Lindsay, California USA.
Defendants : SQM North America Corporation
Date : December 2010.
Court : United States District Court Eastern District of California.
Reason : Payment of expenses and other amount related to the treatment of groundwater to allow for consumption by removing the existing perchlorate in such groundwater and that supposedly come from Chilean fertilizer.
Status : The Jury rejected the lawsuit. The plaintiff files an appeal, and the court has scheduled for hearings on May 2017.
Nominal value : Not determined.

Note 19 Contingencies and restrictions (continued)

19.1 Lawsuits and other relevant events, continued

- | | | |
|---------------|---|--|
| 4. Plaintiff | : | H&V Van Mele N.V. |
| Defendants | : | SQM Europe N.V. and its insurance companies. |
| Date | : | July 2013. |
| Court | : | Commercial Court. |
| Reason | : | Alleged indirect responsibility for the absence of adequate specification for the SOP-WS by the Belgian distributor. |
| Status | : | Evidence. |
| Nominal value | : | ThUS\$430. |
| 5. Plaintiff | : | Carlos Aravena Carrizo et al. |
| Defendants | : | SQM Nitratos S.A. and its insurers. |
| Date | : | May 2014. |
| Court | : | Commercial Court. |
| Reason | : | Compensation claim for alleged civil liability under tort as a result of an explosion that occurred on September 6, 2010 near Baquedano, causing the death of 6 workers. Out of court settlements were agreed and executed with the families of five of such workers. |
| Status | : | Evidence. |
| Nominal value | : | ThUS\$500. |
| 6. Plaintiff | : | Corporación de Fomento de la Producción (CORFO). |
| Defendants | : | SQM Salar S.A. and Sociedad Química y Minera de Chile S.A. |
| Date | : | May 2014. |
| Court | : | Arbitration court. |
| Reason | : | Early termination of Lease Agreement entered into on November 12, 1993 for (i) alleged failure in full payment of quarterly rental payments linked to certain products during the period 2009–2013 and (ii) alleged absence of demarcation of certain mining properties owned by Corfo which such agency never demarcated with respect to which never requested a demarcation in such Agreement and also seeking compensation for damages among other matters. |
| Status | : | Evidence. |
| Nominal value | : | ThUS\$9,000. |

Note 19 Contingencies and restrictions (continued)

19.1 Lawsuits and other relevant events, continued

| | | |
|---------------|---|---|
| 7. Plaintiff | : | CORFO |
| Defendants | : | SQM Salar S.A, SQM Potasio S.A. and SQM S.A. |
| Date | : | August 2016. |
| Court | : | Arbitration Court- Arbitrator Mr. Héctor Humeres. |
| Reason | : | Project early termination entered on November 12, 1993 and other related contracts among other matters involving compensation for damages. |
| Status | : | Deliberation stage finished. Through resolution of January 24, 2017, the Court ordered accumulating this case with the case reported in No. 6 above. |
| Nominal value | : | Not determined. |
| 8. Plaintiff | : | SQM Salar S.A and SQM S.A. |
| Defendants | : | CORFO |
| Date | : | September 28, 2016. |
| Court | : | Arbitration Court- Arbitrator Mr. Héctor Humeres. |
| Reason | : | Declaratory action to seek determination whether rent payments made by SQM Salar S.A. under the Lease Agreement entered into on November 12, 1993, have been in accordance with the agreement entered into by the parties and the rent formula applied has been useful for CORFO. |
| Status | : | Deliberation stage finished. Through resolution of January 24, 2017, the Court ordered accumulating this case with the case reported in No. 6 above. |
| Nominal value | : | Not yet defined. |
| 9. Plaintiff | : | Evt Consulting SpA. |
| Defendants | : | SQM Nitratos S.A. |
| Date | : | October 2014. |
| Court | : | 23th Civil Court of Santiago. |
| Reason | : | Lawsuit seeking compensation for damages related to the termination of the purchase and sale agreement for metallic structures. |
| Status | : | Judgment of December 15, 2016 final judgment, absolving SQM Nitratos S.A. of the payment of compensation. An appeal and appeal in cassation was filed by the plaintiff and an appeal was filed by SQM Nitratos S.A. |
| Nominal value | : | ThUS\$835 |

Note 19 Contingencies and restrictions (continued)

19.1 Lawsuits and other relevant events, continued

| | | |
|---------------|---|--|
| 10. Plaintiff | : | Hugo Gutiérrez Gálvez |
| Defendants | : | Sociedad Química y Minera de Chile S.A. et al and Senators Jaime Orpis B. and Fulvio Rossi C. |
| Date | : | July 2015. |
| Court | : | 8 th Supervisory Court in Preliminary Proceedings of Santiago, Chile |
| Reason | : | Alleged extortion–bribery and money laundering under Law No. 20.393 on the Legal Responsibility of Juridical Persons and other standards. |
| Status | : | Initial filing. |
| Nominal value | : | None. |
| 11. Plaintiff | : | Patricio Contesse G. |
| Defendants | : | SQM S.A. |
| Date | : | September 2015 |
| Court | : | First Labor Court of Santiago. |
| Reason | : | Seeking the payment of severance indemnities and other employment termination benefits. |
| Status | : | On March 27, 2017, the Company reached an agreement with Mr. Contesse to terminate the labor lawsuit Mr. Contesse filed against the Company. |
| Nominal value | : | ThUS\$5,665. |
| 12. Plaintiff | : | SQMS and SQM S.A. |
| Defendants | : | RSA Seguros Chile S.A. |
| Date | : | In August 2016. |
| Court | : | Arbitration Court – Arbitrator Mr. Gonzalo Fernández. |
| Reason | : | Complaint for forced compliance and collection of indemnification for insurance claim of February 7 and 8, 2013. |
| Status | : | Deliberation stage finished |
| Nominal value | : | US\$20,657,860. |

Note 19 Contingencies and restrictions (continued)

19.1 Lawsuits and other relevant events, continued

| | | |
|---------------|---|--|
| 13. Plaintiff | : | Tyne and Wear Pension Fund as represented by the Council of the Borough of South Tyneside acting as Lead Plaintiff – Class Action – Class Period. |
| Defendants | : | Sociedad Química y Minera de Chile S.A. |
| Date | : | January 2016. |
| Court | : | United States District Court – Southern District of New York. |
| Reason | : | Class Actions – Class Period. SQM would have not reported properly to the US Securities and Exchange Commission on certain expenses made during certain years which could be associated with alleged contributions to politicians. Such expenses would not have the related supporting documentation for being substantiated as necessary to generate income and this would have generated the intervention by several Chilean Government authorities – the Chilean Superintendence of Securities and Insurance (SVS), the Chilean Internal Revenue Service and Public Ministry – and the decrease of the value of the shares –ADS’s of SQM owned by the plaintiffs. |
| Status | : | On March 28, 2017, the district court issued an opinion and order denying in part and granting in part the motion to dismiss. |
| | | |
| 14. Plaintiff | : | Thorco Shipping A/S |
| Defendants | : | Sociedad Química y Minera de Chile S.A. |
| Date | : | January 2015. |
| Court | : | Arbitration court – London Maritime Arbitrators' Association. |
| Reason | : | Lawsuit seeking compensation for damages alleging a freight agreement breach. |
| Status | : | On January 31, 2017, the Company was ordered to pay US\$247,845. The Company has filed an appeal against such judgment. |
| Nominal value | : | ThUS\$325 |

Note 19 Contingencies and restrictions (continued)

19.1 Lawsuits and other relevant events, continued

| | | |
|---------------|---|--|
| 15. Plaintiff | : | Ernesto Saldaña González et al. |
| Defendants | : | SQM Salar S.A., SQM Industrial S.A. and their insurance companies. |
| Date | : | May 2016. |
| Court | : | 13 th Civil Court of Santiago. |
| Reason | : | Lawsuit seeking compensation for damages for alleged civil liability under tort law arising from the accident occurred on July 21, 2014 to Mr. Marco Antonio Saldaña González while he was repairing a truck of a contractor in the María Elena location which resulted in his death when a portion of the truck's structure fell down on him. |
| Status | : | Evidentiary stage. |
| Nominal value | : | ThUS\$515. |
| 16. Plaintiff | : | María Yolanda Achiardi Tapia et al. |
| Defendants | : | SQM Salar S.A. and its insurance companies and other 5 defendants |
| Date | : | February 2015. |
| Court | : | 1 st Civil Court of Antofagasta. |
| Reason | : | Lawsuit seeking compensation for damages for the alleged civil liability in tort law arising from a traffic accident occurred in April 20, 2011 in the city of Antofagasta, caused by a bus subcontracted by a Contractor, resulting in the death of three people travelling in a light vehicle which was collided by the bus. |
| Status | : | The lawsuit has not been served to one of the defendants. |
| Nominal value | : | ThUS\$1,265. |
| 17. Plaintiff | : | SQM |
| Defendants | : | AES Gener S.A. y Empresa Eléctrica Cochrane S.A. |
| Date | : | April 2017 |
| Court | : | Arbitration Panel |
| Reason | : | Lawsuit seeking the declaration from the arbitration panel with respect to the non-compliance by defendants of the requirements under the power purchase agreement to charge SQM the costs of the so called green tax under Law. 20.780. |
| Status | : | SQM has asked for the constitution of the arbitral panel. Claim has to be filed during May 2017. |
| Nominal value | : | Undetermined. |

Note 19 Contingencies and restrictions (continued)

19.1 Lawsuits and other relevant events, continued

| | | |
|---------------|---|---|
| 18. Plaintiff | : | AES Gener S.A. and Empresa Eléctrica Cochrane S.A. |
| Defendants | : | SQM |
| Date | : | April 2017 |
| Court | : | Arbitration Panel |
| Reason | : | Lawsuit to solve differences in the amount to be charged by plaintiffs to SQM in connection a change of law provision contained in the power purchase agreement, with respect to the so called green tax under Law. 20.780. |
| Status | : | Plaintiffs has asked for the constitution of the arbitral panel. |
| Nominal value | : | Undetermined. |
| | | |
| 19. Plaintiff | : | Union No. 2 SQM Nueva Victoria |
| Defendants | : | SQM Nitratos S.A. |
| Date | : | November 2016 |
| Court | : | Iquique Labor Court |
| Reason | : | The Union claims SQM miscalculated the formula of the incentive bonus to be paid under the current collective agreement between SQM and the Union. |
| Status | : | Discussion period |
| Nominal value | : | ThUS\$385. |

The Company and its subsidiaries have been involved and will probably continue to be involved either as plaintiffs or defendants in certain judicial proceedings that have been and will be heard by the Arbitration or Ordinary Courts of Justice that will make the final decision. Those proceedings that are regulated by the appropriate legal regulations are intended to exercise or oppose certain actions or exceptions related to certain mining claims either granted or to be granted and that do not or will not affect in an essential manner the development of the Company and its subsidiaries.

Soquimich Comercial S.A. has been involved and will probably continue being involved either as plaintiff or defendant in certain judicial proceedings through which it intends to collect and receive the amounts owed, the total nominal value of which is approximately ThUS\$1,200.

The Company has made efforts and continues making efforts to obtain payment of certain amounts that are still owed it on occasion of their activities. Such amounts will continue to be required using judicial or non-judicial means by the plaintiffs, and the actions and exercise related to these are currently in full force and effect.

The Company and its subsidiaries have received no legal notice on lawsuits other than those indicated above, which exceed ThUS\$200.

Note 19 Contingencies and restrictions (continued)

19.2 Restrictions to management or financial limits

Credit contracts subscribed by the SQM Group with domestic and foreign banks and the issuance of bonuses in the local and international market require that the Company comply with the following level of consolidated financial indicators, calculated for a moving period which considers the last twelve months:

- To maintain a minimum equity of ThUS\$1,000,000.
- To maintain a Net Financial Debt and EBITDA ratio not higher than 3 times.
- To maintain a Total Indebtedness Ratio not higher than 1.2 times Total Indebtedness level defined as the Total Liabilities ratio divided by Total Equity.
- To maintain a ratio between the operating subsidiaries SQM Industrial S.A. and SQM Salar S.A., or their respective legal successor financial debt and the total Issuer's consolidated current assets not higher than 0.3 times.

As of December 31, 2016, the aforementioned financial indicators are as follows:

| Indicator | 12/31/2016 | 12/31/2015 |
|--|-------------------|-------------------|
| Equity ThUS\$ | 2,307,272 | 2,400,356 |
| Net Financial Debt/ EBITDA | 0.58 | 0.73 |
| Indebtedness | 0.83 | 0.93 |
| SQM Industrial and SQM Salar debt / Current assets | 0.02 | 0.01 |

Issuance contracts for bonuses issued abroad does not require that the Company merge or dispose at any title the asset as a whole or as a substantial part of it, unless the following copulative conditions are met: (i) the legal successor company is an entity subject to Chilean or American laws, and assumes under a complimentary contract the Company's obligations, (ii) the Issuer does not fail to comply immediately after the merge or disposal, and (iii) the Issuer delivers a legal opinion stating the merge or disposal and the complimentary contract meet the requirements described in the original contract.

In addition, SQM S.A. is committed to disclose financial information on quarterly basis.

The Company and its subsidiaries have complied and are fully complying with all aforementioned limitations, restrictions and obligations.

Note 19 Contingencies and restrictions (continued)

19.3 Arbitration proceedings with CORFO

The subsidiary SQM Salar S.A. (SQMS) has signed a rental contract with the Economic Development Agency (CORFO), which establishes that the subsidiary will pay rent to CORFO for the concept of commercialization of certain mining properties owned by CORFO and for the products resulting from the commercialization. The annual rent stated in the aforementioned contract is calculated on the basis of sales of each type of product. The contract is in force until 2030, and rent began being paid in 1996 reflecting an expense amount of ThUS\$41,962 as of December 31, 2016 (ThUS\$23,155 as of December 31, 2015).

On 15 November 2013, Corporación de Fomento de la Producción (CORFO) sent a letter to SQMS stating its intention to a) collect the amount of Ch\$2,530,298,919 (ThUS\$4,823) that in CORFO's opinion, SQMS would owe to it for the calculation and payment of rental payments according to the "Lease Agreement of OMA Mining Claims located in the Atacama Salt Flat" entered into between CORFO and SQMS on November 12, 1993 (the AGREEMENT) and b) require the constitution of an instance of arbitration stated in the AGREEMENT with the purpose that the arbitrator appointed by the "Arbitration Center of the Santiago Chamber of Commerce" determines if other alleged lease payment obligations may exist that SQMS could owe to CORFO under the AGREEMENT.

During May 2014, CORFO filed a lawsuit against SQMS requesting the early termination of the agreement and other requests explained in Note 19.1. Such lawsuit is currently being processed.

SQMS differs completely from CORFO's claims. In fact, the AGREEMENT has been in force for more than 20 years and during all this time, SQMS has paid to CORFO more than 80 quarterly payments in their entirety and on a timely basis that CORFO has received satisfactorily.

In our legal advisors' opinion, there are no legal grounds to early terminate the lease agreement as –i- noncompliance on which the lawsuit is based do not exist and, if any, -ii- these are not gross or essential or hinder the purpose of the agreement –iii- the company has never had the intention of deceiving and has always been fully transparent in providing the information delivered. On the contrary, the conflict solely corresponds to a discussion on the right formula to calculate the rent amount.

The total amount finally requested by CORFO was at least US\$8,940,829 – plus interests and costs – and the arbitration proceeding is close to the end of the evidentiary stage. CORFO and SQMS waived all recourses against the judgment provided by the arbitrator. However, it is not possible to discard the filing of a complaint appeal or an appeal in cassation alleging incompetence or ultra petita and indicating the jurisprudence of the courts of justice, considering that both recourses cannot be waived.

On August 17, 2016, CORFO noticed a new arbitration claim filed against SQM Potasio S.A., SQM S.A. and SQMS, by virtue of which it required the early termination of the Project Contract entered on November 12, 1993 and other related contracts among other matters.

Note 19 Contingencies and restrictions (continued)

19.3 Arbitration proceedings with CORFO, continued

In addition, on September 28, 2016, SQM and SQMS. have file a request for a third arbitration with CORFO. Through this last arbitration, SQM. and SQMS expect to obtain a declaratory action determining that in the payment of the rent payments made under the lease agreement for the agreement's term, there has been no damage for CORFO. Such arbitration is at the deliberation stage.

During the period ended December 31, 2016, income related to products from the Atacama saltpeter deposit represented a 47.42% of total comprehensive income of the Company for the same period. This corresponds to income considered in the Potassium and Lithium product business lines.

Additionally, during the same period, SQMS sold potassium salts (sylvinite) and wet potassium chloride for a total of ThUS\$96,037 to SQM Industrial S.A., a subsidiary of SQM to be used as supplies in the production of potassium nitrate.

19.4 Environmental contingencies

On June 6, 2016, The Chilean Superintendence of the Environment filed charges against SQM with respect to the Pampa Hermosa project for possible noncompliance with RCA 890/2010.

This relates to charges associated with certain variables in the Follow-up Plan and the implementation of a mitigation action contemplated in the related Environmental Impact Study. SQM has submitted a compliance program detailing the actions and commitments that the Company will perform to overcome the objections filed by the environmental authority. The Chilean Superintendence of the Environment is currently reviewing such compliance program.

Through Exempt Resolution No. 1/Journal F-041-2016 of November 28, 2016 as amended through Exempt Resolution No. 4/Journal F-041-2016 of December 23, 2016, the Chilean Superintendence of the Environment presented charges against SQMS for the extraction of brine over the authorized amount, gradual impact on the vitality status of carob trees, delivery of incomplete information, amendment of variables, among others. SQMS has submitted a compliance program detailing the actions and commitments that the Company will perform to try to overcome the objections presented by the environmental authority. The Chilean Superintendence of the Environment is currently reviewing such compliance program.

Should the Chilean Superintendence of the Environment reject any of the aforementioned compliance programs, the Company is exposed to fines and other sanctions established in the Chilean environmental legislation.

Note 19 Contingencies and restrictions (continued)

19.5 Tax contingency

During 2015, SQM and its subsidiaries SQM Salar and SQM Industrial have submitted to the Chilean IRS four tax amendments (two by SQM, one by SQM Salar and one by SQM Industrial).

The first two (one filed by SQM and another filed by SQM Salar), subsequent to being approved by the Chilean IRS generated payments of taxes, interests and other charges for ThUS\$8,100, which was recorded in a provision in the results for the first quarter of 2015.

Additionally, during August 2015, the Company provided to the Chilean IRS for review and approval, the documentation required to amend the annual income tax returns of SQM and SQM Industrial. SQM believes that as a result of these amendments the Company will have to pay approximately US\$1.4 million for the concept of taxes, interests and other charges, such amount was recorded in a provision in the results for the second quarter of 2015.

Finally, during 2016, the last 12 invoices were amended with approximate payment of US\$50 thousand.

Accordingly, SQM and its subsidiaries understand the internal analysis they have been performing has ended, the purpose of which was the identification of the expenses incurred by them during the commercial years 2008 to 2014 and which could be a matter of tax amendment.

Because of the aforementioned amendments, SQM, SQM Salar and SQM Industrial might be affected by additional penalty established in article 97 No. 4, of the Tax Code. The Company has currently not estimated making any provisions related to this possible additional penalty.

On August 28, 2015, the Chilean IRS sent to SQM a request for payment of taxes of US\$8.7 million plus interests and fines related to the tax difference resulting from the application of articles 64 Bis and 64 Ter of the Chilean Income Tax Law. On September 9, 2015, SQM filed a Request for Voluntary Administrative Reconsideration with the Chilean IRS, which was not accepted. As a result, the Company paid the amounts as requested totaling US\$14.6 million, and reserved its right to file a tax claim against the request for payment by the Chilean IRS with the Courts of Justice.

Based on the opinion of the tax lawyers, management believes grounds exist to believe this case will be resolved in favor of the Company and, as such, no provisions have been made with respect to this case.

On August 26, 2016, SQM Salar filed with the Third Tax and Customs Court of the Metropolitan Region of Chile a tax claim against tax assessments Nos. 169, 170, 171 and 172, seeking to extend the application of the Specific Tax on Mining Activities to the exploitation of lithium. The amount involved is approximately ThUS\$17,809. The tax claim is at the deliberation stage.

On December 7, 2016, the Chilean Internal Revenue Service (Servicio de Impuestos Internos (SII)) through notice No.1587-16 communicated to SQMS the outcome of its inspections of Income Taxes for the tax years 2015 and 2016, through Resolution No.156 / 2016 and tax assessment No. 207, respectively. As a result, the Company paid the amounts as requested totaling US\$13.2 million, and reserved its right to file a tax claim against the request for payment by the Chilean IRS with the Courts of Justice.

On March 24, 2017, SQM Salar filed with the Third Tax and Customs Court of the Metropolitan Region of Chile a tax claim against the mentioned Resolution No.156 / 2016.



Note 19 Contingencies and restrictions (continued)

19.6 Restricted or pledged cash

The subsidiary Isapre Norte Grande Ltda., in compliance with that established by the Chilean Superintendence of Healthcare which regulates the running of pension-related health institutions, maintains a guarantee in financial instruments delivered in deposits, custody and administration to Banco de Chile.

This guarantee, according to the regulations issued by the Chilean Superintendence of Healthcare is equivalent to the total sum owed to its members and medical providers Banco de Chile reports the present value of the guarantee to the Chilean Superintendence of Healthcare and Isapre Norte Grande Ltda. on a daily basis. As of December 31, 2016, the guarantee amounts to ThUS\$685.

SQM S.A. maintains funds with Morgan Stanley for the concept of Margining Call, which provide collateral for the Bank's exposition towards the Company.

Such collateral hedges the fair value of the Cross Currency Swap that SQM S.A. has to hedge a portion of the Series H Bond.

Through the present date, SQM S.A. has delivered ThUS\$3,810 to Morgan Stanley, which will be released when any of the following conditions occur:

1. The market value of the Cross Currency Swap is lower than the sum of that delivered ThUS\$3,810 and the collateral threshold ThUS\$5,000.
2. The Cross Currency Swap associated with the H Series Bond expires on January 5, 2018.

SQM S.A. maintains funds with BCI for the concept of margin call, which provide collateral for the Bank's exposition towards the Company.

Such collateral hedges the fair value of the Cross Currency Swap that SQM S.A. has to hedge the Series H Bond.

Through the present date, SQM S.A. has delivered ThUS\$0 to BCI, which will be released when any of the following conditions occur:

1. The market value of the Cross Currency Swap of the last business day of the month is lower than the sum of that delivered ThUS\$0 and the collateral threshold ThUS\$10,000.
2. The Cross Currency Swap associated with the H Series Bond expires on January 5, 2018.



Note 19 Contingencies and restrictions (continued)

19.7 Securities obtained from third parties

The main security received (exceeding ThUS\$100) from third parties to guarantee Soquimich Comercial S.A.'s compliance with obligations in contracts of commercial mandates for the distribution and sale of fertilizers amounted to ThUS\$6,984 and ThUS\$6,445 on December 31, 2016 and December 31, 2015 respectively; which is detailed as follows:

| Grantor | Relationship | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ |
|--------------------------------|-----------------------|----------------------|----------------------|
| Tattersall Agroinsumos S.A. | Unrelated third party | 2,000 | 2,000 |
| Contador Frutos S.A. | Unrelated third party | 1,574 | 1,443 |
| Agrícola Lobert Ltda. | Unrelated third party | 1,141 | 760 |
| Covepa SPA | Unrelated third party | 747 | 780 |
| Johannes Epple Davanzo | Unrelated third party | 333 | 451 |
| Juan Luis Gaete Chesta | Unrelated third party | 241 | 227 |
| Arena Fertilizantes y Semillas | Unrelated third party | 224 | 211 |
| Vicente Oyarce Castro | Unrelated third party | 220 | 202 |
| Soc. Agrocom. Julio Polanco | Unrelated third party | 149 | 141 |
| Bernardo Guzmán Schmidt | Unrelated third party | 125 | 115 |
| Gilberto Rivas Y Cia. Ltda. | Unrelated third party | 125 | 115 |
| Agroc Patricio Bornand L.Eirl | Unrelated third party | - | 322 |
| Hortofruticola La Serena | Unrelated third party | - | 267 |
| Lemp Martin Julian | Unrelated third party | - | 103 |
| Comercial Agrosal Ltda. | Unrelated third party | 105 | - |
| Total | | 6,984 | 7,137 |



Note 19 Contingencies and restrictions (continued)

19.8 Indirect guarantees

Guarantees in which there is no pending balance indirectly reflect that the respective guarantees are in force and approved by the Company's Board of Directors and have not been used by the respective subsidiary.

The bonds which disclose a balance as of December 31, 2016 and December 31, 2015 are detailed below:

| Creditor of the guarantee | Debtor | | Type of guarantee | Balances as of the closing date of the financial statements | |
|---------------------------------------|----------------------------------|--------------|-------------------|---|------------|
| | Name | Relationship | | 12/31/2016 | 12/31/2015 |
| | | | | ThUS\$ | ThUS\$ |
| Australian and New Zealand Bank | SQM North America Corp | Subsidiary | Bond | - | - |
| Australian and New Zealand Bank | SQM Europe N.V. | Subsidiary | Bond | - | - |
| Generale Bank | SQM North America Corp | Subsidiary | Bond | - | - |
| Generale Bank | SQM Europe N.V. | Subsidiary | Bond | - | - |
| Kredietbank | SQM North America Corp | Subsidiary | Bond | - | - |
| Kredietbank | SQM Europe N.V. | Subsidiary | Bond | - | - |
| Banks and financial institutions | SQM Investment Corp. N.V. | Subsidiary | Bond | - | - |
| Banks and financial institutions | SQM Europe N.V. | Subsidiary | Bond | - | - |
| Banks and financial institutions | SQM North America Corp | Subsidiary | Bond | - | - |
| Banks and financial institutions | Nitratos Naturais do Chile Ltda. | Subsidiary | Bond | - | - |
| Banks and financial institutions | SQM México S.A. de C.V. | Subsidiary | Bond | - | - |
| Banks and financial institutions | SQM Brasil Ltda. | Subsidiary | Bond | - | - |
| "BNP" | SQM Investment Corp. N.V. | Subsidiary | Bond | - | - |
| Sociedad Nacional de Minería A.G. | SQM Potasio S.A. | Subsidiary | Bond | - | - |
| Scotiabank & Trust (Cayman) Ltd. | Royal Seed Trading A.V.V. | Subsidiary | Bond | - | - |
| Scotiabank & Trust (Cayman) Ltd. | Royal Seed Trading A.V.V. | Subsidiary | Bond | - | - |
| Bank of America | Royal Seed Trading A.V.V. | Subsidiary | Bond | - | 40,137 |
| Export Development Canada | Royal Seed Trading A.V.V. | Subsidiary | Bond | - | 20,010 |
| The Bank of Tokyo-Mitsubishi UFJ Ltd. | Royal Seed Trading A.V.V. | Subsidiary | Bond | - | 20,052 |
| JP Morgan Chase Bank | SQM Industrial S.A. | Subsidiary | Bond | - | - |
| The Bank of Nova Scotia | SQM Investment Corp. N.V. | Subsidiary | Bond | - | - |



Note 19 Contingencies and restrictions (continued)

19.8 Indirect guarantees, continued

| Creditor of the guarantee | Debtor | | Type of guarantee | Pending balances as of the closing date of the financial statements | |
|---------------------------------------|---------------------------|--------------|-------------------|---|------------|
| | Name | Relationship | | 12/31/2016 | 12/31/2015 |
| | | | | ThUS\$ | ThUS\$ |
| Credit Suisse International | SQM Investment Corp. N.V. | Subsidiary | Bond | - | - |
| Morgan Stanley Capital Services | SQM Investment Corp. N.V. | Subsidiary | Bond | - | - |
| The Bank of Tokyo-Mitsubishi UFJ Ltd. | SQM Investment Corp. N.V. | Subsidiary | Bond | - | - |
| HSBC | SQM Investment Corp. N.V. | Subsidiary | Bond | - | - |
| Deutsche Bank AG | SQM Investment Corp. N.V. | Subsidiary | Bond | - | - |



Note 20 Revenue

As of December 31, 2016, 2015 and 2014, revenue is detailed as follows:

| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--------------|-------------------------|-------------------------|-------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Products | 1,933,828 | 1,721,064 | 2,006,452 |
| Services | 5,494 | 7,268 | 7,762 |
| Total | <u>1,939,322</u> | <u>1,728,332</u> | <u>2,014,214</u> |

Note 21 Earnings per share

Basic earnings per share are calculated by dividing net income attributable to the Company's shareholders by the weighted average of the number of shares in circulation during that period.

As expressed, earnings per share are detailed as follows:

| Basic earnings per share | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Earnings (losses) attributable to owners of the parent | 278,290 | 220,356 | 236,889 |
| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
| | Units | Units | Units |
| Number of common shares in circulation | 263,196,524 | 263,196,524 | 263,196,524 |
| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
| Basic earnings per share (US\$ per share) | 1.0573 | 0.84 | 0.90 |

The Company does not have any potential dilutive shares.



Note 22 Borrowing costs

The cost of interest is recognized as expenses in the year in which it is incurred, except for interest that is directly related to the acquisition and construction of tangible property, plant and equipment assets and that complies with the requirements of IAS 23. As of December 31, 2016, total interest expenses incurred amount to ThUS\$57,459 (ThUS\$69,853 as of December 31, 2015).

22.1 Costs of capitalized interest, property, plant and equipment

The Company capitalizes all interest costs directly related to the construction or to the acquisition of property, plant and equipment, which require a substantial time to be suitable for use.

The cost of capitalized interest is determined by applying the average or weighted average of all financing costs incurred by the Company to the monthly end balances of works-in-progress meeting the requirements of IAS 23.

The rates and costs for capitalized interest of property, plant and equipment are detailed as follows:

| | 12/31/2016 | 12/31/2015 |
|--|-------------------|-------------------|
| Capitalization rate of costs for capitalized interest, property, plant and equipment | 4% | 5% |
| Amount of costs for interest capitalized in ThUS\$ | 5,406 | 4,666 |



Note 23 Effect of fluctuations on foreign currency exchange rates

a) Foreign currency exchange differences recognized in profit or loss and other comprehensive income:

| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|--|----------------------|----------------------|----------------------|
| Conversion foreign exchange gains (losses) recognized in profit or loss. | 460 | (12,364) | (16,545) |
| Conversion foreign exchange as other comprehensive income attributable to the owners of the controlling entity | (5,428) | (6,334) | (3,884) |
| Conversion foreign exchange as other comprehensive income attributable to the non-controlling entity | 35 | (165) | (132) |

b) Reserves for foreign currency exchange differences (balance):

As of December 31, 2016, and December 31, 2015, foreign currency exchange differences are detailed as follows:

| Detail | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|---|----------------------|----------------------|----------------------|
| Changes in equity generated by conversion of equity value: | | | |
| Comercial Hydro S.A. | 1,004 | 1,004 | 1,004 |
| SQMC Internacional Ltda. | (13) | (20) | - |
| Proinsa Ltda. | (10) | (15) | - |
| Comercial Agrorama Ltda. | (69) | (100) | (31) |
| Isapre Norte Grande Ltda. | (124) | (155) | (91) |
| Almacenes y Depósitos Ltda. | 47 | (31) | 42 |
| Sales de Magnesio Ltda. | (29) | (161) | 2 |
| Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | (6) | (9) | (8) |
| Agrorama S.A. | (49) | (35) | (30) |
| Doktor Tarsa | (12,264) | (8,305) | (5,076) |
| SQM Vitas Fzco | (1,801) | (2,245) | (1,084) |
| Ajay Europe | (1,935) | (1,731) | (809) |
| SQM Eastmed Turkey | (95) | (81) | (69) |
| Charlee SQM (Thailand) Co. Ltd. | (460) | (476) | (176) |
| Coromandel SQM India | (282) | (301) | (253) |
| SQM Italia SRL | (287) | (250) | (128) |
| SQM Oceania Pty Ltd. | (634) | (634) | (634) |
| SQM Indonesia S.A. | (124) | (123) | (123) |
| Abu Dhabi Fertilizers Industries WWL. | (434) | 21 | 20 |
| SQM Vitas Holland | (280) | (320) | (189) |
| SQM Thailand Limited | (68) | (68) | (68) |
| SQM Europe N.V. | (1,550) | - | - |
| Total | (19,463) | (14,035) | (7,701) |



Note 23 Effect of fluctuations on foreign currency exchange rates (continued)

c) Functional and presentation currency

The functional currency in these companies corresponds to the currency of the country of origin of each entity, and its presentation currency is the U.S. dollar.

d) Reasons to use one presentation currency and a different functional currency

- The total revenues of these subsidiaries are associated with the local currency.
- The commercialization cost structure of these companies is affected by the local currency.
- The equities of these companies are expressed in local currency (Chilean peso).

Note 24 Other current and non-current non-financial assets

As of December 31, 2016, and December 31, 2015, the detail of other current and non-current assets is as follows:

| Other non-financial assets, current | 12/31/2016 | 12/31/2015 |
|---|-------------------|-------------------|
| | ThUS\$ | ThUS\$ |
| Domestic Value Added Tax | 13,999 | 16,112 |
| Foreign Value Added Tax | 2,537 | 7,795 |
| Prepaid mining licenses | 1,136 | 1,209 |
| Prepaid insurance | 6,323 | 6,536 |
| Other prepayments | 408 | 602 |
| Refund of Value Added Tax to exporters | 855 | 13,183 |
| Mining royalty tax paid (*) | - | 14,565 |
| Other assets | 5,015 | 2,004 |
| Total | 30,273 | 62,006 |
| | | |
| Other non-financial assets, non-current | 12/31/2016 | 12/31/2015 |
| | ThUS\$ | ThUS\$ |
| Stain development expenses and prospecting expenses (1) | 23,008 | 31,911 |
| Guarantee deposits | 685 | 496 |
| Pension plan | - | 27 |
| Other assets | 997 | 1,092 |
| Total | 24,690 | 33,526 |

(*) The Company reserved its right to file a tax claim with the Courts of Justice against the request for payment by the SII. See Note 19.5

**Note 24 Other current and non-current non-financial assets, continued**

1) Reconciliation of changes in assets for exploration and mineral resource evaluation, by type

Movements in assets for the exploration and evaluation of mineral resources as of December 31, 2016, and December 31, 2015:

| Reconciliation | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ |
|--|------------------------------------|------------------------------------|
| Opening balance | 31,911 | 29,569 |
| Changes | | |
| Additions, other than business combinations | - | 3,871 |
| Depreciation and amortization | (9,498) | (2,287) |
| Increase (decrease) due to transfers and other charges | 595 | 758 |
| Total changes | (8,903) | 2,342 |
| Total | 23,008 | 31,911 |

As of the presentation date, no reevaluations of assets for exploration and assessment of mineral resources have been conducted.



Note 25 Reportable segments

25.1 Reportable segments

General information:

The amount of each item presented in each operating segment is equal to that reported to the maximum authority that makes decisions regarding the operation, in order to decide on the allocation of resources to the defined segments and to assess its performance.

These operating segments mentioned are consistent with the way the Company is managed and how results will be reported by Company. These segments reflect separate operating results which are regularly reviewed by chief operating decision maker in order to make decisions about the resources to be allocated to the segment and assess its performance (See Note 24.2).

The segments performance is measured based on net income and revenues. Sales between segments are conducted using terms and conditions at current market rates.

Factors used to identify segments on which a report should be presented:

Segments reported are strategic business units that offer different products and services. These are managed separately because each business requires different technology and marketing strategies.

Description of the types of products and services on which each reportable segment obtain its income from ordinary activities

The operating segments, through which incomes of ordinary activities are obtained, that generate expenses and whose operating results are reviewed on a regular basis by the maximum authority who makes decisions regarding operations, relate to the following groups of products:

1. Specialty plant nutrients
2. Iodine and its derivatives
3. Lithium and its derivatives
4. Industrial chemicals
5. Potassium
6. Other products and services

Description of income sources for all the other segments

Information relative to assets, liabilities, profit and expenses that cannot be assigned to the segments indicated above, due to the nature of production processes, is included under "Unassigned amounts" category of the disclosed information.

Basis of accounting for transactions between reportable segments

Sales between segments are made in the same conditions as those made to third parties, and are consistently measures as presented in the income statement.

Note 25 Reportable segments (continued)

25.1 Reportable segments, continued

Description of the nature of the differences between measurements of results of reportable segments and the result of the entity before the expense or income tax expense of incomes and discontinued operations.

The information reported in the segments is extracted from the Company's consolidated financial statements and therefore is not required to prepare reconciliations between the data mentioned above and those reported in the respective segments, according to what is stated in paragraph 28 of IFRS 8, "Operating Segments".

For the process of cost allocation in inventory valuation, we identify the direct costs (can be assigned directly to a product) and the common costs (belong to processes of co-production, for example costs of common leaching for the production of iodine and nitrates). The direct costs are directly associated with the product and the common costs are allocated using percentages of sales, prices and inventory rotation.

The allocation of other common costs that are not included in the inventory valuation process, but go straight to the cost of sales, use similar criteria: the costs associated with a product or sales in particular are assigned to that particular product or sales, and the common costs associated with different products or business lines are allocated according to the sales.

Description of the nature of the differences between measurements of assets of reportable segments and the Company's assets

Assets are not shown classified by segments, as this information is not readily available. Some of these assets are not separable by the type of activity by which they are affected since this information is not used by management in decision-making with respect to resources to be allocated to each defined segment. All assets are disclosed in the "unallocated amounts" category.

Description of the nature of the differences between measurements of liabilities of reportable segments and the Company's liabilities

Liabilities are not shown classified by segments, as this information is not readily available. Some of these liabilities are not separable by the type of activity by which they are affected, since this information is not used by management in decisions making regarding resources to be allocated to each defined segment. All liabilities are disclosed in the "unallocated amounts" category.



Note 25 Reportable segments (continued)

25.2 Reportable segment disclosures:

| Operating segment items | 12/31/2016 | | | | | | | | | | |
|---|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------|---------------------------------------|-------------------------------|------------------------------|-------------------------------|---|----------------------------|
| | Specialty plant nutrients ThUS\$ | Iodine and its derivatives ThUS\$ | Lithium and its derivatives ThUS\$ | Industrial chemicals ThUS\$ | Potassium ThUS\$ | Other products and services ThUS\$ | Reportable segments ThUS\$ | Operating segments ThUS\$ | Unallocated amounts ThUS\$ | Elimination of inter-segments amounts ThUS\$ | Total 12/31/2016 ThUS\$ |
| Revenue | 623,853 | 231,144 | 514,627 | 104,137 | 403,323 | 62,238 | 1,939,322 | 1,939,322 | - | - | 1,939,322 |
| Revenues from transactions with other operating segments of the same entity | 91,087 | 301,917 | 372,838 | 356,334 | 333,823 | 198,836 | 1,654,835 | 1,654,835 | - | (1,654,835) | - |
| Revenues from external customers and transactions with other operating segments of the same entity | 714,940 | 533,061 | 887,465 | 460,471 | 737,146 | 261,074 | 3,594,157 | 3,594,157 | - | (1,654,835) | 1,939,322 |
| Costs of sales | (478,074) | (191,298) | (175,616) | (67,378) | (359,477) | (56,442) | (1,328,285) | (1,328,285) | - | - | (1,328,285) |
| Administrative expenses | - | - | - | - | - | - | - | - | (94,647) | 6,211 | (88,436) |
| Interest expense | - | - | - | - | - | - | - | - | (149,051) | 91,553 | (57,498) |
| Depreciation and amortization expense | (89,864) | (35,958) | (33,010) | (12,666) | (67,571) | (10,612) | (249,681) | (249,681) | 8 | - | (249,673) |
| The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method | - | - | - | - | - | - | - | - | 13,047 | - | 13,047 |
| Income tax expense, continuing operations | - | - | - | - | - | - | - | - | (132,965) | - | (132,965) |
| Other items other than significant cash | - | - | - | - | - | - | - | - | - | - | - |
| Income (loss) before taxes | 145,779 | 39,846 | 339,011 | 36,759 | 43,846 | 5,796 | 611,037 | 611,037 | 317,894 | (514,042) | 414,889 |
| Net income (loss) from continuing operations | 145,779 | 39,846 | 339,011 | 36,759 | 43,846 | 5,796 | 611,037 | 611,037 | 184,929 | (514,042) | 281,924 |
| Net income (loss) from discontinued operations | - | - | - | - | - | - | - | - | - | - | - |
| Net income (loss) | 145,779 | 39,846 | 339,011 | 36,759 | 43,846 | 5,796 | 611,037 | 611,037 | 184,929 | (514,042) | 281,924 |
| Assets | - | - | - | - | - | - | - | - | 10,605,056 | (6,386,412) | 4,218,644 |
| Equity-accounted investees | - | - | - | - | - | - | - | - | 2,803,001 | (2,669,861) | 133,140 |
| Increase of non-current assets | - | - | - | - | - | - | - | - | (107,269) | - | (107,269) |
| Liabilities | - | - | - | - | - | - | - | - | 5,321,161 | (3,409,789) | 1,911,372 |
| Impairment loss recognized in profit or loss | - | - | (251) | - | - | (698) | (949) | (949) | (39,595) | - | (40,544) |



Note 25 Reportable segments (continued)

25.2 Reportable segment disclosures, continued

| Operating segment items | 12/31/2015 | | | | | | | | | | |
|---|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------|---------------------------------------|-------------------------------|------------------------------|-------------------------------|---|----------------------------|
| | Specialty plant nutrients ThUS\$ | Iodine and its derivatives ThUS\$ | Lithium and its derivatives ThUS\$ | Industrial chemicals ThUS\$ | Potassium ThUS\$ | Other products and services ThUS\$ | Reportable segments ThUS\$ | Operating segments ThUS\$ | Unallocated amounts ThUS\$ | Elimination of inter-segments amounts ThUS\$ | Total 12/31/2015 ThUS\$ |
| Revenue | 652,278 | 262,570 | 223,021 | 97,551 | 430,642 | 62,270 | 1,728,332 | 1,728,332 | - | - | 1,728,332 |
| Revenues from transactions with other operating segments of the same entity | 137,944 | 389,172 | 139,575 | 347,168 | 407,903 | 289,157 | 1,710,919 | 1,710,919 | - | (1,710,919) | - |
| Revenues from external customers and transactions with other operating segments of the same entity | 790,222 | 651,742 | 362,596 | 444,719 | 838,545 | 351,427 | 3,439,251 | 3,439,251 | - | (1,710,919) | 1,728,332 |
| Costs of sales | (461,028) | (184,551) | (109,389) | (71,252) | (303,645) | (55,718) | (1,185,583) | (1,185,583) | - | - | (1,185,583) |
| Administrative expenses | - | - | - | - | - | - | - | - | (95,176) | 8,346 | (86,830) |
| Interest expense | - | - | - | - | - | - | - | - | (197,815) | 127,962 | (69,853) |
| Depreciation and amortization expense | (105,545) | (42,249) | (25,044) | (16,312) | (69,513) | (12,758) | (271,421) | (271,421) | (316) | - | (271,737) |
| The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method | - | - | - | - | - | - | - | - | 10,326 | - | 10,326 |
| Income tax expense, continuing operations | - | - | - | - | - | - | - | - | (83,766) | - | (83,766) |
| Other items other than significant cash | - | - | - | - | - | - | - | - | - | - | - |
| Income (loss) before taxes | 191,250 | 78,019 | 113,632 | 26,300 | 126,997 | 6,552 | 542,750 | 542,750 | 131,291 | (365,755) | 308,286 |
| Net income (loss) from continuing operations | 191,250 | 78,019 | 113,632 | 26,300 | 126,997 | 6,552 | 542,750 | 542,750 | 47,525 | (365,755) | 224,520 |
| Net income (loss) from discontinued operations | - | - | - | - | - | - | - | - | - | - | - |
| Net income (loss) | 191,250 | 78,019 | 113,632 | 26,300 | 126,997 | 6,552 | 542,750 | 542,750 | 47,525 | (365,755) | 224,520 |
| Assets | - | - | - | - | - | - | - | - | 10,508,312 | (5,864,550) | 4,643,762 |
| Equity-accounted investees | - | - | - | - | - | - | - | - | 3,042,011 | (2,962,709) | 79,302 |
| Increase of non-current assets | - | - | - | - | - | - | - | - | (203,806) | - | (203,806) |
| Liabilities | - | - | - | - | - | - | - | - | 4,829,968 | (2,586,562) | 2,243,406 |
| Impairment loss recognized in profit or loss | - | (200) | (317) | (3) | (3,049) | (373) | (3,942) | (3,942) | (39,801) | - | (43,743) |



Note 25 Reportable segments (continued)

25.2 Reportable segment disclosures, continued

| 12/31/2014 | | | | | | | | | | | |
|---|---------------------------|----------------------------|-----------------------------|----------------------|----------------|-----------------------------|---------------------|--------------------|---------------------------------------|---------------------|------------------|
| Operating segment items | Specialty plant nutrients | Iodine and its derivatives | Lithium and its derivatives | Industrial chemicals | Potassium | Other products and services | Reportable segments | Operating segments | Elimination of inter-segments amounts | Unallocated amounts | Total 12/31/2014 |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Revenue | 708,023 | 335,433 | 206,849 | 101,933 | 584,268 | 77,708 | 2,014,214 | 2,014,214 | - | - | 2,014,214 |
| Revenues from transactions with other operating segments of the same entity | 69,686 | 560,051 | 119,900 | 311,188 | 358,089 | 238,614 | 1,657,528 | 1,657,528 | (1,657,528) | - | - |
| Revenues from external customers and transactions with other operating segments of the same entity | 777,709 | 895,484 | 326,749 | 413,121 | 942,357 | 316,322 | 3,671,742 | 3,671,742 | (1,657,528) | - | 2,014,214 |
| Costs of sales | (564,151) | (196,535) | (118,432) | (60,451) | (423,488) | (68,185) | (1,431,242) | (1,431,242) | - | - | (1,431,242) |
| Administrative expenses | - | - | - | - | - | - | - | - | 7,865 | (104,397) | (96,532) |
| Interest expense | - | - | - | - | - | - | - | - | 191,811 | (255,184) | (63,373) |
| Depreciation and amortization expense | (97,037) | (33,805) | (20,371) | (10,399) | (72,842) | (11,726) | (246,180) | (246,180) | - | (5,111) | (251,291) |
| The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method | - | - | - | - | - | - | - | - | (973) | 19,089 | 18,116 |
| Income tax expense, continuing operations | - | - | - | - | - | - | - | - | - | (160,686) | (160,686) |
| Other items other than significant cash | - | - | - | - | - | - | - | - | - | - | - |
| Income (loss) before taxes | 143,872 | 138,898 | 88,417 | 41,482 | 160,780 | 9,523 | 582,972 | 582,972 | (542,355) | 364,347 | 404,964 |
| Net income (loss) from continuing operations | 143,872 | 138,898 | 88,417 | 41,482 | 160,780 | 9,523 | 582,972 | 582,972 | (542,355) | 203,661 | 244,278 |
| Net income (loss) from discontinued operations | - | - | - | - | - | - | - | - | - | - | - |
| Net income (loss) | 143,872 | 138,898 | 88,417 | 41,482 | 160,780 | 9,523 | 582,972 | 582,972 | (542,355) | 203,661 | 244,278 |
| Assets | - | - | - | - | - | - | - | - | (7,142,103) | 11,805,758 | 4,663,655 |
| Equity-accounted investees | - | - | - | - | - | - | - | - | (3,291,962) | 3,367,740 | 75,778 |
| Increase of non-current assets | - | - | - | - | - | - | - | - | - | (161,625) | (161,625) |
| Liabilities | - | - | - | - | - | - | - | - | (3,541,966) | 5,913,106 | 2,371,140 |
| Impairment loss recognized in profit or loss | - | - | (989) | - | (164) | (111) | (1,264) | (1,264) | - | (349) | (1,613) |



Note 25 Reportable segments (continued)

25.3 Statement of comprehensive income classified by reportable segments based on groups of products

| Items in the statement of comprehensive income | 12/31/2016 | | | | | | | |
|--|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------|---------------------------------------|--------------------------|---|
| | Specialty plant nutrients ThUS\$ | Iodine and its derivatives ThUS\$ | Lithium and its derivatives ThUS\$ | Industrial chemicals ThUS\$ | Potassium ThUS\$ | Other products and services ThUS\$ | Corporate Unit ThUS\$ | Total segments and Corporate unit ThUS\$ |
| Revenue | 623,853 | 231,144 | 514,627 | 104,137 | 403,323 | 62,238 | - | 1,939,322 |
| Cost of sales | (478,074) | (191,298) | (175,616) | (67,378) | (359,477) | (56,442) | | (1,328,285) |
| Gross profit | 145,779 | 39,846 | 339,011 | 36,759 | 43,846 | 5,796 | - | 611,037 |
| Other incomes by function | - | - | - | - | - | - | 14,781 | 14,781 |
| Administrative expenses | - | - | - | - | - | - | (88,436) | (88,436) |
| Other expenses by function | - | - | - | - | - | - | (89,731) | (89,731) |
| Other gains (losses) | - | - | - | - | - | - | 679 | 679 |
| Financial income | - | - | - | - | - | - | 10,550 | 10,550 |
| Financial costs | - | - | - | - | - | - | (57,498) | (57,498) |
| interest in the profit or loss of associates and joint ventures accounted for by the equity method | - | - | - | - | - | - | 13,047 | 13,047 |
| Exchange differences | - | - | - | - | - | - | 460 | 460 |
| Profit (loss) before taxes | 145,779 | 39,846 | 339,011 | 36,759 | 43,846 | 5,796 | (196,148) | 414,889 |
| Income tax expense | - | - | - | - | - | - | (132,965) | (132,965) |
| Profit (loss) from continuing operations | 145,779 | 39,846 | 339,011 | 36,759 | 43,846 | 5,796 | (329,113) | 281,924 |
| Profit (loss) from discontinued operations | - | - | - | - | - | - | - | - |
| Profit (loss) | 145,779 | 39,846 | 339,011 | 36,759 | 43,846 | 5,796 | (329,113) | 281,924 |
| Profit (loss), attributable to | | | | | | | | |
| Profit (loss) attributable to the controller's owners | - | - | - | - | - | - | - | 278,290 |
| Profit (loss) attributable to the non-controllers | - | - | - | - | - | - | - | 3,634 |
| Profit (loss) | - | - | - | - | - | - | - | 281,924 |



Note 25 Reportable segments (continued)

25.3 Statement of comprehensive income classified by reportable segments based on groups of products, continued

| Items in the statement of comprehensive income | 12/31/2015 | | | | | | | Total segments and Corporate unit ThUS\$ |
|--|----------------------------------|-----------------------------------|------------------------------------|-----------------------------|------------------|------------------------------------|-----------------------|--|
| | Specialty plant nutrients ThUS\$ | Iodine and its derivatives ThUS\$ | Lithium and its derivatives ThUS\$ | Industrial chemicals ThUS\$ | Potassium ThUS\$ | Other products and services ThUS\$ | Corporate Unit ThUS\$ | |
| Revenue | 652,278 | 262,570 | 223,021 | 97,551 | 430,642 | 62,270 | - | 1,728,332 |
| Cost of sales | (461,028) | (184,551) | (109,389) | (71,252) | (303,645) | (55,718) | - | (1,185,583) |
| Gross profit | 191,250 | 78,019 | 113,632 | 26,299 | 126,997 | 6,552 | - | 542,749 |
| Other incomes by function | - | - | - | - | - | - | 15,343 | 15,343 |
| Administrative expenses | - | - | - | - | - | - | (86,830) | (86,830) |
| Other expenses by function | - | - | - | - | - | - | (106,415) | (106,415) |
| Other gains (losses) | - | - | - | - | - | - | 3,760 | 3,760 |
| Financial income | - | - | - | - | - | - | 11,570 | 11,570 |
| Financial costs | - | - | - | - | - | - | (69,853) | (69,853) |
| interest in the profit or loss of associates and joint ventures accounted for by the equity method | - | - | - | - | - | - | 10,326 | 10,326 |
| Exchange differences | - | - | - | - | - | - | (12,364) | (12,364) |
| Profit (loss) before taxes | 191,250 | 78,019 | 113,632 | 26,299 | 126,997 | 6,552 | (234,463) | 308,286 |
| Income tax expense | - | - | - | - | - | - | (83,766) | (83,766) |
| Profit (loss) from continuing operations | 191,250 | 78,019 | 113,632 | 26,299 | 126,997 | 6,552 | (318,229) | 224,520 |
| Profit (loss) from discontinued operations | - | - | - | - | - | - | - | - |
| Profit (loss) | 191,250 | 78,019 | 113,632 | 26,299 | 126,997 | 6,552 | (318,229) | 224,520 |
| Profit (loss), attributable to | | | | | | | | |
| Profit (loss) attributable to the controller's owners | - | - | - | - | - | - | - | 220,356 |
| Profit (loss) attributable to the non-controlling interests | - | - | - | - | - | - | - | 4,164 |
| Profit (loss) | - | - | - | - | - | - | - | 224,520 |



Note 25 Reportable segments (continued)

25.3 Statement of comprehensive income classified by reportable segments based on groups of products, continued

| Items in the statement of comprehensive income | 12/31/2014 | | | | | | | Total segments and Corporate unit ThUS\$ |
|--|----------------------------------|-----------------------------------|------------------------------------|-----------------------------|------------------|------------------------------------|-----------------------|--|
| | Specialty plant nutrients ThUS\$ | Iodine and its derivatives ThUS\$ | Lithium and its derivatives ThUS\$ | Industrial chemicals ThUS\$ | Potassium ThUS\$ | Other products and services ThUS\$ | Corporate Unit ThUS\$ | |
| Revenue | 708,023 | 335,433 | 206,849 | 101,933 | 584,268 | 77,708 | - | 2,014,214 |
| Cost of sales | (564,151) | (196,535) | (118,432) | (60,451) | (423,488) | (68,185) | - | (1,431,242) |
| Gross profit | 143,872 | 138,898 | 88,417 | 41,482 | 160,780 | 9,523 | - | 582,972 |
| Other incomes by function | - | - | - | - | - | - | 24,055 | 24,055 |
| Administrative expenses | - | - | - | - | - | - | (96,532) | (96,532) |
| Other expenses by function | - | - | - | - | - | - | (64,295) | (64,295) |
| Other gains (losses) | - | - | - | - | - | - | 4,424 | 4,424 |
| Financial income | - | - | - | - | - | - | 16,142 | 16,142 |
| Financial costs | - | - | - | - | - | - | (63,373) | (63,373) |
| interest in the profit or loss of associates and joint ventures accounted for by the equity method | - | - | - | - | - | - | 18,116 | 18,116 |
| Exchange differences | - | - | - | - | - | - | (16,545) | (16,545) |
| Profit (loss) before taxes | 143,872 | 138,898 | 88,417 | 41,482 | 160,780 | 9,523 | (178,008) | 404,964 |
| Income tax expense | - | - | - | - | - | - | (160,686) | (160,686) |
| Profit (loss) from continuing operations | 143,872 | 138,898 | 88,417 | 41,482 | 160,780 | 9,523 | (338,694) | 244,278 |
| Profit (loss) from discontinued operations | - | - | - | - | - | - | - | - |
| Profit (loss) | 143,872 | 138,898 | 88,417 | 41,482 | 160,780 | 9,523 | (338,694) | 244,278 |
| Profit (loss), attributable to | | | | | | | | |
| Profit (loss) attributable to the controller's owners | - | - | - | - | - | - | - | 236,889 |
| Profit (loss) attributable to the non-controlling interests | - | - | - | - | - | - | - | 7,389 |
| Profit (loss) | - | - | - | - | - | - | - | 244,278 |

Note 25 Reportable segments (continued)

25.4 Revenue from transactions with other Company's operating segments

| Items in the statement of comprehensive income | 12/31/2016 | | | | | | |
|--|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------|---------------------------------------|---|
| | Specialty plant nutrients ThUS\$ | Iodine and its derivatives ThUS\$ | Lithium and its derivatives ThUS\$ | Industrial chemicals ThUS\$ | Potassium ThUS\$ | Other products and services ThUS\$ | Total segments and Corporate unit ThUS\$ |
| Revenue | 623,853 | 231,144 | 514,627 | 104,137 | 403,323 | 62,238 | 1,939,322 |

| Items in the statement of comprehensive income | 12/31/2015 | | | | | | |
|--|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------|---------------------------------------|---|
| | Specialty plant nutrients ThUS\$ | Iodine and its derivatives ThUS\$ | Lithium and its derivatives ThUS\$ | Industrial chemicals ThUS\$ | Potassium ThUS\$ | Other products and services ThUS\$ | Total segments and Corporate unit ThUS\$ |
| Revenue | 652,278 | 262,570 | 223,021 | 97,551 | 430,642 | 62,270 | 1,728,332 |

| Items in the statement of comprehensive income | 12/31/2014 | | | | | | |
|--|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------|---------------------------------------|---|
| | Specialty plant nutrients ThUS\$ | Iodine and its derivatives ThUS\$ | Lithium and its derivatives ThUS\$ | Industrial chemicals ThUS\$ | Potassium ThUS\$ | Other products and services ThUS\$ | Total segments and Corporate unit ThUS\$ |
| Revenue | 708,023 | 335,433 | 206,849 | 101,933 | 584,268 | 77,708 | 2,014,214 |

25.5 Disclosures on geographical areas

As indicated in paragraph 33 of IFRS 8, the entity discloses geographical information on its revenue from operating activities with external customers and from non-current assets that are not financial instruments, deferred income tax assets, assets related to post-employment benefits or rights derived from insurance contracts.

25.6 Disclosures on main customers

With respect to the degree of dependency of the Company on its customers, in accordance with paragraph N° 34 of IFRS N° 8, the Company has no external customers who individually represent 10% or more of its revenue, Credit risk concentrations with respect to trade and other accounts receivable are limited due to the significant number of entities in the Company's portfolio and its worldwide distribution, The Company's policy requires guarantees (such as letters of credit, guarantee clauses and others) and/or to maintain insurance policies for certain accounts as deemed necessary by the Company's Management.



Note 25 Reportable segments (continued)

25.7 Segments by geographical areas as of December 31, 2016, December 31, 2015 and December 31, 2014

| Items | 12/31/2016 | | | | | Total ThUS\$ |
|--|------------------|--|------------------|-------------------------|---------------------------|------------------|
| | Chile ThUS\$ | Latin America and the Caribbean ThUS\$ | Europe ThUS\$ | North America ThUS\$ | Asia and others ThUS\$ | |
| Revenue | 162,478 | 240,607 | 411,807 | 416,380 | 708,050 | 1,939,322 |
| Investment accounted for under the equity method | - | 25,000 | 25,009 | 13,456 | 69,675 | 133,140 |
| Intangible assets other than goodwill | 109,227 | - | - | 211 | 1 | 109,439 |
| Goodwill | 23,731 | 86 | 11,373 | 724 | 2,058 | 37,972 |
| Property, plant and equipment, net | 1,524,936 | 234 | 3,521 | 2,536 | 1,483 | 1,532,710 |
| Investment property | - | - | - | - | - | - |
| Other non-current non-financial assets | 24,551 | 139 | - | - | - | 24,690 |
| Non-current assets that are not financial instruments | 1,682,445 | 25,459 | 39,903 | 16,927 | 73,217 | 1,837,951 |

| Items | 12/31/2015 | | | | | Total ThUS\$ |
|--|------------------|--|------------------|-------------------------|---------------------------|------------------|
| | Chile ThUS\$ | Latin America and the Caribbean ThUS\$ | Europe ThUS\$ | North America ThUS\$ | Asia and others ThUS\$ | |
| Revenue | 188,592 | 258,262 | 351,353 | 439,645 | 490,480 | 1,728,332 |
| Investment accounted for under the equity method | 1,535 | - | 23,410 | 12,913 | 41,444 | 79,302 |
| Intangible assets other than goodwill | 110,199 | - | - | 228 | 1 | 110,428 |
| Goodwill | 26,929 | 86 | 11,373 | - | - | 38,388 |
| Property, plant and equipment, net | 1,677,194 | 260 | 2,183 | 2,486 | 1,453 | 1,683,576 |
| Investment property | - | - | - | - | - | - |
| Other non-current non-financial assets | 33,384 | 116 | - | 26 | - | 33,526 |
| Non-current assets that are not financial instruments | 1,849,241 | 462 | 36,966 | 15,653 | 42,898 | 1,945,220 |

| Items | 12/31/2014 | | | | | Total ThUS\$ |
|--|------------------|--|------------------|-------------------------|---------------------------|------------------|
| | Chile ThUS\$ | Latin America and the Caribbean ThUS\$ | Europe ThUS\$ | North America ThUS\$ | Asia and others ThUS\$ | |
| Revenue | 227,261 | 356,867 | 428,538 | 503,891 | 497,657 | 2,014,214 |
| Investment accounted for under the equity method | 1,159 | - | 25,588 | 13,530 | 35,501 | 75,778 |
| Intangible assets other than goodwill | 114,476 | - | - | 258 | 1 | 114,735 |
| Goodwill | 26,929 | 86 | 11,373 | - | - | 38,388 |
| Property, plant and equipment, net | 1,883,534 | 133 | 1,343 | 2,109 | 835 | 1,887,954 |
| Investment property | - | - | - | - | - | - |
| Other non-current non-financial assets | 31,354 | 170 | - | 647 | - | 32,171 |
| Non-current assets that are not financial instruments | 2,057,452 | 389 | 38,304 | 16,544 | 36,337 | 2,149,026 |

Note 25 Reportable segments (continued)

25.8 Property, plant and equipment classified by geographical areas

The company's main productive facilities are located near their mines and extraction facilities in northern Chile. The following table presents the main production facilities as of December 31, 2016 and December 31, 2015:

| Location | Products |
|---------------------|--|
| - Pedro de Valdivia | : Production of iodine and nitrate salts |
| - María Elena | : Production of iodine and nitrate salts |
| - Coya Sur | : Production of nitrate salts |
| - Nueva Victoria | : Production of iodine and nitrate salts |
| - Salar de Atacama | : Potassium chloride, lithium chloride, boric acid and potassium sulfate |
| - Salar del Carmen | : Production of lithium carbonate and lithium hydroxide |
| - Tocopilla | : Port facilities |



Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature

26.1 Cost of sales

| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|--------------------|--------------------|--------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Raw material and supplies | (485,788) | (484,797) | (618,131) |
| Types of employee benefits expenses | | | |
| Salaries and wages | (104,144) | (97,010) | (112,467) |
| Other short-term employee benefits | (77,507) | (33,662) | (28,884) |
| Termination benefit expenses | (3,836) | (5,719) | (8,307) |
| Total employee benefits expenses | (185,487) | (136,391) | (149,658) |
| Depreciation expense | (239,546) | (253,979) | (246,180) |
| Amortization expense | (3,210) | (3,469) | (2,181) |
| Exploration cost write-off | (6,917) | - | - |
| Inventory Provision | 1,956 | 96 | 13,195 |
| Operating leases | (107,284) | (89,229) | (94,511) |
| Investment plan expenses | (16,624) | (17,574) | - |
| Maintenance and repair | (7,187) | (10,112) | (10,171) |
| Contractors | (62,501) | (49,727) | (66,091) |
| Operations transport | (54,476) | (52,079) | (61,119) |
| Freight and product transport costs | (43,716) | (31,052) | (41,415) |
| Packaging costs | (1,703) | (1,369) | (1,487) |
| Sales commissions | (9,434) | (7,742) | (8,887) |
| Port costs | (20,793) | (11,613) | (17,437) |
| CORFO right costs | (41,962) | (23,155) | (22,885) |
| Adjustment of customer prices | (8,380) | (2,132) | - |
| Other expenses, by nature | (35,233) | (11,259) | (104,284) |
| Total | (1,328,285) | (1,185,583) | (1,431,242) |



Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature, (continued)

26.2 Other income

| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|--|----------------------|----------------------|----------------------|
| Discounts obtained from suppliers | 771 | 1,343 | 705 |
| Indemnification received and insurance recoveries | 205 | 39 | 2 |
| Penalties charged to suppliers | 358 | 73 | 255 |
| Tax recoveries | 26 | 12 | 40 |
| Insurance recoveries | 5,636 | 2,182 | 643 |
| Excess in the provision for liabilities with 3rd parties | 573 | 1,039 | 1,690 |
| Overstatement of doubtful accounts | 56 | 115 | 296 |
| Sale of property, plant and equipment | 657 | 8 | 39 |
| Sale of materials, spare parts and supplies | 30 | 1,358 | 1,241 |
| Sale de scrap | 1 | - | 69 |
| Sale of mining properties | - | - | 13,000 |
| Reversal of allowance for inventories | 815 | - | - |
| Options on mining properties | 2,577 | 2,261 | 921 |
| Easements, ducts and roads | 219 | 1,980 | - |
| Non-conventional renewable energy | 639 | 344 | 2,255 |
| Reimbursement of mining patents and notarial expenses | 1,300 | 1,025 | 1,510 |
| Miscellaneous services | - | 405 | - |
| Reimbursements from creditors | - | 890 | - |
| Other operating income | 918 | 2,269 | 1,389 |
| Total | 14,781 | 15,343 | 24,055 |



Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature, (continued)

26.4 Administrative expenses

| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|---|----------------------|----------------------|----------------------|
| Employee benefit expenses by nature | | | |
| Salaries and wages | (42,828) | (41,661) | (42,218) |
| Other short-term benefits to employees | (4,389) | (3,011) | (4,710) |
| Total employee benefit expenses | (47,217) | (44,672) | (46,928) |
| Amortization expense | (6) | (5) | - |
| Advisory services | (7,086) | (7,293) | (6,714) |
| Audit fees | (1,767) | (415) | (357) |
| Marketing costs | (1,338) | (1,614) | (1,929) |
| Building and facilities rent expenses | (2,489) | (1,836) | (2,178) |
| Advertising expenses | (173) | (230) | (217) |
| Luncheon expenses | (548) | (350) | (309) |
| Accommodation expenses | (633) | (434) | (333) |
| Personnel expenses | (453) | (27) | (83) |
| Representation expenses | (506) | (277) | (272) |
| Tickets and transportation | (1,599) | (1,594) | (1,570) |
| Isapre (Healthcare institution) contribution payments | (532) | (363) | (207) |
| Other employee expenses | (1,386) | (1,440) | (1,457) |
| General materials | (1,110) | (1,434) | (307) |
| Light truck rent | (622) | (517) | (362) |
| Professional services | (1,275) | (2,164) | - |
| Data transmission services | (1,365) | (1,317) | (1,466) |
| Maintenance services | (713) | (559) | (834) |
| Miscellaneous contractors | (2,497) | (2,141) | (626) |
| Mobile phone services | (584) | (303) | (391) |
| Acquisition of software | (1,945) | (1,258) | (1,009) |
| Real estate contributions | (838) | (819) | (880) |
| Business licenses | (843) | (1,052) | (1,071) |
| Insurance policies | (1,271) | (774) | (921) |
| Miscellaneous expenses | (1,184) | (1,044) | (1,224) |
| Other expenses, by nature | (8,456) | (12,898) | (24,887) |
| Total | (88,436) | (86,830) | (96,532) |



Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)

26.4 Other expenses by function

| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ | 12/31/2014 ThUS\$ |
|--|----------------------|----------------------|----------------------|
| Employee benefit expenses by nature | | | |
| Depreciation and amortization expenses | | | |
| Depreciation of stopped assets | (111) | (316) | (284) |
| Depreciation, residual value | - | - | (4,827) |
| Subtotal to date | (111) | (316) | (5,111) |
| Impairment loss (review of impairment losses) recognized in profit or loss for the year | | | |
| Impairment of allowance for doubtful accounts | (7,198) | (2,981) | (349) |
| Subtotal to date | (7,198) | (2,981) | (349) |
| Other expenses, by nature | | | |
| Legal Expenses | (5,737) | (17,204) | (5,465) |
| Mine site activity disruption expenses (impairment) | (32,061) | (57,665) | (257) |
| Indemnities paid | - | (3,714) | - |
| VAT and other unrecoverable tax | (1,015) | (1,146) | (1,164) |
| Fines, interests and tax (*) | (1,378) | (3,953) | (857) |
| SEC and Department of Justice fines | (30,488) | - | - |
| Advisory services | (59) | (15) | (2) |
| Provisions, materials and action sales | (815) | - | - |
| Provisions, Investment plan expenses materials and closing | (6,657) | (16,246) | (41,505) |
| Tax on rejected expenses (*) | - | (1,653) | (6,493) |
| Donations rejected as tax credits | (1,692) | (1,350) | (1,514) |
| Other operating expenses | (2,520) | (172) | (1,578) |
| Subtotal to date | (82,422) | (103,118) | (58,835) |
| Total | (89,731) | (106,415) | (64,295) |

(*) These balances are considered payments as at September 2015 for approximately ThUS\$9.5 in taxes (Tax under Article No. 21 of the Income Tax Law and Value-added Tax), interest and other charges performed by the Company to the Chilean Internal Revenue Service (Servicio de Impuestos Internos) because of the submission of amendments to its income tax returns for tax years from 2009 through 2014, as it identified expenses for which the Company did not have sufficient supporting documentation to be considered expenses necessary to generate income in accordance with the current Chilean tax regulations for approximately ThUS\$14.7.



Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)

26.5 Other Gains (losses)

| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|---|-------------------|---------------------|---------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Adjustment of reversal of provision for staff severance indemnities | - | 3,575 | - |
| Sale of investments in associates | 7,636 | - | 5,000 |
| Profit (loss) for not being involved in capital contribution | - | - | 2,359 |
| Provision for staff severance indemnities | (6,300) | - | - |
| Other gains (losses) | (657) | 185 | (2,935) |
| Total | <u>679</u> | <u>3,760</u> | <u>4,424</u> |



Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)

26.6 Summary of expenses by nature

| | 2016 ThUS\$ | January to December 2015 ThUS\$ | 2014 ThUS\$ |
|--|--------------------|---------------------------------------|--------------------|
| Raw material and supplies used | (485,788) | (484,797) | (618,131) |
| Types of employee benefits expenses | | | |
| Salaries and wages | (146,972) | (138,671) | (154,685) |
| Other short-term employee benefits | (81,896) | (36,673) | (33,594) |
| Termination benefit expenses | (3,836) | (5,719) | (8,307) |
| Total employee benefit expenses | (232,704) | (181,063) | (196,586) |
| Depreciation and amortization expenses | | | |
| Depreciation expense | (239,657) | (254,295) | (246,464) |
| Depreciation expense, residual value | - | - | (4,827) |
| Amortization expense | (3,217) | (3,475) | 2,181) |
| Small deposit amortization expenses | (6,917) | - | - |
| Impairment loss (reversal of impairment losses) recognized in profit or loss for the year | (6,057) | (2,887) | 12,846 |
| Operating leases | (107,284) | (89,229) | (94,511) |
| Production disruption expenses | (32,061) | (61,379) | (5,465) |
| Fines paid | (31,867) | (4,648) | (1,164) |
| Investment plan expenses | (23,281) | (37,318) | (2) |
| Maintenance and repair | (7,187) | (10,112) | (10,171) |
| Contractors | (62,501) | (49,727) | (66,091) |
| Operations transport | (54,476) | (52,079) | (61,119) |
| Freight and product transport costs | (43,716) | (31,052) | (41,415) |
| Packaging costs | (1,703) | (1,369) | (1,487) |
| Sales commissions | (9,434) | (7,742) | (8,887) |
| Port costs | (20,793) | (11,613) | (17,437) |
| Corfo rights | (41,962) | (23,155) | (22,885) |
| Adjustment of customer prices | (8,380) | (2,132) | - |
| Advisory services | (7,086) | (744) | (7,571) |
| Audit fees | (1,767) | (415) | (357) |
| Marketing costs | (1,338) | (1,614) | (1,929) |
| Rent of buildings and facilities | (2,489) | (417) | (2,178) |
| Advertising expenses | (173) | (230) | (217) |
| Luncheon expenses | (548) | (350) | (309) |
| Accommodation expenses | (633) | (434) | (333) |
| Personnel expenses | (453) | (27) | (83) |
| Representation expenses | (506) | (277) | (272) |
| Tickets and transportation expenses | (1,599) | (1,594) | (1,570) |
| Isapre (healthcare institution) contributions | (532) | (363) | (207) |
| Other employee expenses | (1,386) | (1,440) | (1,457) |
| General material expenses | (1,110) | (1,434) | (307) |
| Rent of light trucks | (622) | (517) | (362) |
| Professional services | (1,275) | (2,164) | - |
| Data transmission services | (1,365) | (1,317) | (1,466) |
| Maintenance services | (713) | (559) | (834) |
| Miscellaneous contractors | (2,497) | (2,141) | (626) |
| Mobile phone services | (584) | (303) | (391) |
| Acquisition of software | (1,945) | (1,258) | (1,009) |
| Real estate contributions | (838) | (819) | (880) |
| Business license | (843) | (1,052) | (1,071) |
| Insurance policies | (1,271) | (774) | (921) |
| Miscellaneous expenses | (1,184) | (1,044) | (1,224) |
| Other expenses by nature | (54,709) | (56,657) | (180,518) |
| Total expenses by nature | (1,506,451) | (1,386,016) | (1,592,069) |

This table corresponds to the summary required by the Chilean Superintendence of Securities and Insurance (SVS) and considers notes 25.2, 25.4 and 25.5.



Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)

26.7 Finance expenses

| | January to December | | |
|--|---------------------|-----------------|-----------------|
| | 2016 ThUS\$ | 2015 ThUS\$ | 2014 ThUS\$ |
| Interest expense from bank borrowings and overdrafts | (854) | (932) | (931) |
| Interest expense from bonds | (57,409) | (66,456) | (61,714) |
| Interest expense from loans | (4,581) | (6,922) | (8,268) |
| Capitalized interest expenses | 5,406 | 4,666 | 7,732 |
| Other finance costs | (60) | (209) | (192) |
| Total | (57,498) | (69,853) | (63,373) |

Note 27 Income tax and deferred taxes

Accounts receivable from taxes as of December 31, 2016 and December 31, 2015, are as follows:

27.1 Current and non-current tax assets

a) Current tax assets

| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ |
|---|----------------------|----------------------|
| Monthly provisional income tax payments, Chilean companies current year | 49,110 | 62,126 |
| Monthly provisional payment Royalty | 3,542 | 1,138 |
| Monthly provisional income tax payments, foreign companies | 1,323 | 1,178 |
| Corporate tax credits (1) | 748 | 830 |
| Corporate tax absorbed by tax losses (2) | 64 | 5 |
| Total | 54,787 | 65,277 |

b) Non-current tax assets

| | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ |
|---|----------------------|----------------------|
| Monthly provisional income tax payments, Chilean companies prior year | 3,243 | - |
| Specific tax on mining activities paid (on consignment) | 25,781 | - |
| Total | 29,024 | - |

- (1) These credits are available to companies and relate to the corporate tax payment in April of the following year. These credits include, amongst others, training expense credits (SENCE) and property, plant and equipment acquisition credits that are equivalent to 4% of the property, plant and equipment purchases made during the year. In addition, some credits relate to the donations the Group has made during 2016 and 2015.

**Note 27 Income tax and deferred taxes (continued)****27.1 Current and non-current tax assets, continued**

- (2) This concept corresponds to the absorption of non-operating losses (NOL's) determined by the company at year end, which must be imputed or recorded in the Retained Taxable Profits Registry (FUT).

In accordance with the laws in force and as provided by article 31 No, 3 of the Income Tax Law, when profits recorded in the FUT that have not been withdrawn or distributed are totally or partially absorbed by NOL's, the corporate tax paid on such profits (24%, 22,5%, 21%, 20% or 17%, depending on the year in which profits were generated) will be considered to be a provisional payment with respect to the portion representing the absorbed accumulated tax profits.

Tax payers are entitled to apply for a refund of this monthly provisional income tax payments on the absorbed profits recorded in the FUT registry via their tax returns (Form 22).

Therefore, the provisional payment for absorbed profits (PPAP) recorded in the FUT is in effect a recoverable tax, and as such the Company records it as an asset.

27.2 Current tax liabilities

| Current tax liabilities | 12/31/2016 | 12/31/2015 |
|--------------------------------|----------------------|----------------------|
| | ThUS\$ | ThUS\$ |
| 1st Category income tax | 50,174 | 30,705 |
| Foreign company income tax | 25,276 | 21,090 |
| Tax on rejected expenses | 422 | 275 |
| Total | <u>75,872</u> | <u>52,070</u> |

Income tax is calculated based on the profit or loss for tax purposes that is applied to the effective tax rate applicable in Chile. As established by Law No.20,780, an income tax rate of 21% was set starting from 2014, a rate of 22.5% for 2015, a rate of 24% for 2016, a rate of 25.5% for 2017, and a rate of 27% starting from 2018.

The provision for royalty is determined by applying the tax rate determined for the net operating income (NOI). Currently, the Company pays 5% for the application of the Tax Invariability Contract established with the Ministry of Economy in 2010.

In conclusion, both concepts represent the estimated amount the Company will have to pay for income tax and tax on mining.

**Note 27 Income tax and deferred taxes (continued)****27.3 Tax earnings**

As of December 31, 2016 and December 31, 2015, the Company and its subsidiaries have recorded the following consolidated balances for retained tax earnings, income not constituting revenue subject to income tax, accumulated tax losses and credit for shareholders:

| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--------------------------------------|-------------------|-------------------|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Taxable profits with credit rights | 727,624 | 1,254,859 | 1,160,329 |
| Taxable profits without credit right | 588,942 | 94,073 | 62,621 |
| Taxable loss | 9,081 | 9,947 | 7,396 |
| Credit for shareholders | 203,612 | 302,081 | 268,901 |

The Retained Taxable Profits Registry (FUT) is a chronological registry where the profits generated and distributed by the company are recorded. The object of the FUT is to control the accumulated tax profits of the company that may be distributed, withdrawn or remitted to the owners, shareholders or partners, and the final taxes that must be imposed, called in Chile Global Aggregate Tax (that levies persons resident or domiciled in Chile), or additional tax (that levies persons “not” resident or domiciled in Chile).

The FUT Register contains profits with credit rights and profits without credit rights, which arise out of the inclusion of the net taxable income determined by the company or the profits received by the company that may be dividends received or withdrawals made during the period.

Profits without credit rights represent the tax payable by the company within the year and filed the following year, therefore they will be deducted from the FUT Registry the following year.

Profits with credit rights may be used to reduce the final tax burden of owners, shareholders or partners, which upon withdrawal are entitled to use the credits associated with the relevant profits.

In summary, companies use the FUT Registry to maintain control over the profits they generate that have not been distributed to the owners and the relevant credits associated with such profits.

27.4 Income tax and deferred taxes

Assets and liabilities recognized in the statement of financial position are offset if and only if:

- 1 The Company has legally recognized before the right the tax authority to offset the amounts recognized in these entries; and
- 2 Deferred income tax assets and liabilities are derived from income tax related to the same tax authority on:
 - (i) the same entity or tax subject; or
 - (ii) different entities or tax subjects who intend either to settle current fiscal assets and liabilities for their net amount, or to realize assets and pay liabilities simultaneously in each of the future periods in which the Company expects to settle or recover significant amounts of deferred tax assets or liabilities.



Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

Deferred income tax assets recognized are the income taxes that are to be recovered in future periods, related to:

- a) deductible temporary differences.
- b) the offset of losses obtained in prior periods and not yet subject to tax deduction; and
- c) the offset of unused credits from prior periods.

The Company recognizes a deferred tax asset when there is certainty that these can be offset with tax income from subsequent periods, losses or fiscal credits not yet used, but solely as long as it is more likely than not that there will be tax earnings in the future against which to charge to these losses or unused fiscal credits.

Deferred tax liabilities recognized refer to the amounts of income taxes payable in future periods related to taxable temporary differences.

d.1 Income tax assets and liabilities as of December 31, 2016 are detailed as follows:

| Description of deferred income tax assets and liabilities | Net position, assets | | Net position, liabilities | |
|---|----------------------|-------------|---------------------------|------------------|
| | Assets | Liabilities | Assets | Liabilities |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Depreciation | - | (1) | - | (221,791) |
| Doubtful accounts impairment | 32 | - | 4,273 | - |
| Accrued vacations | - | - | 4,062 | - |
| Manufacturing expenses | - | - | - | (110,718) |
| Unrealized gains (losses) from sales of products | - | - | 86,156 | - |
| Fair value of bonds | - | - | - | (24) |
| Severance indemnity | - | - | - | (5,203) |
| Hedging | - | - | 10,230 | - |
| Inventory of products, spare parts and supplies | 77 | - | 20,899 | - |
| Research and development expenses | - | - | - | (4,641) |
| Tax losses | - | - | 1,302 | - |
| Capitalized interest | - | - | - | (1,340) |
| Expenses in assumption of bank loans | - | - | - | (3,115) |
| Unaccrued interest | - | - | 136 | - |
| Fair value of property, plant and equipment | - | - | - | (4,179) |
| Employee benefits | - | - | 6,783 | - |
| Royalty deferred income taxes | - | - | - | (6,458) |
| Acquisition of intangible assets | - | - | - | (218) |
| Provision for lawsuits and legal expenses | - | - | 9,276 | - |
| Provision for investment plan | - | - | 1,953 | - |
| Provision for materials, spare-parts and supplies | - | - | 7,547 | - |
| Deferred taxes, investments in equity instruments | - | - | - | (1,300) |
| Provision for mine closure, fine copper and crushing | - | - | - | - |
| Other | 575 | (19) | 251 | - |
| Balance to date | 684 | (20) | 152,868 | (358,987) |
| Net balance | 664 | - | - | (206,119) |



Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

d.2 Income tax assets and liabilities as of December 31, 2015 are detailed as follows

| Description of deferred income tax assets and liabilities | Net Asset Position | | Net Liability Position | |
|---|--------------------|-------------|------------------------|----------------|
| | Assets | Liabilities | Assets | Liabilities |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Depreciation | - | - | - | 233.073 |
| Doubtful accounts impairment | - | - | 5.119 | - |
| Accrued vacations | - | - | 3.368 | - |
| Manufacturing expenses | - | - | - | 109.134 |
| Unrealized gains (losses) from sales of products | - | - | 87.440 | - |
| Fair value of bonds | - | - | 446 | - |
| Severance indemnity | - | - | - | 4.178 |
| Hedging | - | - | 11.876 | - |
| Inventory of products, spare parts and supplies | 1 | - | 29.473 | - |
| Research and development expenses | - | - | - | 7.981 |
| Tax losses | - | - | 1.522 | - |
| Capitalized interest | - | - | - | 3.133 |
| Expenses in assumption of bank loans | - | - | - | 3.651 |
| Unaccrued interest | - | - | 156 | - |
| Fair value of property, plant and equipment | - | - | - | 3.375 |
| Employee benefits | - | - | 1.920 | - |
| Royalty deferred income taxes | - | - | - | 6.410 |
| Acquisition of intangible assets | - | - | - | - |
| Provision for lawsuits and legal expenses | - | - | 7.357 | - |
| Provision for investment plan | - | - | 3.312 | - |
| Provision for mine closure, fine copper and crushing | - | - | - | - |
| Other | 160 | - | - | 445 |
| Balance to date | 161 | - | 151.989 | 371.380 |
| Net balance | 161 | - | - | 219.391 |



Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

d.3 Reconciliation of changes in deferred tax liabilities (assets) as of December 31, 2016

| | Deferred tax liabilities (assets) at the beginning of the period | Deferred tax expense (income) recognized in profit or loss | Deferred tax related to items credited (debited) directly to equity | Total increase (decrease) of deferred tax liabilities (assets) | Deferred tax liabilities (assets) at the end of the period |
|--|--|--|--|--|--|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Depreciation | 233,073 | (11,281) | - | (11,281) | 221,792 |
| Doubtful accounts impairment | (5,119) | 814 | - | 814 | (4,305) |
| Accrued vacations | (3,368) | (694) | - | (694) | (4,062) |
| Manufacturing expenses | 109,134 | 1,584 | - | 1,584 | 110,718 |
| Unrealized gains (losses) from sales of products | (87,440) | 1,284 | - | 1,284 | (86,156) |
| Fair value of bonds | (446) | - | 470 | 470 | 24 |
| Severance indemnity | 4,178 | 1,946 | (920) | 1,026 | 5,204 |
| Hedging | (11,876) | 1,646 | - | 1,646 | (10,230) |
| Inventory of products, spare parts and supplies | (29,474) | 8,498 | - | 8,498 | (20,976) |
| Research and development expenses | 7,981 | (3,340) | - | (3,340) | 4,641 |
| Capitalized interest | 3,133 | (1,793) | - | (1,793) | 1,340 |
| Expenses in assumption of bank loans | 3,651 | (536) | - | (536) | 3,115 |
| Unaccrued interest | (156) | 20 | - | 20 | (136) |
| Fair value of property, plant and equipment | 3,375 | 804 | - | 804 | 4,179 |
| Employee benefits | (1,920) | (4,863) | - | (4,863) | (6,783) |
| Royalty deferred income taxes | 6,410 | 48 | - | 48 | 6,458 |
| Unused tax losses | (1,522) | 220 | - | 220 | (1,302) |
| Purchase of intangible assets | - | 218 | - | 218 | 218 |
| Provision for lawsuits and legal expenses | (7,357) | (1,919) | - | (1,919) | (9,276) |
| Provision for investment plan | (3,312) | 1,359 | - | 1,359 | (1,953) |
| Provision of fines and crushing site closure | - | (7,547) | - | (7,547) | (7,547) |
| Other ID | - | - | 1,299 | 1,299 | 1,299 |
| Depreciation | 285 | (1,092) | - | (1,092) | (807) |
| Total temporary differences, losses and unused fiscal credits | 219,230 | (14,624) | 849 | (13,775) | 205,455 |

Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

d.4 Reconciliation of changes in deferred tax liabilities (assets) as of December 31, 2015

| | Deferred tax liabilities (assets) at the beginning of the period | Deferred tax expense (income) recognized in profit or loss | Deferred tax related to items credited (debited) directly to equity | Total increase (decrease) of deferred tax liabilities (assets) | Deferred tax liabilities (assets) at the end of the period |
|--|--|---|---|---|--|
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Depreciation | 233,862 | (789) | - | (789) | 233,073 |
| Doubtful accounts impairment | (6,755) | 1,636 | - | 1,636 | (5,119) |
| Accrued vacations | (3,735) | 367 | - | 367 | (3,368) |
| Manufacturing expenses | 81,650 | 27,484 | - | 27,484 | 109,134 |
| Unrealized gains (losses) from sales of products | (83,355) | (4,085) | - | (4,085) | (87,440) |
| Fair value of bonds | (350) | - | (96) | (96) | (446) |
| Severance indemnity | 5,950 | (2,081) | 309 | (1,772) | 4,178 |
| Hedging | (5,512) | (6,364) | - | (6,364) | (11,876) |
| Inventory of products, spare parts and supplies | (24,632) | (4,842) | - | (4,842) | (29,474) |
| Research and development expenses | 4,285 | 3,696 | - | 3,696 | 7,981 |
| Capitalized interest | 26,904 | (23,771) | - | (23,771) | 3,133 |
| Expenses in assumption of bank loans | 4,011 | (360) | - | (360) | 3,651 |
| Unaccrued interest | (150) | (6) | - | (6) | (156) |
| Fair value of property, plant and equipment | (70) | 3,445 | - | 3,445 | 3,375 |
| Employee benefits | (2,450) | 530 | - | 530 | (1,920) |
| Royalty deferred income taxes | 7,791 | (1,381) | - | (1,381) | 6,410 |
| Unused tax losses | (715) | (807) | - | (807) | (1,522) |
| Purchase of intangible assets | 235 | (235) | - | (235) | - |
| Provision for lawsuits and legal expenses | (3,663) | (3,694) | - | (3,694) | (7,357) |
| Provision for investment plan | (8,946) | 5,634 | - | 5,634 | (3,312) |
| Provision of fines and crushing site closure | (1,654) | 1,654 | - | 1,654 | - |
| Other ID | 308 | (23) | - | (23) | 285 |
| Total temporary differences, losses and unused fiscal credits | 223,009 | (3,992) | 213 | (3,779) | 219,230 |

During the period ended December 31, 2016 and December 31, 2015, the Company calculated and accounted for taxable income considering a rate of 24% and 22.5% respectively, in conformity with Law No, 20,780, Tax Reform, published in the Official Gazette on September 29, 2014.

The main amendments include a gradual increase in the corporate income tax rate up to 27% starting from 2018.



Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

d.5 Deferred taxes related to benefits for tax losses

The Company's tax loss carryforwards (NOL carryforwards) were mainly generated by losses in Chile, which in accordance with current Chilean tax regulations have no expiration date.

As of December 31, 2016 and December 31, 2015, tax loss carryforwards (NOL carryforwards) are detailed as follows:

| | 12/31/2016 | 12/31/2015 |
|-------|---------------------|---------------------|
| | ThUS\$ | ThUS\$ |
| Chile | <u>1,302</u> | <u>1,522</u> |
| Total | <u>1,302</u> | <u>1,522</u> |

Tax losses as of December 31, 2016 correspond mainly to SQM S.A., Exploraciones Mineras S.A. and Agrorama S.A.



Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

d.6 Movements in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities as of December 31, 2016 and December 31, 2015 are detailed as follows:

| | 12/31/2016 | 12/31/2015 |
|--|-------------------------|-----------------------|
| | ThUS\$ | ThUS\$ |
| | Liabilities (assets) | Liabilities (assets) |
| Deferred tax assets and liabilities, net opening balance | 219,230 | 223,009 |
| Increase (decrease) in deferred taxes in profit or loss | (14,624) | (3,992) |
| Increase (decrease) in deferred taxes in equity | 849 | 213 |
| Balances to date | <u>205,455</u> | <u>219,230</u> |

d.7 Disclosures on income tax expense (income)

The Company recognizes current tax and deferred taxes as income or expenses, and they are included in profit or loss, unless they arise from:

- (a) a transaction or event recognized in the same period or in a different period, outside profit or loss either in other comprehensive income or directly in equity; or
- (b) a business combination

Current and deferred tax expenses (income) are detailed as follows:

| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|-------------------------|------------------------|-------------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| | Income (expenses) | Income (expenses) | Income (expenses) |
| Current income tax expense | | | |
| Current income tax expense | (149,669) | (89,869) | (94,796) |
| Adjustments to prior year current income tax | 2,080 | 2,111 | 3,043 |
| Current income tax expense, net, total | <u>(147,589)</u> | <u>(87,758)</u> | <u>(91,753)</u> |
| Deferred tax expense | | | |
| Deferred tax expense (income) relating to the creation and reversal of temporary differences | 14,624 | 3,992 | (68,933) |
| Deferred tax expense, net, total | <u>14,624</u> | <u>3,992</u> | <u>(68,933)</u> |
| Tax expense (income) | <u>(132,965)</u> | <u>(83,766)</u> | <u>(160,686)</u> |



Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

Tax expenses (income) for foreign and domestic parties are detailed as follows:

| | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|----------------------|----------------------|----------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| | Income (expenses) | Income (expenses) | Income (expenses) |
| Current income tax expense by foreign and domestic parties, net | | | |
| Current income tax expense, foreign parties, net | (10,844) | (5,719) | (7,761) |
| Current income tax expense, domestic, net | (136,745) | (82,039) | (83,992) |
| Current income tax expense, net, total | (147,589) | (87,758) | 91,573 |
| Deferred tax expense by foreign and domestic parties, net | | | |
| Deferred tax expense, foreign parties, net | 626 | (232) | (138) |
| Deferred tax expense, domestic, net | 13,998 | 4,224 | (68,975) |
| Deferred tax expense, net, total | 14,624 | 3,992 | (69,113) |
| Income tax expense | (132,965) | (83,766) | (160,686) |

d.8 Equity interest in taxation attributable to equity-accounted investees

The Company does not recognize any deferred tax liability in all cases of taxable temporary differences associated with investments in subsidiaries, branches and associated companies or interest in joint ventures, because as indicated in the standard, the following two conditions are jointly met:

- (a) the parent, investor or interest holder is able to control the time for reversal of the temporary difference; and
- (b) It is more likely than not that the temporary difference is not reversed in the foreseeable future.

In addition, the Company does not recognize deferred income tax assets for all deductible temporary differences from investments in subsidiaries, branches and associated companies or interests in joint ventures because it is not possible to meet for the following requirements:

- (a) Temporary differences are reversed in a foreseeable future; and
- (b) The Company has tax earnings, against which temporary differences can be used.

Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

d.9 Disclosures on the tax effects of other comprehensive income components:

| | Amount before taxes (expense) gain 12/31/2016 ThUS\$ | ((Expense) income for income taxes 12/31/2016 ThUS\$ | Amount after taxes 12/31/2016 ThUS\$ |
|--|---|---|---|
| Income tax related to other income and expense components with a charge or credit to net equity | | | |
| Gain (loss) from defined benefit plans | (3,397) | 920 | (2,477) |
| Cash flow hedge | 2,233 | (470) | 1,763 |
| Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income | 4,813 | (1,299) | 3,514 |
| Total | 3,649 | (849) | 2,800 |

| | Amount before taxes (expense) gain 12/31/2015 ThUS\$ | ((Expense) income for income taxes 12/31/2015 ThUS\$ | Amount after taxes 12/31/2015 ThUS\$ |
|--|---|---|---|
| Income tax related to components of other income and expense with a charge or credit to net equity | | | |
| Gain (loss) from defined benefit plans | (174) | (309) | (483) |
| Cash flow hedge | 86 | 96 | 182 |
| Total | (88) | (213) | (301) |

| | Amount before taxes (expense) gain 12/31/2014 ThUS\$ | ((Expense) income for income taxes 12/31/2014 ThUS\$ | Amount after taxes 12/31/2014 ThUS\$ |
|--|---|---|---|
| Income tax related to components of other income and expense with a charge or credit to net equity | | | |
| Cash flow hedge | 1,638 | (311) | 1,327 |
| Total | 1,638 | (311) | 1,327 |

d.10 Explanation of the relationship between expense (income) for tax purposes and accounting income.

In accordance with paragraph No, 81, letter c) of IAS 12, the Company has estimated that the method that discloses more significant information for the users of its financial statements is the reconciliation of tax expense (income) to the result of multiplying income for accounting purposes by the tax rate in force in Chile, This option is based on the fact that the Parent and its subsidiaries incorporated in Chile generate almost the total amount of tax expense (income) and the fact that amounts of subsidiaries incorporated in foreign countries have no relevant significance within the context of the total amount of tax expense (income).



Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

Reconciliation of numbers in income tax expenses (income) and the result of multiplying financial gain by the rate prevailing in Chile.

| | 12/31/2016 | Income (expense) 12/31/2015 | 12/31/2014 |
|--|-------------------|--|-------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Consolidated income before taxes | 414,889 | 301,098 | 404,964 |
| Income tax rate in force in Chile | 24% | 22,5% | 21% |
| Tax expense using the legal rate | (99,573) | (67,747) | (85,042) |
| Effect of royalty tax expense | (6,311) | (9,157) | (7,583) |
| Tax effect of non-taxable revenue | 2,461 | 1,511 | 2,503 |
| Effect of taxable rate of non-deductible expenses for determination of taxable income (loss) | (10,202) | (4,350) | (1,897) |
| Tax effect from foreign subsidiaries | (15,187) | (3,968) | (7,697) |
| Effect of tax rate from changes in tax rate | - | - | (52,304) |
| Other tax effects from the reconciliation between the accounting income and tax expense | (4,153) | (55) | (8,666) |
| Tax expense using the effective rate | (132,965) | (83,766) | (160,686) |

d.11 Tax periods potentially subject to verification:

The Group's Companies are potentially subject to income tax audits by tax authorities in each country. These audits are limited to a number of interim tax periods, which, in general, when they elapse, give rise to the expiration of these inspections.

Tax audits, due to their nature, are often complex and may require several years. Below, we provide a summary of tax periods that are potentially subject to verification, in accordance with tax regulations in force in the country of origin:

Chile

According to article 200 of Decree Law No 830, the tax authority shall review for any deficiencies in its settlement and taxes turn giving rise, by applying a requirement of 3 years term from the expiration of the legal deadline when payment should have been made. Besides, this requirement was extended to 6 years term for the revision of taxes subject to declaration, when such declaration was not been filed or has been presented maliciously false.

United States

In the United States, the tax authority may review tax returns for up to 3 years from the expiration date of the tax return. In the event that an omission or error is detected in the tax return of sales or cost of sales, the review can be extended for a period of up to 6 years.



Note 27 Income tax and deferred taxes (continued)

27.4 Income tax and deferred taxes, continued

Mexico:

In Mexico, the tax authority can review tax returns up to 5 years from the expiration date of the tax return.

Spain:

In Spain, the tax authority can review tax returns up to 4 years from the expiration date of the tax return.

Belgium:

In Belgium, the tax authority may review tax returns for up to 3 years from the expiration date of the tax return if no tax losses exist, In the event of detecting an omission or error in the tax return, the review can be extended for a period of up to 5 years.

South Africa:

In South Africa, the tax authority may review tax returns for up to 3 years from the expiration date of the tax return, In the event an omission or error in the tax return is detected, the review can be extended for a period of up to 5 years.



Note 28 Disclosures on the effects of fluctuations in foreign currency exchange rates

Assets held in foreign currency subject to fluctuations in exchange rates are detailed as follows:

| Class of assets | Currency | 12/31/2016 ThUS | 12/31/2015 ThUS\$ |
|--|----------|--------------------|----------------------|
| Current assets: | | | |
| Cash and cash equivalents | ARS | 4 | 1 |
| Cash and cash equivalents | BRL | 60 | 8 |
| Cash and cash equivalents | CLP | 6,044 | 2,656 |
| Cash and cash equivalents | CNY | 400 | 272 |
| Cash and cash equivalents | EUR | 11,386 | 4,245 |
| Cash and cash equivalents | GBP | 71 | - |
| Cash and cash equivalents | IDR | - | - |
| Cash and cash equivalents | INR | 12 | 14 |
| Cash and cash equivalents | MXN | 310 | 1,439 |
| Cash and cash equivalents | PEN | 3 | 1 |
| Cash and cash equivalents | THB | - | 1 |
| Cash and cash equivalents | YEN | 2,150 | 1,690 |
| Cash and cash equivalents | ZAR | 3,250 | 4,123 |
| Subtotal cash and cash equivalents | | 23,690 | 14,450 |
| Other current financial assets | CLF | - | 17,507 |
| Other current financial assets | CLP | 50,740 | 131,633 |
| Subtotal other current financial assets | | 50,740 | 149,140 |
| Other current non-financial assets | ARS | 5 | - |
| Other current non-financial assets | AUD | 45 | 34 |
| Other current non-financial assets | BRL | - | 8 |
| Other current non-financial assets | CLF | 47 | 38 |
| Other current non-financial assets | CLP | 14,554 | 39,091 |
| Other current non-financial assets | CNY | 10 | 27 |
| Other current non-financial assets | EUR | 822 | 2,278 |
| Other current non-financial assets | MXN | 1,734 | 1,036 |
| Other current non-financial assets | THB | 21 | 8 |
| Other current non-financial assets | YEN | 53 | 29 |
| Other current non-financial assets | ZAR | 18 | 4,466 |
| Subtotal other current non-financial assets | | 17,309 | 47,015 |
| Trade and other receivables | BRL | 23 | 19 |
| Trade and other receivables | CLF | 545 | 993 |
| Trade and other receivables | CLP | 71,908 | 76,748 |
| Trade and other receivables | CNY | 48 | 77 |
| Trade and other receivables | EUR | 30,941 | 38,797 |
| Trade and other receivables | GBP | 152 | 582 |
| Trade and other receivables | MXN | 423 | 425 |
| Trade and other receivables | PEN | - | 112 |
| Trade and other receivables | THB | 2,777 | 1,473 |
| Trade and other receivables | YEN | 209 | - |
| Trade and other receivables | ZAR | 25,835 | 15,549 |
| Subtotal trade and other receivables | | 132,861 | 134,775 |
| Receivables from related parties | PEN | 40 | - |
| Receivables from related parties | CLP | 41 | 52 |
| Receivables from related parties | EUR | 476 | 604 |
| Receivables from related parties | THB | 705 | 1,112 |
| Receivables from related parties | CNY | 48 | - |
| Receivables from related parties | YEN | - | 193 |
| Subtotal receivables from related parties | | 1,310 | 1,961 |



Note 28 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)

| Class of assets | Currency | 12/31/2016 ThUS\$ | 12/31/2015 ThUS\$ |
|--|----------|----------------------|----------------------|
| Current tax assets | ARS | 5 | - |
| Current tax assets | CLP | 1,640 | 1,453 |
| Current tax assets | EUR | 118 | 177 |
| Current tax assets | BRL | 3 | - |
| Current tax assets | ZAR | 386 | 424 |
| Current tax assets | MXN | 202 | 8 |
| Current tax assets | PEN | 203 | 222 |
| Subtotal current tax assets | | 2,557 | 2,284 |
| Non-current assets | | | |
| Other non-current financial assets | CLP | 20 | 20 |
| Other non-current financial assets | YEN | 41 | 39 |
| Subtotal other non-current financial assets | | 61 | 59 |
| Other non-current non-financial assets | BRL | 139 | 116 |
| Other non-current non-financial assets | CLP | 729 | 536 |
| Subtotal other non-current non-financial assets | | 868 | 652 |
| Non-current right receivable | CLF | 344 | 415 |
| Non-current right receivable | CLP | 1,382 | 467 |
| Subtotal non-current rights receivable | | 1,726 | 882 |
| Equity-accounted investees | AED | 31,297 | 23,369 |
| Equity-accounted investees | CLP | - | 1,535 |
| Equity-accounted investees | EUR | 7,373 | 7,201 |
| Equity-accounted investees | INR | 1,499 | 962 |
| Equity-accounted investees | THB | 1,932 | 1,672 |
| Equity-accounted investees | TRY | 16,712 | 15,103 |
| Subtotal equity-accounted investees | | 58,813 | 49,842 |
| Intangible assets other than goodwill | CLP | 294 | 284 |
| Intangible assets other than goodwill | CNY | 1 | 1 |
| Subtotal intangible assets other than goodwill | | 295 | 285 |
| Property, plant and equipment | CLP | 3,810 | 4,089 |
| Subtotal property, plant and equipment | | 3,810 | 4,089 |
| Total non-current assets | | 65,573 | 55,809 |
| Total assets | | 294,040 | 405,434 |



Note 28 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)

Liabilities held in foreign currencies are detailed as follows:

| Class of liability | Currency | 91 days to 1 year ThUS\$ | 12/31/2016 91 days to 1 year ThUS\$ | Total ThUS\$ | Up to 90 days ThUS\$ | 12/31/2015 91 days to 1 year ThUS\$ | Total ThUS\$ |
|---|----------|--------------------------------|--|-----------------|----------------------------|--|-----------------|
| Current liabilities | | | | | | | |
| Other current financial liabilities | CLF | 44,327 | 6,098 | 50,425 | 4,423 | 5,610 | 10,033 |
| Other current financial liabilities | CLP | - | 20,919 | 20,919 | - | - | - |
| Subtotal other current financial liabilities | | 44,327 | 27,017 | 71,344 | 4,423 | 5,610 | 10,033 |
| Trade and other payables | BRL | 38 | - | 38 | 38 | - | 38 |
| Trade and other payables | THB | 131 | - | 131 | - | - | - |
| Trade and other payables | CLP | 40,604 | 2,808 | 43,412 | 48,707 | - | 48,707 |
| Trade and other payables | EUR | 30,545 | - | 30,545 | 8,591 | - | 8,591 |
| Trade and other payables | GBP | 6 | - | 6 | 55 | - | 55 |
| Trade and other payables | INR | 1 | - | 1 | 1 | - | 1 |
| Trade and other payables | MXN | 67 | - | 67 | 76 | - | 76 |
| Trade and other payables | PEN | 4 | - | 4 | 11 | - | 11 |
| Trade and other payables | ZAR | 3,054 | - | 3,054 | 1,727 | - | 1,727 |
| Subtotal trade and other payables | | 74,450 | 2808 | 77,258 | 59,206 | - | 59,206 |
| Other current provisions | BRL | - | - | - | 9 | - | 9 |
| Other current provisions | CLP | - | 70 | 70 | 15 | - | 15 |
| Other current provisions | EUR | 5 | - | 5 | 5 | - | 5 |
| Subtotal other current provisions | | 5 | 70 | 75 | 29 | - | 29 |
| Current tax liabilities | CLP | - | 131 | 131 | - | - | - |
| Current tax liabilities | CNY | - | 36 | 36 | - | 2 | 2 |
| Current tax liabilities | EUR | - | 3,987 | 3,987 | - | 889 | 889 |
| Current tax liabilities | ZAR | 27 | - | 27 | - | - | - |
| Current tax liabilities | MXN | - | 56 | 56 | - | 24 | 24 |
| Subtotal current tax liabilities | | 27 | 4,210 | 4,237 | - | 915 | 915 |



Note 28 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)

| Class of liability | Currency | Up to 90 days ThUS\$ | 12/31/2016 over 90 days to 1 year ThUS\$ | Total ThUS\$ | Up to 90 days ThUS\$ | 12/31/2015 Over 90 days to 1 year ThUS\$ | Total ThUS\$ |
|---|----------|-------------------------|---|-----------------|-------------------------|---|-----------------|
| Other current non-financial liabilities | BRL | 4 | - | 4 | 3 | - | 3 |
| Other current non-financial liabilities | CLP | 7,481 | 2,820 | 10,301 | 4,684 | 6,556 | 11,240 |
| Other current non-financial liabilities | CNY | 78 | - | 78 | 28 | - | 28 |
| Other current non-financial liabilities | EUR | 958 | - | 958 | 1,143 | - | 1,143 |
| Other current non-financial liabilities | MXN | 1,284 | 35 | 1,319 | 394 | 31 | 425 |
| Other current non-financial liabilities | PEN | 70 | - | 70 | 70 | - | 70 |
| Other current non-financial liabilities | GBP | - | - | - | - | - | - |
| Other current non-financial liabilities | ZAR | 866 | - | 866 | 13 | - | 13 |
| Subtotal other current non-financial liabilities | | 10,741 | 2,855 | 13,596 | 6,335 | 6,587 | 12,922 |
| Total current liabilities | | 129,550 | 36,960 | 166,510 | 69,993 | 13,112 | 83,105 |



Note 28 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)

| Class of liability | Currency | 12/31/2016 | | | | | Total ThUS\$ |
|--|----------|---------------------------|---------------------------|---------------------------|------------------------|---------------------------|-----------------|
| | | 1 to 2 years ThUS\$ | 2 to 3 years ThUS\$ | 3 to 4 years ThUS\$ | 4 to 5 years ThUS\$ | Over 5 years ThUS\$ | |
| Non-current liabilities | | | | | | | |
| Other non-current financial liabilities | CLF | 5,903 | 5,903 | 5,903 | 5,903 | 243,297 | 266,909 |
| Subtotal other non-current financial liabilities | | 5,903 | 5,903 | 5,903 | 5,903 | 243,297 | 266,909 |
| Non-current provisions for employee benefits | CLP | - | - | - | - | 494 | 494 |
| Non-current provisions for employee benefits | MXN | - | - | - | - | 61 | 61 |
| Non-current provisions for employee benefits | YEN | - | - | - | - | 561 | 561 |
| Subtotal non-current provisions for employee benefits | | - | - | - | - | 1,116 | 1,116 |
| Total non-current liabilities | | 5,903 | 5,903 | 5,903 | 5,903 | 244,413 | 268,025 |

| Class of liability | Currency | 12/31/2015 | | | | | Total ThUS\$ |
|--|----------|---------------------------|---------------------------|---------------------------|------------------------|---------------------------|-----------------|
| | | 1 to 2 years ThUS\$ | 2 to 3 years ThUS\$ | 3 to 4 years ThUS\$ | 4 to 5 years ThUS\$ | Over 5 years ThUS\$ | |
| Non-current liabilities | | | | | | | |
| Other non-current financial liabilities | CLF | 41,485 | 5,413 | 5,413 | 5,413 | 228,083 | 285,807 |
| Subtotal other non-current financial liabilities | | 41,485 | 5,413 | 5,413 | 5,413 | 228,083 | 285,807 |
| Non-current provisions for employee benefits | CLP | - | - | - | - | 539 | 539 |
| Non-current provisions for employee benefits | MXN | - | - | - | - | 100 | 100 |
| Non-current provisions for employee benefits | YEN | - | - | - | - | 495 | 495 |
| Subtotal non-current provisions for employee benefits | | - | - | - | - | 1,134 | 1,134 |
| Total non-current liabilities | | 41,485 | 5,413 | 5,413 | 5,413 | 229,217 | 286,941 |

Note 29 Mineral resource exploration and evaluation expenditure

Because of the nature of the operations of Sociedad Química y Minera de Chile S.A. and its subsidiaries and the type of exploration they conduct (which is different than other mining businesses where the exploration process results in significant time), the exploration and process and the definition of the economic feasibility occurs normally within the year. Accordingly, although expenditure is initially capitalized, it could be recognized in profit or loss for the same year should there be no technical and commercial feasibility. This results in having no significant expenditure that have no feasibility study at the end of the year.

Prospecting expenditure can be found in 4 different stages: execution, economically feasible, not economically feasible and under exploitation:

1. Execution: prospecting expenditure which are under execution and accordingly there is no yet a definition as to its economic feasibility are classified in the caption property, plant and equipment, as of December 31, 2016 and December 31, 2015, the balance amounts to ThUS\$12,163 and ThUS\$10,135, respectively,
2. Economically feasible: prospecting expenditure, which upon completion, has been concluded to be economically feasible is classified in the caption non-current assets in other non-current non-financial assets, as of December 31, 2016 and December 31, 2015, the balance amounts to ThUS\$23,008 and ThUS\$31,911 respectively,
3. Not economically feasible: Prospecting expenditure, which upon completion it has been concluded that are not economically feasible are recorded in profit or loss: As of December 31, 2016, this amounts to ThUS\$0 and ThUS\$520 as of December 31, 2015.
4. Under exploitation: Prospecting expenditure under exploitation is classified in the caption current assets in current inventories. These are amortized considering the exploited material, as of December 31, 2016 and December 31, 2015, the balance amounts to ThUS\$674 and ThUS\$1,269 respectively.

For the amount of capitalized expenditure, the total amount disbursed in exploration and evaluation of mineral resources as of December 31, 2016 ThUS\$2,028, and correspond to non-metallic projects. Such expenditure mainly corresponds to studies, either topographical, geological, exploratory drilling, sampling, among others.

With respect to this expenditure, the Company has defined classifying it in accordance with IFRS 6.9:

For exploration expenditure where the mineral has low ore grade that is not economically exploitable, it is debited directly to profit or loss.

If studies determine that the ore grade is economically exploitable, it is classified in other non-current assets in the caption stain development and prospecting expenses and at the time of making the decision for exploiting the zone it is classified in the caption inventories as part of the cost of raw materials required for production purposes.

Note 30 Lawsuits and complaints

Lawsuits and complaints

During 2015, the Chilean IRS has filed several lawsuits and complaints related to the so-called “SQM Case”, which are associated with the irregular financing of politicians against a number of individuals, amongst others, the legal representatives of the Company Patricio de Sominihac T. – CEO – and Ricardo Ramos R. – Vice President of Corporate Services –. Basically, those lawsuits and complaints relate to alleged tax crimes associated with a possible undue decrease in taxable net income of the Company and two of its subsidiaries over the last seven years by recording as expenses in their accounting records invoices and fee receipts, which could be considered to be ideologically false. Such legal actions are also filed against the taxpayers who provided the tax documents that allowed the alleged performance of the related illicit acts.

Additionally, during 2015 and within the context of the “SQM Case”, the Deputy of the Tarapacá Region of Chile Hugo Gutiérrez G. filed a lawsuit for alleged extortion-bribery and money laundering referred to in Law No. 20.393 on Legal Responsibility of Juridical Persons against SQM and its legal representative Patricio de Sominihac T. and Senators of the Tarapacá Region of Chile Jaime Orpis B. and Fulvio Rossi C.

Actions performed by the Authority

The Public Ministry and Chilean IRS (Servicio de Impuestos Internos (SII)) have performed a number of actions within the framework of the so-called “SQM Case” where the Company and its executives have provided their cooperation. Several of the Company’s executives have granted access to their computers and made several statements at the request of the Prosecutors responsible for the investigation. Additionally, SQM has provided physical and digital copies of its accounting records and its subsidiaries’ accounting records. In addition, SQM has also provided the Public Ministry with its email files and all the documentation that has been required by the related authority.



Note 30 Lawsuits and complaints, (continued)

Shearman & Sterling and Ad-Hoc Committee

On February 26, 2015, SQM's Board of Directors resolved to establish an ad-hoc committee of the Board of Directors (the "ad-hoc Committee") authorized to conduct an internal investigation relating to the issues that were the subject of the SII and Public Prosecutor investigations and to retain such independent external advice as it deemed appropriate.

The ad-hoc Committee engaged its own lawyers from Chile and the U.S. and forensic accountants from the U.S. to assist with its internal review. The U.S. lawyers retained by the ad-hoc Committee were principally charged with reviewing the relevant facts and analyzing those facts against the requirements of the U.S. Foreign Corrupt Practices Act ("FCPA"). The factual findings of the ad-hoc Committee, however, were ultimately shared with Chilean as well as U.S. authorities.

On December 15, 2015, the ad-hoc Committee presented its findings to the Board of Directors. In addition to presenting a discussion of the facts surrounding the payments at issue, the ad-hoc Committee concluded that, for purposes of the U.S. Foreign Corrupt Practices Act:

- (a) payments were identified that had been authorized by SQM's former CEO for which the Company did not find sufficient supporting documentation;
- (b) no evidence was identified that demonstrates that the payments were made in order to induce a public official to act or refrain from acting in order to assist SQM in obtaining economic benefits;
- (c) regarding the cost center managed by SQM's former CEO, it was concluded that the Company's books did not accurately reflect transactions that have been questioned, notwithstanding the fact that, based on the amounts involved, these transactions were deemed quantitatively immaterial in comparison to SQM's equity, revenues, expenses or earnings within the reported period; and
- (d) SQM's internal controls were not sufficient to supervise the expenses made by the cost center managed by SQM's former CEO and that the Company trusted Patricio Contesse G. to make proper use of the resources.

Following the presentation by the ad-hoc Committee of its findings to the Board of Directors, the Company voluntarily shared the findings of the ad-Hoc Committee investigation with authorities in Chile and the U.S. (including the SEC and the U.S. Department of Justice ("DOJ")), and it has cooperated with requests for additional documents and information from these authorities regarding the internal investigation discussed above.



Note 30 Lawsuits and complaints, (continued)

Investigation by the Department of Justice and the Securities Exchange Commission

SQM informed of the investigation performed by Shearman & Sterling on US regulating entities (Department of Justice and Securities and Exchange Commission), in conformity with the standards effective in the United States of America. The outcome of such investigation was delivered to these regulating entities, which have started investigations to determine the existence of possible noncompliance with FCPA (Foreign Corruption Practices Act) or internal control standards (refer to Note 35).

Note 31 Sanction proceedings

On April 1, 2015, the SVS started an administrative proceeding against five Directors of SQM for supposedly not having provided to the market on a timely and truthful basis information which could be significant for making investment decisions. Such information mainly relates to the preliminary estimate of the impact on the Company's financial statements of certain expenses paid by the Company between 2008 and 2014 and which might not qualify as expenses under current Chilean tax regulations because of the absence of supporting documentation.

On December 31, 2015, the Company reported that the Chilean Superintendence of Securities and Insurance (SVS) has made its resolution to impose sanctions on Patricio Contesse Fica, Julio Ponce Lerou – former Company's Directors–, Hernán Büchi Buc, Juan Antonio Guzmán Molinari and Wolf von Appen Berhmann – former Directors of SQM – for not having reported to the market, in March 2015, as an Essential event and in their role of Company's Directors, on the expenses that SQM incurred during certain years, which did not have sufficient reporting documentation or might be considered to be unnecessary to generate income. The sanction imposed relates to a fine of UF 1,000 on each of the aforementioned individuals and a remedy can be sought with the Chilean Superintendence of Securities and Insurance (SVS) and courts of justice.

Note 32 Closure of the Pedro de Valdivia Site

On September 22, 2015, the Company reported to the Chilean Superintendence of Securities and Insurance (SVS) that its Board of Directors opted to close the mining operations at the Pedro de Valdivia site and a portion of such site's industrial operations. The larger part of this closure occurred at the end of November 2015 and the nitrate and iodine operations that will continue to generate production in the remaining industrial plants at the Pedro de Valdivia operation will amount to approximately one third of the current production volumes.

Note 32 Closure of the Pedro de Valdivia Site (continued)

This decision is based on the fact that the Company has continued to increase its production capacity of iodine and nitrate salts in its industrial mining operations at the Nueva Victoria site and has reduced its production costs to meet sales forecasts and increase its current worldwide market share in the iodine market.

As of December 31, 2015, the effect on profit or loss of stopping operations are detailed as follows:

| | ThUS\$ |
|--|---------------|
| Property, plant and equipment | 36,823 |
| Constructions in progress | 3,195 |
| Total property, plant and equipment | 40,018 |
| Legal and voluntary severance indemnity payments | 17,647 |
| Total closure of the Pedro de Valdivia site | 57,665 |

Note 33 Railway for transportation of products between the site Coya Sur and the Port of Tocopilla

As a result of the rain storms that affected the Tocopilla Zone at the beginning of August 2015, SQM S.A. confirmed the existence of damages in several zones in the railway between the sites Coya Sur and Tocopilla. Accordingly, starting from such date the Company has used the transport of trucks replacing the transport through the railway. SQM has performed several internal and external studies with the purpose of determining the costs and terms necessary to repair the damages in the railway.

The analysis of the internal and external reports allows concluding that the costs associated with repairing the damages caused by the rain storms would imply long-terms and high costs, and accordingly, it is not convenient at short and medium-term to repair the railway. Such decision does not affect the production process or imply additional employee reductions.

Consequently, SQM has adjusted the value of the assets associated with the railway (fixed equipment, facilities and rolling equipment), which has translated into a charge of approximately US\$32 million which are reflected in the line other expenses by function in the consolidated statement of income for the period. Such amount approximately represents 0.7% of SQM's total assets reported at the end of September 2016.

Note 34 Events occurred after the reporting date

34.1 Authorization of the financial statements

The consolidated financial statements of Sociedad Química y Minera de Chile S.A. and subsidiaries prepared in accordance with International Financial Reporting Standards for the period ended December 31, 2016 were approved and authorized for issuance by Management on April 26, 2017.

Note 34 Events occurred after the reporting date, (continued)

34.2 Disclosures on events occurring after the reporting date

On January 13, 2017, the Company entered into agreements with the Department of Justice (the “DOJ”) and the Securities and Exchange Commission (the “SEC”), both based in the United States of America (the “United States”), with respect to the investigations that such agencies have conducted as a result of payments to suppliers and entities that might have been related to politically exposed persons during the years from 2008 through 2015, which resulted in the performance of an internal investigation at the Company through an Ad-hoc Committee from its Board of Directors and which was led by the law firm Shearman & Sterling (the “Investigated Facts”). Because the Company’s securities are traded in the United States, the Company is subject to the U.S. legislation. The Company has voluntarily provided the results of its internal investigation and documents supporting it to the DOJ, the SEC and the relevant Chilean authorities.

In conformity with the terms of the agreement entered into with the DOJ, referred to as Deferred Prosecution Agreement (the “DPA”), the Company has accepted that the DOJ presents (i) a charge for the infractions referred to the absence of implementation of effective internal accounting systems and internal accounting controls and (ii) a charge for infractions related to failure to properly maintain accounting ledgers, records and sections with respect to the Investigated Facts. By virtue of the DPA, the DOJ has agreed not to prosecute those charges against the Company for a period of 3 years and releasing the Company from such responsibility after such period to the extent that within such term the Company complies with the terms in the DPA, which include the payment of a fine of 15,487,500 United States dollars (“U.S. dollars”) and the acceptance of an external monitor for a term of 24 months (the “Monitor”) which evaluates the Company’s compliance program, for a subsequent independent report by the Company for an additional year.

With respect to the agreement entered into with the SEC, the Company has agreed to (i) pay a fine of 15 million of U.S. dollars and (ii) maintaining the Monitor for the aforementioned term.

The SEC has issued a Cease and Desist Order which does not identify any other events of noncompliance with the standards applicable in the United States.

The aforementioned amounts of approximately US\$30.5 million were reflected in the profit or loss of SQM during the fourth quarter of 2016 in the line item Other expenses by function.

Management is not aware of any other significant events occurring between December 31, 2016 and the date of issuance of these consolidated financial statements, which affect them.

34.3 Detail of dividends declared after the reporting date

As of the closing date of the financial statements, there are no dividends declared after the reporting date.

On April 11, 2017, the Board of Directors, agreed to recommend to the shareholders the payment of a definitive dividend representing 100% of the 2016 net income. This definitive dividend payment will be presented for consideration at the Annual General Shareholders’ Meeting held on April 28, 2017. Therefore, and subject to the approval at the Shareholders’ meeting, the Company shall pay a final dividend of US\$1.05735 per share, the amount of US\$0.85487 per share must be deducted from the final dividend, which was already paid as a provisional dividend on December 20, 2016. The balance, in the amount of US\$0.20248 per share, shall be paid and distributed to Company’s shareholders on May 11, 2017., pending shareholders’ approval.

Exhibit 8.1

Significant Subsidiaries of Sociedad Química y Minera de Chile S.A.

| <u>Name of Subsidiary</u> | <u>Country of Incorporation</u> |
|---|---------------------------------|
| SQM Industrial S.A. | Chile |
| SQM Nitratos S.A. | Chile |
| SQM Salar S.A. | Chile |
| Minera Nueva Victoria S.A. | Chile |
| Servicios Integrales de Transito y Transferencia S.A. | Chile |
| Soquimich Comercial S.A. | Chile |
| SQM Potasios. S.A. | Chile |
| SQM North America Corp. | USA |
| SQM Europe N.V. | Belgium |

For a complete list of foreign and domestic subsidiaries see Note 2.5 of the Consolidated Financial Statements.

Exhibit 12.1

CHIEF EXECUTIVE OFFICER CERTIFICATION
(Pursuant to Section 302)

I, Patricio de Solminihac, certify that:

1. I have reviewed this annual report on Form 20-F of Sociedad Química y Minera de Chile S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Patricio de Solminihac T.

Name: Patricio de Solminihac T.

Title: Chief Executive Officer

Date: April 26, 2017

Exhibit 12.2

CHIEF FINANCIAL OFFICER CERTIFICATION
(Pursuant to Section 302)

I, Ricardo Ramos, certify that:

1. I have reviewed this annual report on Form 20-F of Sociedad Química y Minera de Chile S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Ricardo Ramos R.

Name: Ricardo Ramos R.

Title: Chief Financial Officer and Business Development Senior Vice President

Date: April 26, 2017

Exhibit 13.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Patricio de Solminihac, Chief Executive Officer of Sociedad Química y Minera de Chile S.A. (“SQM”), a corporation incorporated under the laws of the Republic of Chile, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Annual Report of SQM on Form 20-F for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Annual Report on Form 20-F fairly presents, in all material respects, the financial condition and results of operations of SQM.

/s/ Patricio de Solminihac T.

Name: Patricio de Solminihac T.

Title: Chief Executive Officer

Date: April 26, 2017

Exhibit 13.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ricardo Ramos, Chief Financial Officer of Sociedad Química y Minera de Chile S.A. (“SQM”), a corporation incorporated under the laws of the Republic of Chile, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Annual Report of SQM on Form 20-F for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Annual Report on Form 20-F fairly presents, in all material respects, the financial condition and results of operations of SQM.

/s/ Ricardo Ramos R.

Name: Ricardo Ramos R.

Title: Chief Financial Officer and Business Development Senior Vice President

Date: April 26, 2017

Exhibit 23.1

CONSENT OF EXPERT

I consent to the reference to me under the headings “Item 3.A Selected Financial Data–Risks Relating To Our Business–Our Reserve Estimates Could Be Subject To Significant Changes,” “Item 4.D Property, Plant and Equipment–Caliche: Facilities and Reserves” and “Item 19. Exhibits” in the Annual Report on Form 20-F of Sociedad Química y Minera de Chile S.A. (“SQM”) for the fiscal year ended December 31, 2016:

April 26, 2017

/s/ Sergio Alarcón

Sergio Alarcón

Geology Supervisor of SQM

Exhibit 23.2

CONSENT OF EXPERT

I consent to the reference to me under the headings “Item 3.A Selected Financial Data–Risks Relating To Our Business–Our Reserve Estimates Could Be Subject To Significant Changes,” “Item 4.D Property, Plant and Equipment–Caliche: Facilities and Reserves” and “Item 19. Exhibits” in the Annual Report on Form 20-F of Sociedad Química y Minera de Chile S.A. (“SQM”) for the fiscal year ended December 31, 2016:

April 26, 2017

/s/ Orlando Rojas

Orlando Rojas
Partner and Chief Executive Officer of EMI-Ingenieros y
Consultores S.A.

Exhibit 23.3

CONSENT OF EXPERT

I consent to the reference to me under the headings “Item 3.A Selected Financial Data–Risks Relating To Our Business–Our Reserve Estimates Could Be Subject To Significant Changes,” “Item 4.D Property, Plant and Equipment–Brines from the Salar de Atacama: Facilities and Reserves” and “Item 19. Exhibits” in the Annual Report on Form 20-F of Sociedad Química y Minera de Chile S.A. (“SQM”) for the fiscal year ended December 31, 2016:

April 26, 2017

/s/ Álvaro Henríquez
Álvaro Henríquez
Superintendent of Geology of SQM

Exhibit 99.1



CERTIFICATE OF QUALIFIED COMPETENCY

The Chilean **Comisión Calificadora de Competencias en Recursos y Reservas Mineras**¹, certifies that **Mr. Sergio Alarcón Rubilar**, National Id. Nr 8.678.370-3, Geologist, is registered in the Public Registry of Competent Persons in Mining Resources and Reserves from March 2012, under Nr. 0164, with specialization in **Geology**, and that her competencies and experience as a Competent Person allow her to inform and report on mineral resources and reserves

The Chilean Mining Commission issued this certificate at the request of Mr. Alarcón to present:

**UNITED STATES - SECURITIES AND EXCHANGE COMMISSION
FORM 20-F, for the fiscal year ended December 31, 2016**


pp
Gladys Hernández
Executive Secretary



Santiago, March 07, 2017
CM-573-03 2017

Information:

- a. **The Certificate of Qualified Competency** proves the validity of the party's competencies to inform or report about a specific matter or subject in the context of mining resources and reserves in accordance with the competencies and experience of a Competent Person.
- b. **Law No. 20.235 , Article 18^o** : For the preparation of the technical and public reports, the Competent Persons must adhere strictly to the rules, regulations, criteria and procedures established in the Code, and likewise to all other rules of technical character that the Mining Commission enacts using their legal faculties."
- c. **Application of CH 20.235 code** and use of this certificate is the sole responsibility of the person concerned , according to the technical criteria and ethical standards set forth in Law No. 20,235.
- d. For all legal purposes, the Certificate of Good Standing shall be valid only for the management requested

¹ The **Comisión Calificadora de Competencias en Recursos y Reservas Mineras** is a member of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) that groups the organizations of Australia (JORC), Canada (Instrument 43-101), South Africa (SAMRECL U.S.A. (Society of Mining Engineers), Europe (Pan-European Code), Russia (NAEN), Mongolia (MRC), Brazil (CBRR) and Kazakhstan (KAZRCA), which respond to a common international ruling to inform and report exploration prospects, mining resources and reserves.





CERTIFICATE OF QUALIFIED COMPETENCY

The Chilean **Comisión Calificadora de Competencias en Recursos y Reservas Mineras**¹, certifies that Mr. **Orlando Rojas Vercelotti**, National Id. Nr 6.209.299-8, Mining Engineer, is registered in the Public Registry of Competent Persons in Mining Resources and Reserves from August 2011, under Nr. 0118, with specialization in **Mining**, and that her competencies and experience as a Competent Person allow her to inform and report on mineral resources and reserves.

The Chilean Mining Commission issued this certificate at the request of Mr. Rojas to present:

UNITED STATES - SECURITIES AND EXCHANGE COMMISSION FORM 20-F, for the fiscal year ended December 31, 2016


PP
Gladys Hernández
Executive Secretary



Santiago, March 07, 2017
CM - 575 - 69 2017

Information:

- The **Certificate of Qualified Competency** proves the validity of the party's competencies to inform or report about a specific matter or subject in the context of mining resources and reserves in accordance with the competencies and experience of a Competent Person.
- Law No. 20.235 , Article 18^o** : For the preparation of the technical and public reports, the Competent Persons must adhere strictly to the rules, regulations, criteria and procedures established in the Code, and likewise to all other rules of technical character that the Mining Commission enacts using their legal faculties."
- Application of CH 20.235 code** and use of this certificate is the sole responsibility of the person concerned , according to the technical criteria and ethical standards set forth in Law No. 20,235.
- For all legal purposes, the Certificate of Good Standing shall be valid only for the management requested.

¹ The Comisión Calificadora de Competencias en Recursos y Reservas Mineras is a member of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) that groups the organizations of Australia (JORC), Canada (Instrument 43-101), South Africa (SAMREC), U.S.A. (Society of Mining Engineers), Europe (Pan-European Code), Russia (NAEN), Mongolia (MRC), Brazil (CIBR) and Kazakhstan (KAZRCA), which respond to a common international ruling to inform and report exploration prospects, mining resources and reserves.



Exhibit 99.3



CERTIFICATE OF QUALIFIED COMPETENCY

The Chilean **Comisión Calificadora de Competencias en Recursos y Reservas Mineras**¹, certifies that **Mr. Álvaro Henríquez Salazar**, National Id. Nr 13.233.759-4, Geologist, is registered in the Public Registry of Competent Persons in Mining Resources and Reserves from October 2013, under Nr. 0226, with specialization in **Geology**, and that her competencies and experience as a Competent Person allow her to inform and report on mineral resources and reserves

The Chilean Mining Commission issued this certificate at the request of Mr. Henríquez to present:

**UNITED STATES - SECURITIES AND EXCHANGE COMMISSION
FORM 20-F, for the fiscal year ended December 31, 2016**


pp. **Gladys Hernández**
Executive Secretary



Santiago, March 07, 2017
CM - 574 - 03 2017

Information:

- a. **The Certificate of Qualified Competency** proves the validity of the party's competencies to inform or report about a specific matter or subject in the context of mining resources and reserves in accordance with the competencies and experience of a Competent Person.
- b. **Law No. 20.235 , Article 18^o** : For the preparation of the technical and public reports, the Competent Persons must adhere strictly to the rules, regulations, criteria and procedures established in the Code, and likewise to all other rules of technical character that the Mining Commission enacts using their legal faculties."
- c. **Application of CH 20.235 code and use of this certificate** is the sole responsibility of the person concerned , according to the technical criteria and ethical standards set forth in Law No. 20,235.
- d. For all legal purposes, the Certificate of Good Standing shall be valid only for the management requested.

¹ The **Comisión Calificadora de Competencias en Recursos y Reservas Mineras** is a member of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) that groups the organizations of Australia (JORC), Canada (Instrument 43-101), South Africa (SAMREC), U.S.A. (Society of Mining Engineers), Europe (Pan-European Code), Russia (NAEM), Mongolia (MRC), Brazil (CBRR) and Kazakhstan (KAZRCA), which respond to a common international ruling to inform and report exploration prospects, mining resources and reserves.



Luis Thayer Ojeda 166, oficina 706, Providencia - Santiago de Chile - Teléfonos (56) 222 345 134 - 222 343 016

EXECUTION COPY

April 17, 2017

Ladies and Gentlemen:

This letter agreement ("Agreement") is entered into by the subsidiaries of Potash Corporation of Saskatchewan Inc. ("PCS") set forth on the signature pages hereto (the "PCS Shareholders"), the entities designated on the signature pages hereto as the "Cascadas Shareholders" (the "Cascadas Shareholders") and the entities designated on the signature pages hereto as the "Kowa Shareholders" (the "Kowa Shareholders"), each in their capacities as shareholders of Sociedad Química y Minera de Chile S.A. ("SQM"). The Cascadas Shareholders, the Kowa Shareholders and the PCS Shareholders are referred to herein as the "Parties".

Each of the Parties agrees as follows:

1. Overall Governance. The business and affairs of SQM will be managed by its management under the direction of the SQM Board, and not by the Parties. Nothing herein will limit the powers or authority of the SQM Board or management, including as to matters that are the subject matter of this Agreement, or give any of the Parties the right or power to direct the SQM Board or management to take or not to take any action.
2. Dividend Policy. Each of the Parties (a) acknowledges and agrees that the dividend policy set forth on Exhibit A (the "Dividend Policy") is in the best interests of all shareholders of SQM and (b) will take all actions available to it to cause the SQM Board, including any applicable committee thereof, to adopt and comply with the Dividend Policy from and after the date of this Agreement for the entire term of this Agreement.
3. Casting Vote. Notwithstanding anything to the contrary in the Organizational Documents or applicable law, each of the Parties will take all actions available to it to cause SQM to ensure that (a) no matter is approved by the Board of Directors of SQM (the "SQM Board") unless it is affirmatively approved by at least five of the members of the SQM Board and (b) the Chairman of the SQM Board does not exercise a casting vote. Any of the Cascadas Shareholders, the Kowa Shareholders or the PCS Shareholders may terminate the foregoing provisions upon 30 days' prior written notice after the expiration of the SQM Board Term. For purposes of this Agreement, (1) the "SQM Board Term" means the period in which the SQM Board as elected at SQM's 2017 annual meeting of shareholders, with the replacements, if any, that the SQM Board may appoint from time to time, serves as such until election by SQM shareholders of the entire SQM Board at a subsequent annual meeting of SQM shareholders, but not less than 12 months from the date of such meeting, and (2) "Organizational Documents" means the certificate of incorporation (*escritura de constitución*), certificate of existence and legal representation (*certificado de existencia y representación legal*), Bylaws (*estatutos*) or any other similar organizational documents of SQM.

4. SQM Board Successors. In the event that any member of the SQM Board elected by the Class A shareholders ceases to serve as such for any reason (whether by his resignation, removal, disability, death or otherwise) each of the Parties will take all actions available to it to cause the SQM Board to elect his or her successor (or any future successor that is nominated by another SQM Board member) in accordance with the recommendation of the same Party that elected the SQM Board member that ceased to be a member. In the event that the member of the SQM Board elected by the Class B shareholders ceases to serve as such for any reason (whether by his resignation, failure to be re-elected, removal, disability, death or otherwise) (a) none of the Cascadas Shareholders nor the Kowa Shareholders will vote any SQM shares or take any other action that affects the election of his successor or any future successor (the "Class B Successor") and (b) each of the Cascadas Shareholders and the Kowa Shareholders will take all actions available to it to ensure that the SQM Board does not approve any Class B Successor whose election was not approved by majority vote of the Class B shares (excluding any shares beneficially owned by any Cascadas Shareholder or Kowa Shareholder or as to which any Cascadas Shareholder or Kowa Shareholder has a proxy or exercises any voting control) or by the PCS Shareholders, as the case may be.
5. Further Assurances. In addition to other remedies, including specific performance (without the requirement of posting a bond or other form of assurance) or other equitable relief, as well as damages, in the event that the SQM Board takes action that is inconsistent with the expectations expressed in this Agreement, each of the Parties will take all actions available to it to remedy the situation, including, without limitation, reconstituting the Board, causing the removal of any member of the SQM Board who does not act in accordance with this Agreement and replacing such member of the SQM Board with one who will so comply, the Parties acknowledging that each of the Parties that first elected such removed member of the SQM Board will select his or her replacement. In addition, each of the Cascadas Shareholders, the Kowa Shareholders and the PCS Shareholders will cooperate with each other, at the request of any other Party, to execute and deliver any other instruments or documents and take all such further action as any other Party may reasonably request in order to evidence or effectuate the consummation of the events contemplated hereby and to otherwise carry out the intent of the Parties under this Agreement. To the extent permitted by applicable law, in the event there is any conflict between the Organizational Documents and this Agreement, as among the Parties, this Agreement will prevail.
6. Disclaimer. Except as otherwise expressly set forth herein, this Agreement embodies the complete agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, that may have related to the subject matter hereof in any way. Without limitation, the Parties have no agreement, arrangement or understanding except as expressly set forth herein and agree that (a) this Agreement does not constitute a voting agreement nor an *acuerdo de actuación conjunta* under the *Ley de Mercado de Valores* of the Republic of Chile and (b) the Parties are not acting as a "group"

within the meaning of Rule 13d-5 under the United States Securities Exchange Act of 1934, as amended, nor as a *grupo controlador* under the *Ley de Mercado de Valores* of the Republic of Chile.

7. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach, default or noncompliance by another Party, will impair any such right, power or remedy, nor will it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach, default or noncompliance under this Agreement or any waiver on such Party's part of any provisions or conditions of this Agreement, must be in writing and signed by the Parties, or by email by an authorized agent, granting the waiver and will be effective only to the extent specifically set forth in such communication. All remedies will be cumulative and not alternative.
8. Term. The Agreement will become effective as of the date hereof upon execution and continue in full force and effect during the SQM Board Term and such time thereafter until terminated by any of the PCS Shareholders, the Kowa Shareholders or the Cascadas Shareholders, as the case may be, upon 30 days prior written notice given to the other Parties after the expiration of the SQM Board Term.
9. Language: Titles. This agreement is in the English language and will not be translated unless required by any competent governmental authority. In such event, the English version of this agreement will prevail. The titles of the sections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.
10. Successors and Assigns. This Agreement will bind and inure to the benefit of and be enforceable by the Parties and their respective successors and assigns, including any transferee of SQM stock.
11. Governing Law: Jurisdiction.
 - A. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF NEW YORK WITHOUT REGARD TO ITS CONFLICT OF LAWS PRINCIPLES (EXCEPT THAT SUCH CORPORATE ACTIONS, DECISIONS AND ACTIVITIES TO BE CONDUCTED AND ADOPTED BY THE CORPORATE BODIES OF SQM WILL BE GOVERNED BY THE MANDATORY RULES STATED FOR SUCH ACTIONS, DECISIONS AND ACTIVITIES UNDER CHILEAN LAW).
 - B. Each of the Parties irrevocably agrees that all disputes, controversies or claims arising out of or in connection with this Agreement will be finally settled by international arbitration under the Rules of Arbitration of the International Chamber of Commerce (the "ICC Rules") by three arbitrators. Within 30 days

of receiving notice of any dispute, controversy or claim arising out of or in connection with this Agreement, each of the PCS Shareholders, the Kowa Shareholders and the Cascadas Shareholders irrevocably agrees that they will in good faith attempt to agree on arbitrators who are qualified in New York Law. In the event the Parties cannot agree on arbitrators within such 30-day period, then the arbitrators will be appointed in accordance with the ICC Rules. The place of arbitration will be New York, New York. The language of the arbitration will be English. The arbitral award will be final and binding on the Parties, not subject to appeal, and enforceable in accordance with its terms. The Parties agree that by submitting the dispute, controversy or claim to arbitration under the ICC Rules, the Parties undertake to implement any final award rendered by the arbitral tribunal without delay and that the prevailing Parties will be entitled to have the final award enforced in any applicable court. The arbitration costs will be borne by the losing party (or parties) or such other party (or parties) as designated by the arbitrator or arbitral panel (as applicable). In case it is necessary for one or more parties to the dispute to enforce the arbitral award through any type of court proceedings, the other party (or parties) to the dispute will bear all reasonable costs, expenses and attorney fees including any extra court fees or arbitration fees.

C. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY ACTION OR LIABILITY TO THE EXTENT ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (1) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF ANY SUCH ACTION OR LIABILITY, SEEK TO ENFORCE THE FOREGOING WAIVER AND (2) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10(c).

D. The foregoing, and any other provisions of this Agreement, do not affect the respective rights and obligations of the Parties or their respective affiliates in respect of any other matter, whether arising prior to or after the date of this Agreement.

12. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original, but all of which together will constitute one instrument. This Agreement may be executed by facsimile or electronic mail signature(s).

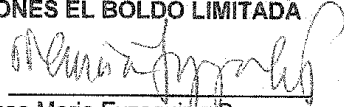
13. Notices. All notices and other communications hereunder will be in writing and will be deemed duly given to the Party to whom the same is delivered by email or

facsimile transmission at the address and with contact information set forth on the signature pages hereto (or at such other address and contact information for a Party as will be specified by notice by such Party to the other Parties).

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us a countersigned copy of this letter, which will thereupon constitute a binding agreement as of the date first written above.


PCS SHAREHOLDERS:

INVERSIONES EL BOLDO LIMITADA

By: 
Name: Jose Maria Eyzaguirre B.
Title: Attorney-in-Fact

Av. Apoquindo 3721, piso 12
comuna de Las Condes
Santiago, Republic of Chile
Email wayne.brownlee@potashcorp.com
jmeyszaguirre@claro.cl
Attention: Wayne Brownlee
Jose Maria Eyzaguirre B.

INVERSIONES RAC CHILE LIMITADA

By: 
Name: Jose Maria Eyzaguirre B.
Title: Attorney-in-Fact

Av. Apoquindo 3721, piso 12
comuna de Las Condes
Santiago, Republic of Chile
Email wayne.brownlee@potashcorp.com
jmeyszaguirre@claro.cl
Attention: Wayne Brownlee
Jose Maria Eyzaguirre B.

INVERSIONES PCS CHILE LIMITADA

By: 

Name: Jose Maria Eyzaguirre B.


Title: Attorney-in-Fact

Av. Apoquindo 3721, piso 12
comuna de Las Condes
Santiago, Republic of Chile
Email wayne.brownlee@potashcorp.com
jmeyzaguirre@claro.cl
Attention: Wayne Brownlee
Jose Maria Eyzaguirre B.

Acknowledged and Agreed as of the date first written above:


CASCADAS SHAREHOLDERS:

SOCIEDAD DE INVERSIONES PAMPA CALICHERA S.A.

By: 
Name: Patricio Contesse Fica
Title: Executive Director

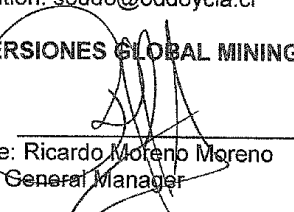
El Trovador 4285, piso 11
comuna de Las Condes
Santiago, Republic of Chile
Email: pcontesse@calichera.cl
Attention: soddo@oddoycia.cl

POTASIOS DE CHILE S.A.

By: 
Name: Patricio Contesse Fica
Title: Executive Director

El Trovador 4285, piso 11
comuna de Las Condes
Santiago, Republic of Chile
Email: pcontesse@calichera.cl
Attention: soddo@oddoycia.cl

INVERSIONES GLOBAL MINING CHILE LIMITADA

By: 
Name: Ricardo Moreno Moreno
Title: General Manager

El Trovador 4285, piso 11
comuna de Las Condes
Santiago, Republic of Chile
Email: ricardo.moreno@calichera.cl
Attention: soddo@oddoycia.cl

Acknowledged and Agreed as of the date first written above:

KOWA SHAREHOLDERS:

KOWA COMPANY LTD.

By: 
Name: Yoshihito Hata
Title: Legal Representative

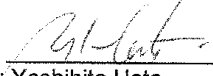
Avenida Apoquindo 3472, oficina 1201
comuna de Las Condes
Santiago, República de Chile
Email: y-hata@kochi.cl
Attention: o-iwasa@kowa.co.jp

INVERSIONES LA ESPERANZA (CHILE) LIMITADA

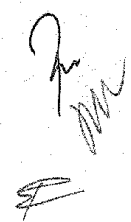
By: 
Name: Yoshihito Hata
Title: General Manager

Avenida Apoquindo 3472, oficina 1201
comuna de Las Condes
Santiago, República de Chile
Email: y-hata@kochi.cl
Attention: o-iwasa@kowa.co.jp

KOCHI S.A.

By: 
Name: Yoshihito Hata
Title: General Manager

Avenida Apoquindo 3472, oficina 1201
comuna de Las Condes
Santiago, República de Chile
Email: y-hata@kochi.cl
Attention: o-iwasa@kowa.co.jp



LA ESPERANZA DELAWARE CORPORATION

By: 
Name: Yoshihito Hata
Title: Legal Representative

Avenida Apoquindo 3472, oficina 1201
comuna de Las Condes
Santiago, República de Chile
Email: y-hata@kochi.cl
Attention: o-iwasa@kowa.co.jp

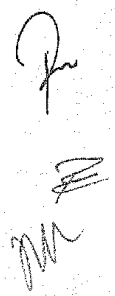


EXHIBIT A

DIVIDEND POLICY FOR BUSINESS YEAR 2017

SOCIEDAD QUÍMICA Y MINERA DE CHILE S.A.

Pursuant to Bulletin N° 687 of the Chilean Superintendence of Securities and Insurance (*Superintendencia de Valores y Seguros*) of February 13, 1987, the Board of Directors of Sociedad Química y Minera de Chile S.A. ("SQM" or the "Company") agrees to inform at the ordinary shareholders' meeting, which is to be held on April 28, 2017, the following 2017 dividend policy:

The dividend policy sets out to distribute the net income obtained from the operations of SQM to its shareholders, while fulfilling its financial commitments, its obligations to the investment and finance policy approved at the ordinary shareholders' meeting, and its investment plans approved by the Board of Directors.

Notwithstanding the obligation to inform a dividend policy in each ordinary shareholders' meeting, in the best interest of SQM and all its shareholders, the Board of Directors has agreed to inform a dividend policy that it expects will be maintained during at least the next three years.

The 2017 dividend policy that the Board expects to be repeated during at least the next three business years, is as follows:

- a) Distribute and pay, as a final dividend (*dividendo definitivo*) and in favor of the respective shareholders, a percentage of the net income that shall be determined per the following financial parameters:
 - (i) 100% of the 2017 net income, when the following financial parameters are met: (a) that the total sum of cash and cash equivalent, other current financial assets ("Cash") divided by the total sum of the current financial liabilities ("Current Financial Liabilities") is equal to or exceeds 2.5 times, and (b) the total sum of the current liabilities and the non-current liabilities ("Total Liabilities") divided by the total sum of the equity ("Equity") is equal to or lower than 1.1 times.
 - (ii) 80% of the 2017 net income when the following financial parameters are met: (a) that Cash divided by Current Financial Liabilities is equal to or

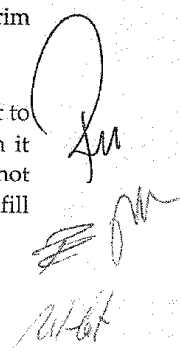
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exceeds 2.0 times, and (b) Total Liabilities divided by Equity is equal to or lower than 1.2 times.

- (iii) 60% of the 2017 net income when the following financial parameters are met: (a) that Cash divided by Current Financial Liabilities is equal to or exceeds 1.5 times, and (b) Total Liabilities divided by Equity is equal to or lower than 1.3 times.

If none of the foregoing financial parameters are met, the Company shall distribute and pay, as a final dividend, and in favor of the respective shareholders, 50% of the 2017 net income.

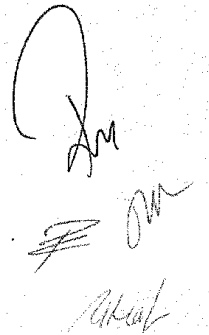
- b) Distribute and pay, if possible and during 2017, three interim dividends (*dividendos provisorios*) that will be charged against the aforementioned final dividend. These interim dividends shall likely be paid during the month following the approval of the March, June, and September 2017 interim financial statements, respectively. Its amounts shall be calculated as follows:
 - (i) For the interim dividends that will be charged to the accumulated net income reflected in the March 2017 interim financial statements, the percentage distributed shall be determined per the financial parameters expressed in letter a) above.
 - (ii) For the interim dividends that will be charged to the accumulated net income reflected in the June 2017 interim financial statements, the percentage distributed shall be determined per the financial parameters expressed in letter a) above, discounting the total amount of interim dividends previously distributed during 2017.
 - (iii) For the interim dividends that will be charged to the accumulated net income reflected in the September 2017 interim financial statements, the percentage distributed shall be determined per the financial parameters expressed in letter a) above, discounting the total amount of interim dividends previously distributed during 2017.
- c) The amount of the interim dividends mentioned above may vary, pursuant to the information available to the Board of Directors on the date on which it agrees to the distribution of said dividends given that the dividend will not materially or negatively affect SQM's capacity to impact its investments, fulfill

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its liabilities, or in general, comply with the investment and finance policy approved at the ordinary shareholders' meeting.

- d) At the ordinary shareholders meeting that will be held in 2018, the Board of Directors shall propose a final dividend pursuant to the financial parameters expressed in letter a) above, discounting the total amount of the interim dividends previously distributed during 2017.
- e) If there is an excess of net income in 2017, this may be retained and assigned or allocated for financing its own operations, to one or more investment projects of the Company, notwithstanding a future distribution of potential dividends (*dividendos eventuales*) charged to the accumulated net income previously approved at the shareholders' meeting, or the possible and future capitalization of all or part of the latter.
- f) The Board of Directors does not consider the payment of additional dividends (*dividendos adicionales*).

It is expressly stated that the dividend policy described above corresponds to the intention of the Board of Directors, and the compliance of it shall depend on the net income that the Company ultimately obtains, as well as the results of periodic projections that could impact the Company, or to the existence of determined conditions that may affect it, as applicable. If the dividend policy exposed by the Board of Directors suffers a substantial change, the Company must communicate it as an essential fact (*hecho esencial*) to the SVS.

The block contains three handwritten signatures or initials in black ink. The top signature is a large, stylized 'D' with a vertical line through it. Below it are two smaller, more cursive signatures, one of which appears to be 'AM'.